

## FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended AUGUST 31, 2009

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-19954

## JEWETT-CAMERON TRADING COMPANY LTD.

(Name of registrant as specified in its charter)

British Columbia, Canada

(State or Incorporation or Organization)

N/A

(IRS Employer ID No.)

32275 NW Hillcrest, North Plains, Oregon, USA 97133

(Address of principal executive offices)

Registrant's Telephone Number 503-647-0110

Securities to be registered pursuant to Section 12(b) of the Act: None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Shares without par value.

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act  
 Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
 Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  
 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
 Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, or a non-accelerated filer.

Large accelerated filer [ ]  
Non-accelerated filer [ ]

Accelerated filer [ ]  
Smaller Reporting Company [ X ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  
[ ] Yes [X] No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed fiscal quarter: August 31, 2009 = \$13,963,306.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of November 13, 2009:  
**2,390,977**

**Jewett-Cameron Trading Company Ltd.**

**Form 10-K Annual Report**

**Fiscal Year Ended August 31, 2009**

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## PART I

### **ITEM 1. BUSINESS**

#### **Forward-Looking Statements**

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words like “plans”, “expects”, “aims”, “believes”, “projects”, “anticipates”, “intends”, “estimates”, “will”, “should”, “could” and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. Forward-looking statements are based on management's current expectations and assumptions, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially from these expectations and assumptions due to changes in global political, economic, business, competitive, market, regulatory and other factors. We undertake no obligation to publicly update or review any forward-looking information, whether as a result of new information, future developments or otherwise.

These factors include, but are not limited to the fact that the Company is in a highly competitive business and may seek additional financing to expand its business, and are set forth in more detail elsewhere in this Annual Report, including in the sections, ITEM 1A, “Risk Factors”, and ITEM 7., “Management's Discussion and Analysis of Financial Condition and Results of Operations”.

#### **Introduction**

Jewett-Cameron Trading Company Ltd. is organized under the laws of British Columbia, Canada. In this Annual Report, the “Company”, “we”, “our” and “us” refer to Jewett-Cameron Trading Company Ltd. and its subsidiaries.

The Company's operations are classified into four reportable segments, which were determined based on the nature of the products offered along with the markets being served. The segments are as follows:

- Industrial wood products
- Lawn, garden, pet and other
- Seed processing and sales
- Industrial tools and clamps

The industrial wood products segment reflects the business conducted by Greenwood Products, Inc. (Greenwood), a wholly owned subsidiary of Jewett-Cameron Lumber Corporation (JCLC). Greenwood is a processor and distributor of industrial wood products. A major product category is treated plywood that is sold to boat manufacturers and the transportation industry.

The lawn, garden, pet and other segment reflects the business of Jewett-Cameron Lumber Corporation, which is a wholesaler of wood products and a manufacturer and distributor of specialty metal products. Wood products include fencing and landscape timbers, while metal products include dog kennels, proprietary gate support systems, perimeter fencing, and greenhouses. JCLC uses contract manufacturers to make the specialty metal products. Some of the products that JCLC distributes flow through the Company's distribution center located in North Plains, Oregon, and some are shipped direct to the customer from the manufacturer. Primary customers are home centers and other retailers.

The seed processing and sales segment reflects the business of Jewett-Cameron Seed Company (JCSC), a wholly owned subsidiary of JCLC. JCSC processes and distributes agricultural seed. Most of this segment's sales come from selling seed to distributors with a lesser amount of sales derived from cleaning seed.

The industrial tools and clamps segment reflects the business of MSI-PRO (MSI), a wholly owned subsidiary of JCLC. MSI imports and distributes products including pneumatic air tools, industrial clamps, and saw blades. These products are primarily sold to retailers that in turn sell to contractors and end users.

Total Company sales were approximately \$42 million and \$64 million during fiscal years ended August 31, 2009 and 2008, respectively.

The Company's principal office is located at 32275 NW Hillcrest Street, North Plains, Oregon; and the Company's website address is [www.jewettcameron.com](http://www.jewettcameron.com). Mail is not delivered to the street address, and the Company's mailing address is P.O. Box 1010, North Plains, OR 97133. The Company's phone number is (503) 647-0110, and the fax number is (503) 647-2272.

The Company files reports and other information with the Securities and Exchange Commission located at 450 Fifth Street N.W., Washington, D.C. 20549. Copies of these filings may be accessed through their website at [www.sec.gov](http://www.sec.gov). Reports are also filed under Canadian regulatory requirements on SEDAR, and these reports may be accessed at [www.sedar.com](http://www.sedar.com).

The contact person for the Company is Donald M. Boone, President, Chief Executive Officer, Treasurer and Director.

At the Company's annual meeting, which was held on March 9, 2007, shareholders approved a three for two stock split, which was distributed on or about March 23, 2007 to holders of record on March 19, 2007. The stock started trading on a post-split basis on March 15, 2007. All share counts and per share figures reflect this stock split.

The Company's authorized capital includes 20,000,000 common shares without par value; and 10,000,000 preferred shares without par value. As of August 31, 2009 there were 2,390,977 common shares outstanding. As of November 13, 2009, there were 2,390,977 common shares outstanding. The Company's common shares are listed on the Toronto Stock Exchange in Canada with the symbol "JCT". The Company's common shares are also listed on the NASDAQ Capital Market in the United States with the symbol "JCTCF".

The Company's fiscal year ends on the last day of August.

## **General Development of Business**

### **Incorporation and Subsidiaries**

Jewett-Cameron Trading Company Ltd. was incorporated under the Company Act of British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation ("JCLC"), which was incorporated in September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. JCLC has the following wholly owned subsidiaries. MSI-PRO Co. ("MSI"), incorporated in April 1996, Jewett-Cameron Seed Company, ("JCSC"), incorporated in October 2000, and Greenwood Products, Inc. ("Greenwood"), incorporated in February 2002. Jewett-Cameron Trading Company, Ltd. and its subsidiaries have no assets in Canada.

### **Corporate Development**

Incorporated in 1953, JCLC operated as a small lumber wholesaler based in Portland, Oregon. In September 1984, the original stockholders sold their interest in the corporation to a new group of investors. Two members of that group remain active in the Company. These individuals are Donald Boone, the President, Chief Executive Officer, Treasurer and Director; and Michael Nasser, Corporate Secretary.

In July 1987, the Company acquired JCLC in what was not an arms-length transaction.

In early 1986, prior to JCLC being acquired by the Company, JCLC acquired Material Supply International ("Material Supply"). Material Supply was engaged in the importation and distribution of pneumatic air tools and industrial clamps. The product line was re-branded as "MSI-PRO" and MSI was incorporated in 1996 to carry-on the business of Material Supply.

In October 2000, JCSC was incorporated in anticipation of JCLC acquiring the business and certain assets of a firm called Agrobiotech Inc. JCSC operates as a seed storage, processing and sales business.

In February 2002, Greenwood was incorporated in anticipation of JCLC acquiring the business and certain assets of Greenwood Forest Products Inc. Greenwood is involved in the processing and distribution of specialty wood products.

## Narrative Description of Business

The Company's operations are classified into four segments. Sales, income from operations, assets, depreciation and amortization, capital expenditures, and interest expense by segment are shown in the footnotes to the financial statements.

### Industrial Wood Products - Greenwood

During fiscal 2009, Greenwood operated out of leased office space located in a suburb of Portland, Oregon. This business involves the wholesale distribution of a variety of specialty wood products. A major product category is treated plywood that is sold to boat manufacturers and the transportation industry.

During fiscal 2009 and 2008, sales to boat manufacturers represented approximately 24% and 59% respectively of total segment sales. Likewise, Greenwood's total sales for fiscal 2009 and 2008 were 27% and 44% respectively of total Company sales.

The markets in which Greenwood competes are sensitive to downturns in the U.S economy.

Inventory is maintained at non-owned warehouse and wood treating facilities throughout the United States and is primarily shipped to customers on a just-in-time basis. There is also some inventory in transit. Inventory is generally not purchased on a speculative basis in anticipation of price changes.

Greenwood has no significant backlog of orders.

### Lawn, Garden, Pet and Other - JCLC

JCLC operates out of a 5.6 acre owned facility located in North Plains, Oregon that includes an office, a warehouse, a paved yard, and a remanufacturing plant. This business is a wholesaler of wood products and a manufacturer and distributor of specialty metal products. Wood products include fencing and landscape timbers, while metal products include dog kennels, proprietary gate support systems, perimeter fencing, and greenhouses. JCLC uses contract manufacturers to make the specialty metal products. Some of the products that JCLC distributes flow through the Company's facility in North Plains, Oregon, and some are shipped direct to the customer from the manufacturer. Primary customers are home centers and other retailers.

The home improvement business is seasonal, with higher levels of sales occurring between February and August. Inventory buildup occurs until the start of the season in February and then gradually declines to seasonal low levels at the end of the summer.

JCLC has concentrated on building a customer base for lawn, garden, and pet related products. Management believes this market is less sensitive to downturns in the U.S. economy than is the market for new home construction.

The wood products that JCLC distributes are not unique and are available from multiple suppliers. However, the metal products that JCLC manufactures and distributes may be somewhat differentiated from similar products available from other suppliers.

JCLC owns the patents and manufacturing rights connected with the Adjust-A-Gate products, which are the gate support systems for wood, vinyl, and composite fences. Management believes the ownership of these patents results in an important competitive advantage for these products. JCLC also has one licensing agreement which covers the licensing of imported products and another which involves the use of a license to market pet products.

Backlog orders are a factor in this business as customers may place firm priced orders for both wood and metal products for shipments to take place three to four months in the future.

### Seed Processing and Sales - JCSC

JCSC operates out of an approximately 13 acre owned facility located adjacent to North Plains, Oregon. JCSC processes and distributes agricultural seed. Most of this segment's sales come from selling seed to distributors with a lesser amount of sales derived from cleaning seed. Even though the harvest and processing cycle is seasonal, sales of JCSC tend to be fairly uniform throughout the year. However, profitability around the month of August may be unusually high based on a seasonal surge in cleaning sales, which are much more profitable sales than product sales.

JCSC has no backlog of sales orders.

### Industrial Tools and Clamps - MSI

This business operates from the same owned facilities as JCLC. MSI imports and distributes products including pneumatic air tools, industrial clamps, and saw blades. These products are primarily sold to retailers that in turn sell to contractors and end users. Sales of these products tend to be relatively uniform throughout the year.

MSI's product line was expanded in the Spring of 2007 to include saw blades, digital calipers, and laser guides. These new products carry the Avenger Products brand label.

### Customer Concentration

The top ten customers were responsible for 60% and 51% of total Company sales for the years ended August 31, 2009 and August 31, 2008 respectively. Also, the Company's single largest customer was responsible for 14% and 8% of total Company sales for the years ended August 31, 2009 and August 31, 2008 respectively.

### Employees

As of August 31, 2009, the Company had 47 full-time employees. By segment these employees were located as follows: Greenwood 9, JCLC 22, JCSC 11, and MSI 5. None of these employees are represented by unions at the Company. Jewett-Cameron Trading Company Ltd. has no direct employees, and the officers of the Company are employed by JCLC.

### Item 1A. Risk Factors

Investors should carefully consider the following risk factors and all other information contained in this Annual Report. There is a great deal of risk involved. Any of the following risks could affect our business, its financial condition, its potential profits or losses, and could result in you losing your entire investment if our business became insolvent. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those not presently known to us or that we currently deem immaterial, also may result in decreased revenues, increased expenses or other events which could result in a decline in the price of our common stock.

#### Risks Related to Our Common Stock

*We may decide to acquire assets or enter into business combinations, which could be paid for, either wholly or partially with our common stock and if we decide to do this our current shareholders would experience dilution in their percentage of ownership.*

Our Articles of Incorporation give our Board of Directors the right to enter into any contract without the approval of our shareholders. Therefore, our management could decide to make an investment (buy shares, loan money, etc.) without shareholder approval. If we acquire an asset or enter into a business combination, this could include exchanging a large amount of our common stock, which could dilute the ownership interest of present stockholders.

***Future stock distributions could be structured in such a way as to be 1) diluting to our current shareholders or 2) could cause a change in control to new investors.***

If we raise additional funds by selling more of our stock, the new stock may have rights, preferences or privileges senior to those of the rights of our existing stock. If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. The result of this would be a lessening of each present stockholder's relative percentage interest in our company.

The Company's common shares currently trade within the NASDAQ Capital Market in the United States and on the Toronto Stock Exchange in Canada. The average daily trading volume of our common stock was 951 shares on NASDAQ for the year ended August 31, 2009 and significantly less in Canada. With this limited trading volume, investors could find it difficult to purchase or sell our common stock.

### **Risks Related to Our Business**

***We could experience a decrease in the demand for our products resulting in lower sales volumes.***

In the past we have at times experienced decreasing products sales with certain customers. The reasons for this can be generally attributed to: increased competition; general economic conditions; demand for products; and consumer interest rates. If economic conditions deteriorate or if consumer preferences change, we could experience a significant decrease in profitability.

***If our top customers were lost, we could experience lower sales volumes.***

For the fiscal year ended August 31, 2009 our top ten customers represented 60% of our total sales, and our single largest customer was responsible for 14% of our total sales. We would experience a significant decrease in sales and profitability and would have to cut back our operations, if these customers were lost and could not be replaced. Our top ten customers are in the U.S. and Canada, and are primarily in the marine and retail home improvement industries.

***We could experience delays in the delivery of our products to our customers causing us to lose business.***

We purchase our products from other vendors and a delay in shipment from these vendors to us could cause significant delays in our delivery to our customers. This could result in a decrease in sales orders to us and we would experience a loss in profitability.

***We could lose our credit agreement and could result in our not being able to pay our creditors.***

We have a line of credit with U.S. Bank in the amount of \$5 million of which \$300,000 is dedicated to standby letters of credit to support international transactions, and \$4,700,000 is available. We are currently in compliance with the requirements of our existing line of credit. If we lost this credit it could become impossible to pay some of our creditors on a timely basis.

***If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could harm our business and we could be subject to regulatory scrutiny.***

We have completed a management assessment of internal controls as prescribed by Section 404 of the Sarbanes-Oxley Act, which we were required to do in connection with our year ended August 31, 2009. Based on this process we did not identify any material weaknesses. Although we believe our internal controls are operating effectively, we cannot guarantee that in the future we will not identify any material weaknesses in connection with this ongoing process.

Furthermore, for the year ending August 31, 2010 our external auditors need to attest to the state of our Section 404 compliance. If our independent registered public accounting firm cannot timely attest to our evaluation, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

## **ITEM 2. PROPERTIES**

The Company's executive offices are located at 32775 NW Hillcrest Street, North Plains, OR 97133. The 5.6 acre facility, which is owned, consists of 40,000 square feet of covered space (6,000 office, 10,000 manufacturing, and 24,000 warehouse), a little over three acres of paved yard space, and was completed in October 1995. The facility provides office space for all of the Company's executive offices and is used as a distribution center to service the Company's customer base for JCLC and MSI.

The property associated with JCSC, which is owned, consists of a little over 13 acres of land, 105,000 square feet of buildings, rolling stock, and equipment. It is currently used for seed processing and storage. It is located at 31345 NW Beach Road, Hillsboro, OR 97124, which is adjacent to North Plains, OR. The Company also leases a seed testing lab located at 31895 NW Hillcrest Street, North Plains, OR 97133. The facility is 2,000 square feet and provides testing facilities for JCSC. The lease expires January 31, 2010, and includes an option to buy the property. The Company pays a \$729 monthly lease payment.

During fiscal 2009, Greenwood functioned out of an approximately 4,000 square foot leased office space located at 5885 SW Meadows Road, Lake Oswego, OR 97035. The lease was originally scheduled to expire on July 31, 2009, and was extended to September 30, 2009. The Company pays a \$7,500 monthly lease payment.

We believe that our facilities are currently adequate for our requirements, and that our current equipment is in good condition and is suitable for the operations involved. However, to accommodate anticipated future growth of JCLC an expansion of office and warehouse space at 32775 NW Hillcrest Street location is being planned.

## **ITEM 3. LEGAL PROCEEDINGS**

One of our subsidiaries was a plaintiff in a lawsuit filed in Portland, Oregon, entitled, Greenwood Products, Inc. et al v. Greenwood Forest Products, Inc. et al., Case No. 05-02553 (Multnomah County Circuit Court).

During fiscal 2002 the Company entered into a purchase agreement to acquire inventory over a 15 month period with an initial estimated value of \$7,000,000 from Greenwood Forest Products, Inc. During the year ended August 31, 2003, the Company completed the final phase of the inventory acquisition. As partial consideration for the purchase of the inventory the Company issued two promissory notes, based on its understanding of the value of the inventory purchased. The Company believes it overpaid the obligation by approximately \$820,000. The holder counterclaimed for approximately \$2,400,000. Management is of the opinion that the counterclaim is of no merit and believes that the Company will be successful in its claim. However, in the event that resolution of the dispute results in a change to the promissory notes, any gain or loss will be recognized in the period that the final determination of the amount is made. Any potential charge is not determinable at this time.

Litigation was completed on March 5, 2007 with the court's general judgment and money award. The net effect was money judgment in favor of Greenwood Forest Products, Inc. for \$242,604 and an award of contested intellectual property rights to the Company. The Company has accrued reserves to cover the money judgment related to this dispute.

Both parties have filed appeals for review of the court's opinion.

The Company does not know of any other material, active or pending legal proceedings against them; nor is the Company involved as a plaintiff in any other material proceeding or pending litigation. The Company knows of no other active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

--- No Disclosure Necessary ---

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common shares trade on the NASDAQ Capital Market (formerly the NASDAQ Small Cap Market) in the United States. The trading symbol for our common stock is "JCTCF" and the CUSIP number for the stock is 47733C-20-7. Our common stock began trading on the NASDAQ Small Cap Stock Market in April 1996.

Table No. 1 lists the volume of trading along with the high, low, and closing sales prices on the NASDAQ Capital Market for the Company's common shares. Prices are adjusted to reflect all stock splits.

Table No. 1  
NASDAQ Capital Market  
Common Shares Trading Activity  
(US Dollars)

| Period Ended | Volume     | High    | Low     | Closing |
|--------------|------------|---------|---------|---------|
| Monthly      |            |         |         |         |
| 9/30/09      | 5,900      | \$ 6.49 | \$ 5.73 | \$ 6.45 |
| Quarterly    |            |         |         |         |
| 8/31/09      | 55,700     | \$ 6.39 | \$ 4.55 | \$ 5.84 |
| 5/31/09      | 41,500     | \$ 5.49 | \$ 4.00 | \$ 4.80 |
| 2/28/09      | 42,300     | \$ 5.65 | \$ 4.37 | \$ 4.92 |
| 11/30/08     | 100,200    | \$ 7.33 | \$ 4.45 | \$ 4.86 |
| 8/31/08      | 85,590     | \$ 7.89 | \$ 6.58 | \$ 7.34 |
| 5/31/08      | 104,529    | \$ 7.77 | \$ 6.56 | \$ 7.05 |
| 2/29/08      | 108,618    | \$ 9.37 | \$ 6.50 | \$ 7.75 |
| 11/30/07     | 377,669    | \$10.48 | \$ 7.25 | \$ 7.50 |
| Yearly       |            |         |         |         |
| 8/31/09      | 239,700    | \$ 7.33 | \$ 4.00 | \$ 5.84 |
| 8/31/08      | 432,286    | \$10.48 | \$ 6.50 | \$ 7.34 |
| 8/31/07      | 2,821,036  | \$12.10 | \$ 6.21 | \$ 9.15 |
| 8/31/06      | 10,418,550 | \$12.77 | \$ 5.21 | \$ 7.26 |
| 8/31/05      | 1,326,299  | \$ 7.31 | \$ 3.33 | \$ 5.99 |

The Company's common shares also trade on the Toronto Stock Exchange in Canada, under the trading symbol "JCT". The common stock commenced public trading on the Toronto Stock Exchange in February 1994 following over six years of trading on the Vancouver Stock Exchange.

Table No. 2 lists the volume of trading along with the high, low, and last prices on the Toronto Stock Exchange for the Company's common shares. Prices are adjusted to reflect all stock splits.

Table No. 2  
Toronto Stock Exchange  
Common Shares Trading Activity  
(Canadian Dollars)

| Period<br>Ended    | Volume | High    | Low     | Last    |
|--------------------|--------|---------|---------|---------|
| Monthly<br>9/30/09 | 2,000  | \$ 6.87 | \$ 6.25 | \$ 6.86 |
| Quarterly          |        |         |         |         |
| 8/31/09            | 2,200  | \$ 6.75 | \$ 5.30 | \$ 6.75 |
| 5/31/08            | 500    | \$ 6.33 | \$ 5.69 | \$ 6.33 |
| 2/28/09            | 3,500  | \$ 6.92 | \$ 4.00 | \$ 5.95 |
| 11/30/08           | 3,300  | \$ 7.50 | \$ 5.75 | \$ 5.75 |
| 8/31/08            | 5,500  | \$ 7.75 | \$ 6.49 | \$ 7.50 |
| 5/31/08            | 100    | \$ 7.75 | \$ 6.60 | \$ 7.75 |
| 2/29/08            | 1,400  | \$ 8.00 | \$ 6.60 | \$ 6.60 |
| 11/30/07           | 700    | \$ 9.39 | \$ 7.55 | \$ 7.55 |
| Yearly             |        |         |         |         |
| 8/31/09            | 9,500  | \$ 7.50 | \$ 4.00 | \$ 6.75 |
| 8/31/08            | 7,700  | \$ 9.39 | \$ 6.49 | \$ 7.50 |
| 8/31/07            | 65,357 | \$11.67 | \$ 7.00 | \$ 9.50 |
| 8/31/06            | 97,500 | \$13.92 | \$ 6.13 | \$ 8.00 |
| 8/31/05            | 59,013 | \$ 8.21 | \$ 4.17 | \$ 7.03 |

### **Holders**

Computershare Investor Services Inc. which is located in Vancouver, British Columbia, Canada is the registrar and transfer agent for the common shares.

On November 13, 2009 there were 2,390,977 of the Company's common shares outstanding.

### **Dividends**

The Company has not declared any dividends since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain earnings for use in its operations, expansion of its business, and the possible repurchase of Company shares. There are no restrictions that limit the ability of the Company to pay dividends on common equity or that are likely to do so in the future.

### **Recent Sales of Securities: Use of Proceeds from Securities**

At a board of directors meeting on October 12, 2007 a resolution was passed for the Company to issue 6,185 common shares to the Company's Employee Stock Ownership Plan (ESOP) to fully fund the Company's obligation to the ESOP as of August 31, 2007.

On July 10, 2007 the Company issued 7,500 common shares upon the exercise of stock options for cash proceeds of \$52,750.

During fiscal 2009 and 2008, the Company issued 0 and 6,185 shares respectively pursuant to its funding of the Employee Stock Option Plan ("ESOP"). The Company relied on the exemption under Regulation 4.2.

## **Purchases of equity securities by the issuer and affiliated purchasers**

The Company has in the past purchased its common stock in the open market using a normal course issuer bid with the intent of subsequently canceling the shares. Canadian regulations limit such purchases to 10% of the public float as of the date of Toronto Stock Exchange approval. During the fiscal years ended August 31, 2009 and 2008 no shares were repurchased.

## **ITEM 6. SELECTED FINANCIAL DATA**

--- No Disclosure Necessary for Smaller Reporting Companies ---

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

The Company's operations are classified into four reportable segments as follows:

- Industrial wood products (Greenwood) – Distribution of specialty wood products.
- Lawn, garden, pet and other (JCLC) – Wholesaling of wood products and manufacturing and distribution of specialty metal products.
- Seed processing and sales (JCSC) – Processing and distribution of agricultural seed.
- Industrial tools and clamps (MSI) – Importing and distribution of products including pneumatic air tools, industrial clamps, and saw blades.

### **Quarterly Results**

The following table summarizes quarterly financial results in fiscal 2009 and fiscal 2008. (Figures are thousands of dollars except per share amounts.)

|                            | <b>For the Year Ended August 31, 2009</b> |                           |                          |                           |                      |
|----------------------------|---|---------------------------|--------------------------|---------------------------|----------------------|
|                            | <b>First<br/>Quarter</b>                  | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> | <b>Full<br/>Year</b> |
| Sales                      | \$10,782                                  | \$9,355                   | \$11,419                 | \$10,574                  | \$42,130             |
| Gross profit               | 2,216                                     | 2,046                     | 2,426                    | 2,214                     | 8,902                |
| Net income                 | 293                                       | 256                       | 484                      | 549                       | 1,582                |
| Basic earnings per share   | \$0.12                                    | \$0.11                    | \$0.20                   | \$0.23                    | \$0.66               |
| Diluted earnings per share | \$0.12                                    | \$0.11                    | \$0.20                   | \$0.23                    | \$0.66               |

  

|                            | <b>For the Year Ended August 31, 2008</b> |                           |                          |                           |                      |
|----------------------------|---|---------------------------|--------------------------|---------------------------|----------------------|
|                            | <b>First<br/>Quarter</b>                  | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> | <b>Full<br/>Year</b> |
| Sales                      | \$14,263                                  | \$15,083                  | \$17,664                 | \$17,311                  | \$64,321             |
| Gross profit               | 2,524                                     | 2,735                     | 3,123                    | 3,007                     | 11,389               |
| Net income                 | 374                                       | 513                       | 960                      | 763                       | 2,610                |
| Basic earnings per share   | \$0.16                                    | \$0.21                    | \$0.40                   | \$0.32                    | \$1.09               |
| Diluted earnings per share | \$0.16                                    | \$0.21                    | \$0.40                   | \$0.32                    | \$1.09               |

## **RESULTS OF OPERATIONS**

### **Fiscal Years Ended August 31, 2009 and August 31, 2008**

Sales totaled \$42,130,097 in fiscal 2009 compared to sales of \$64,321,034 for 2008, which was a decrease of \$22,190,937, or 35%. Primarily this reflects a relatively large decrease in sales at Greenwood due to continued weak demand from boat manufactures.

Gross margin for 2009 was 21.1% compared with 17.7% in 2008. The margin improvement primarily reflects the fact that specialty metal products, which are manufactured and sold by JCLC, have a higher gross margin than the other products that the Company sells. In 2009, metal product sales were a higher percentage of total sales than in the prior year. These metal products represented approximately 41% of total Company sales in 2009 compared with about 30% in the prior year.

Operating expenses decreased by \$772,965 from \$7,015,919 in 2008 to \$6,242,954 in 2009. The decline was due to lower Wages and employee benefits, which fell to \$3,743,847 from \$4,535,823 as the Company reduced its employee count approximately 22%. Other selling, general and administrative expenses and depreciation and amortization expenses were relatively unchanged.

Interest expense decreased from \$189,627 in 2008 to \$43,363 in 2009. The decrease was due to a lower level of borrowing, including the repayment of the entire balance of the Promissory Note outstanding.

The effective income tax rate for 2009 was 39.7% compared with a rate of 38.0% in 2008. The Company calculates income tax expense based on combined federal and state rates that are currently in effect, and the rate in 2009 is close to the statutory rate.

Net income for 2009 was \$1,582,477, or \$0.66 per diluted share, compared with \$2,610,134 or \$1.09 per diluted share in 2008.

#### Industrial Wood Products - Greenwood

Sales at Greenwood were \$11,484,094, which was a decrease of \$16,503,957 or 59% compared to sales of \$27,988,051 in 2008. The sharp decline is attributable to continued weak demand from the boat manufacturing industry. Sales of plywood to boat manufacturers represented approximately 24% and 59% of Greenwood's total sales during 2009 and 2008 respectively, and demand from these customers has been severely affected by weak economic conditions. Furthermore, Greenwood lost a major group of boat manufacturing customers, when a two year contract came up for renewal at June 30, 2008.

Greenwood had an operating loss of (\$395,764) in 2009 compared to operating income of \$1,017,534 in 2008. The decline in operating income reflects the steep decrease in sales. Management has conducted operating expense control at Greenwood, but the current depressed economic conditions, particularly in the boating industry, will likely continue to be a challenge for Greenwood.

#### Lawn, Garden, Pet and Other - JCLC

Sales at JCLC were \$24,759,386 in fiscal 2009, which was a decrease of \$3,080,713, or 11%, compared to sales of \$27,840,099 in 2008. The decline was primarily due to the overall weak economy. The following table shows a breakdown between these two product categories in this segment.

| <u>Fiscal Year</u> | <u>Sales in Millions of Dollars</u> |             |              | <u>Percent of Total Sales</u> |             |              |
|--------------------|-------------------------------------|-------------|--------------|-------------------------------|-------------|--------------|
|                    | <u>Metal</u>                        | <u>Wood</u> | <u>Total</u> | <u>Metal</u>                  | <u>Wood</u> | <u>Total</u> |
| 2009               | \$17.4                              | \$7.4       | \$24.8       | 70%                           | 30%         | 100%         |
| 2008               | \$19.2                              | \$8.6       | \$27.8       | 69%                           | 31%         | 100%         |

Operating income at JCLC was \$3,012,836 in 2009 compared to income of \$3,081,984 in 2008. Although sales in the segment declined by 11%, operating income declined by only 2% due to effective cost controls combined with increased sales percentage of higher margin metal products.

### Seed Processing and Sales - JCSC

Sales at JCSC were \$4,376,530 in 2009 compared to \$7,357,195 in 2008. This represents a decrease of \$2,980,665, or 41%. The lower sales were largely reflective of the overall weak economy. Specifically, there was a decreased demand for grass seed from new home construction and the golf course industry in North America, a factor which is expected to continue in fiscal 2010, combined with price and alternative source changes in the livestock feed industry. Operating income at JCSC was \$99,972 in 2009 compared to \$265,670 in 2008, which was a decrease of \$165,698 or 62%.

### Industrial Tools and Clamps - MSI

Sales at MSI were \$1,510,087 for 2009 compared to \$1,135,689 for 2008, which was an increase of \$374,398 or 33%. Operating income at MSI was \$42,399 in 2009 compared with \$113,346 in 2008, which was an increase of \$70,947 or 63%. The lower operating income was the result of lower gross margins due to heightened market competitiveness.

## LIQUIDITY AND CAPITAL RESOURCES

### Fiscal Year Ended August 31, 2009

As of August 31, 2009 the Company had working capital of \$15,816,890, which represented an increase of \$369,639 compared to working capital of \$16,186,529 as of August 31, 2008. The largest changes affecting working capital were an increase in cash of \$1,070,092 which was primarily based on net income, the reduction in accounts receivable and inventory, and only minimal capital spending during the year. Accounts receivable decreased by \$1,801,945 as a direct reflection of lower sales, combined with active credit risk management during the economic downturn. Inventory decreased by \$1,113,473 as the lower levels of sales required lower inventory levels, and accounts payable decreased by \$586,282. In 2008, the Company also had the current portion of a promissory note of \$367,807 compared to zero in 2009 as the Promissory Note was paid in full in 2009. The ratio of current assets to current liabilities or current ratio as of August 31, 2009 was 9.92 reflecting a very high degree of liquidity.

For the year ended August 31, 2009 the accounts receivable collection period or DSO was 31.2 compared to 36.0 days for the year ended August 31, 2008. Inventory turnover for the year ended August 31, 2009 was 76.5 days compared with 67.8 days for the year ended August 31, 2008.

Based on the Company's current working capital position, its policy of retaining earnings, and the line of credit available, the Company has adequate working capital to meet its needs for the coming fiscal year.

### Short-term and Long-term Debt

External sources of liquidity include a line of credit from U.S. Bank of \$5,000,000 of which \$300,000 is presently dedicated to standby letters of credit to support international transactions. At August 31, 2009 and August 31, 2008, the company had no borrowing balance leaving \$4,700,000 available. Borrowing under the line of credit is secured by an assignment of accounts receivable and inventory. Prior to January 31, 2008 interest was calculated at either prime or the one month LIBOR rate plus 190 basis points. However, starting on January 31, 2008 the borrowing mechanism was simplified, and the interest rate is calculated solely on the one month LIBOR rate plus 190 basis points. As of August 31, 2009 the one month LIBOR rate plus 190 basis points was 2.16% (0.26% + 1.90%). The line of credit has certain financial covenants. The Company is in compliance with these covenants.

During 2009, the Company repaid in full the remaining balance on a promissory note payable to U.S. Bank due on June 15, 2010. As of August 31, 2008, the note payable had a balance of \$2,018,811. This loan was secured by the property at the Company's headquarters location in North Plains, Oregon. The interest rate on this loan was 6.52%, and monthly payments including principal and interest was \$16,601. The Company also had a note payable of \$300,000 bearing interest of 5% per year, which was part of the consideration connected with the purchase of patents and manufacturing rights for fence gate support systems. This note plus accrued interest was due on January 15, 2009, and was repaid in full in fiscal 2009.

The Company is currently exploring possible uses for its cash position to increase shareholder value. This may include a common share repurchase program for some of its currently outstanding common shares.

## **OTHER MATTERS**

### **Contractual Obligations and Commercial Commitments**

|                             | <b>Total</b> | <b>1 Year</b> | <b>2-3 Years</b> | <b>4-5 Years</b> | <b>More Than<br/>5 Years</b> |
|-----------------------------|--------------|---------------|------------------|------------------|------------------------------|
| Long-term debt obligations  | -            | -             | -                | -                | -                            |
| Operating lease obligations | \$ 11,146    | \$ 11,146     | -                | -                | -                            |
| Purchase obligations        | -            | -             | -                | -                | -                            |
| Other long-term liabilities | -            | -             | -                | -                | -                            |

### **Inflation**

The Company does not believe that inflation had a material impact during fiscal 2009 or 2008. Typically the company passes price increases on to the customer.

### **Critical Accounting Policies**

Management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

During the year ended August 31, 2009, the Company did not adopt any new accounting policy that would have a material impact on the consolidated financial statements, nor did it make changes to accounting policies. Senior Management has discussed with the Audit Committee the development, selection and disclosure of accounting estimates used in the preparation of the consolidated financial statements.

### **Recent Accounting Pronouncements**

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*”. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect an entity’s operating results, financial position, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Earlier adoption is permitted. The Company is currently reviewing the provisions of FAS 161 and has not yet adopted the statement. However, as the provisions of SFAS 161 are only related to disclosure of derivative and hedging activities, the Company does not believe the adoption of SFAS 161 will have a material impact on its consolidated operating results, financial position, or cash flows.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*,” (SFAS 160). SFAS 160 amends Accounting Research Bulletin No. 51, “*Consolidated Financial Statements*,” to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard defines a noncontrolling interest, sometimes called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. SFAS 160 requires, among other items, that a noncontrolling interest be included in the consolidated statement of financial position within equity separate from the parent’s equity; consolidated net income to be reported at amounts inclusive of both the parent’s and noncontrolling interest’s shares and, separately, the amounts of consolidated net income attributable to the parent and noncontrolling interest all on the consolidated statement of income; and if a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Management has determined that the adoption of SFAS 160 will not have an impact on the Financial Statements.

In December 2007, the FASB issued SFAS 141(R), which replaces SFAS 141 and retains the fundamental requirements in SFAS 141, including that the purchase method be used for all business combinations and for an acquirer to be identified for each business combination. This standard defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control instead of the date that the consideration is transferred. SFAS 141(R) requires an acquirer in a business combination, including business combinations achieved in stages (step acquisition), to recognize the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. It also requires the recognition of assets acquired and liabilities assumed arising from certain contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. SFAS 141(R) becomes effective for the first annual reporting period beginning on or after December 15, 2008. Management has determined that the adoption of SFAS 141(R) will not have a material impact on the Financial Statements.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets," (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets," (SFAS 142) in order to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other GAAP. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Management has determined that the adoption of FSP FAS 142-3 will not have an impact on the Financial Statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Management has determined that the adoption of FSP EITF 03-6-1 will not have an impact on the Financial Statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles or SFAS No. 162. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. We do not believe that implementation of this standard will have a material impact on our consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"), superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. SFAS 168 reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. SFAS 168 will be effective for financial statements issued for reporting periods that end after September 15, 2009. This will have an impact on the Company's financial statements since all future references to authoritative accounting literature will be references in accordance with SFAS 168.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

The Company did not have any derivative financial instruments as of August 31, 2009, and the Company does not use derivative instruments for trading purposes.

Changes in U.S. interest rates affect the interest earned on the Company's cash equivalents as well as interest paid on debt. The Company has a line of credit with an interest rate based on published rates that may fluctuate over time based on economic changes in the environment. The Company is subject to interest rate risk and could be subject to increased interest payments if market interest rates fluctuate. The Company does not expect any change in the interest rates to have a material adverse effect on the Company's results from operations.

### **Foreign Currency Risk**

The Company operates primarily in the United States. However, a relatively small amount of business is conducted in currencies other than U.S. dollars. Also, to the extent that the Company uses contract manufacturers in China, currency exchange rates can influence the Company's purchasing costs.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

The financial statements and notes thereto are attached hereto. The audit report of Davidson & Company, LLP is included herein immediately preceding the audited financial statements.

#### **Audited Financial Statements: fiscal 2009 and 2008**

Report of Independent Registered Accounting Firm dated November 18, 2009

Consolidated Balance Sheets

Balance Sheets at 8/31/2009 and 8/31/2008

Consolidated Statements of Operations

For the years ended 8/31/2009 and 8/31/2008

Consolidated Statements of Stockholders' Equity

For the years ended 8/31/2009 and 8/31/2008

Consolidated Statements of Cash Flows

For the years ended 8/31/2009 and 8/31/2008

Notes to Financial Statements

Report of Independent Registered Accounting Firm dated November 18, 2009

Schedule II: Valuation and Qualifying Accounts

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in U.S. Dollars)**

**AUGUST 31, 2009**

**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors of  
Jewett-Cameron Trading Company Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Jewett-Cameron Trading Company Ltd. and subsidiaries as at August 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

November 18, 2009



**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)  
AS OF AUGUST 31

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>Current assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 6,828,571         | \$ 5,758,479         |
| Accounts receivable, net of allowance<br>of \$3,816 (August 31, 2008 - \$10,474)   | 3,603,916            | 5,405,861            |
| Inventory, net of allowance<br>of \$313,000 (August 31, 2008 - \$100,000) (note 3) | 6,954,811            | 8,068,284            |
| Note receivable  | 41,500               | -                    |
| Prepaid expenses   | 160,809              | 138,957              |
| Prepaid income taxes   | 43,805               | 13,753               |
| Total current assets   | 17,633,412           | 19,385,334           |
| <b>Property, plant and equipment, net</b> (note 4)                                 | 1,872,191            | 1,861,652            |
| <b>Intangible assets, net</b> (note 5)   | 662,045              | 740,382              |
| <b>Deferred income taxes</b> (note 6)  | 261,780              | 192,870              |
| <b>Total assets</b>  | <u>\$ 20,429,428</u> | <u>\$ 22,180,238</u> |

- Continued -

The accompanying notes are an integral part of these consolidated financial statements.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)  
AS OF AUGUST 31

|   | <u>2009</u>         | <u>2008</u>         |
|---|---------------------|---------------------|
| Continued   |                     |                     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>             |                     |                     |
| <b>Current liabilities</b>                              |                     |                     |
| Accounts payable  | \$ 999,562          | \$ 1,585,844        |
| Accrued liabilities                                     | 816,960             | 1,245,154           |
| Current portion of promissory note and note payable     | <u>-</u>            | <u>367,807</u>      |
| Total current liabilities                               | 1,816,522           | 3,198,805           |
| <b>Long term liabilities</b>                            |                     |                     |
| Promissory note (note 8)                                | <u>-</u>            | <u>1,951,004</u>    |
| <b>Total liabilities</b>                                | <u>1,816,522</u>    | <u>5,149,809</u>    |
| <b>Contingent liabilities and commitments (note 13)</b> |                     |                     |
| <b>Stockholders' equity</b>                             |                     |                     |
| Capital stock (note 9)                                  |                     |                     |
| Authorized  |                     |                     |
| 20,000,000 common shares, without par value             |                     |                     |
| 10,000,000 preferred shares, without par value          |                     |                     |
| Issued  |                     |                     |
| 2,390,977 common shares (August 31, 2008 - 2,390,977)   | 2,256,112           | 2,256,112           |
| Additional paid-in capital                              | 600,804             | 600,804             |
| Retained earnings                                       | <u>15,755,990</u>   | <u>14,173,513</u>   |
| Total stockholders' equity                              | <u>18,612,906</u>   | <u>17,030,429</u>   |
| <b>Total liabilities and stockholders' equity</b>       | <u>\$20,429,428</u> | <u>\$22,180,238</u> |

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in U.S. Dollars)  
YEAR ENDED AUGUST 31

|  | 2009          | 2008          |
|--|---------------|---------------|
| <b>SALES</b>   | \$ 42,130,097 | \$ 64,321,034 |
| <b>COST OF SALES</b>   | 33,228,338    | 52,932,232    |
| <b>GROSS PROFIT</b>  | 8,901,759     | 11,388,802    |
| <b>OPERATING EXPENSES</b>                                    |               |               |
| Selling, general and administrative                          | 2,182,143     | 2,166,535     |
| Depreciation and amortization                                | 316,964       | 313,561       |
| Wages and employee benefits                                  | 3,743,847     | 4,535,823     |
|  | 6,242,954     | 7,015,919     |
| <b>Income from operations</b>                                | 2,658,805     | 4,372,883     |
| <b>OTHER ITEMS</b>   |               |               |
| Gain on sale of property, plant and equipment                | 2,850         | 16,115        |
| Interest and other income                                    | 5,445         | 7,571         |
| Interest expense   | (43,363)      | (189,627)     |
|  | (35,068)      | (165,941)     |
| <b>Income before income taxes</b>                            | 2,623,737     | 4,206,942     |
| <b>Income taxes (note 6)</b>                                 |               |               |
| Current  | 1,110,170     | 1,669,978     |
| Deferred (recovered)   | (68,910)      | (73,170)      |
|  | 1,041,260     | 1,596,808     |
| <b>Net income for the year</b>                               | \$ 1,582,477  | \$ 2,610,134  |
| <b>Basic earnings per common share</b>                       | \$ 0.66       | \$ 1.09       |
| <b>Diluted earnings per common share</b>                     | \$ 0.66       | \$ 1.09       |
| <b>Weighted average number of common shares outstanding:</b> |               |               |
| Basic  | 2,390,977     | 2,390,284     |
| Diluted  | 2,390,977     | 2,391,004     |

The accompanying notes are an integral part of these consolidated financial statements.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
(Expressed in U.S. Dollars)  
YEAR ENDED AUGUST 31

| <b>Common Stock</b>    |                     |              |                                  |                      |               |
|------------------------|---------------------|--------------|----------------------------------|----------------------|---------------|
|                        | Number<br>of Shares | Amount       | Additional<br>paid-in<br>capital | Retained<br>earnings | Total         |
| <b>August 31, 2007</b> | 2,384,792           | \$ 2,200,014 | \$ 600,804                       | \$ 11,563,379        | \$ 14,364,197 |
| Net income             | -                   | -            | -                                | 2,610,134            | 2,610,134     |
| Shares issued to ESOP  | 6,185               | 56,098       | -                                | -                    | 56,098        |
| <b>August 31, 2008</b> | 2,390,977           | 2,256,112    | 600,804                          | 14,173,513           | 17,030,429    |
| Net income             | -                   | -            | -                                | 1,582,477            | 1,582,477     |
| <b>August 31, 2009</b> | 2,390,977           | \$ 2,256,112 | \$ 600,804                       | \$ 15,755,990        | \$ 18,612,906 |

The accompanying notes are an integral part of these consolidated financial statements.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. Dollars)  
YEAR ENDED AUGUST 31

|  | 2009                | 2008                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |                     |                     |
| Net income   | \$ 1,582,477        | \$ 2,610,134        |
| Items not affecting cash:                            |                     |                     |
| Depreciation and amortization                        | 316,964             | 313,561             |
| Gain on sale of property, plant and equipment        | (2,850)             | (16,115)            |
| Deferred income taxes                                | (68,910)            | (73,170)            |
| Changes in non-cash working capital items:           |                     |                     |
| Decrease in accounts receivable                      | 1,801,945           | 1,039,423           |
| Increase in note receivable                          | (41,500)            | -                   |
| Decrease in inventory                                | 1,113,473           | 2,810,259           |
| (Increase) decrease in prepaid expenses              | (21,852)            | 63,198              |
| Decrease in accounts payable and accrued liabilities | (1,014,476)         | (699,663)           |
| Decrease in accrued income taxes                     | (30,052)            | (187,510)           |
| Net cash provided by operating activities            | 3,635,219           | 5,860,117           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |                     |                     |
| Proceeds on sale of property, plant and equipment    | 2,850               | 16,500              |
| Purchase of property, plant and equipment            | (249,166)           | (63,582)            |
| Purchase of intangible assets and other              | -                   | (3,595)             |
| Net cash used in investing activities                | (246,316)           | (50,677)            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |                     |                     |
| Repayment of bank indebtedness                       | -                   | (1,059)             |
| Issuance of capital stock for cash                   | -                   | 56,098              |
| Repayment of notes payable                           | (300,000)           | (300,000)           |
| Promissory note                                      | (2,018,811)         | (63,131)            |
| Net cash used in financing activities                | (2,318,811)         | (308,092)           |
| <b>Net increase in cash and cash equivalents</b>     | <b>1,070,092</b>    | <b>5,501,348</b>    |
| <b>Cash and cash equivalents, beginning of year</b>  | <b>5,758,479</b>    | <b>257,131</b>      |
| <b>Cash and cash equivalents, end of year</b>        | <b>\$ 6,828,571</b> | <b>\$ 5,758,479</b> |

**Supplemental disclosure with respect to cash flows (note 16)**

The accompanying notes are an integral part of these consolidated financial statements.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)

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**1. NATURE OF OPERATIONS**

Jewett-Cameron Trading Company Ltd. was incorporated in British Columbia on July 8, 1987 as a holding company for Jewett-Cameron Lumber Corporation (“JCLC”), incorporated September 1953. Jewett-Cameron Trading Company, Ltd. acquired all the shares of JCLC through a stock-for-stock exchange on July 13, 1987, and at that time JCLC became a wholly owned subsidiary. JCLC has the following wholly owned subsidiaries. MSI-PRO Co. (“MSI”), incorporated April 1996, Jewett-Cameron Seed Company, (“JCSC”), incorporated October 2000, and Greenwood Products, Inc. (“Greenwood”), incorporated February 2002. Jewett-Cameron Trading Company, Ltd. and its subsidiaries (the “Company”) have no significant assets in Canada.

The Company, through its subsidiaries, operates out of facilities located in North Plains and the vicinity of Portland, Oregon. JCLC’s business consists of warehouse distribution and direct sales of wood products and specialty metal products to home centers and other retailers located primarily in the United States. Greenwood is a processor and distributor of industrial wood and other specialty building products principally to customers in the marine and transportation industries in the United States. MSI is an importer and distributor of pneumatic air tools and industrial clamps in the United States. JCSC is a processor and distributor of agricultural seeds in the United States.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Generally accepted accounting principles**

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, JCLC, MSI, JCSC, and Greenwood, all of which are incorporated under the laws of Oregon, U.S.A.

Significant inter-company balances and transactions have been eliminated upon consolidation.

**Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into the Company’s consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowances for doubtful accounts receivable and inventory obsolescence, possible product liability and possible product returns, and litigation contingencies and claims. Actual results could differ from those estimates.

**Cash and cash equivalents**

The Company considers cash and cash equivalents to be highly liquid in nature. At August 31, 2009, cash and cash equivalents consisted of cash of \$3,812,010 held at U.S. Bank and \$3,016,561 in a money market fund that invests almost exclusively in U.S. Treasury Bills. At August 31, 2008 cash and cash equivalents consisted of cash of \$1,755,985 and \$4,002,494 in the money market fund. The Company has not experienced any losses in such accounts.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Accounts receivable**

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable primarily includes trade receivables from customers. The Company estimates doubtful accounts on an item-by-item basis and includes over aged accounts as part of allowance for doubtful accounts, which are generally ones that are ninety days or greater overdue.

The Company extends credit to domestic customers and offers discounts for early payment. When extension of credit is not advisable, the Company relies on either prepayment or a letter of credit.

**Inventory**

Inventory, which consists of finished goods, is recorded at the lower of cost, based on the average cost method, and market. Market is defined as net realizable value. An allowance for potential non-saleable inventory due to excess stock or obsolescence is based upon a review of inventory components.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation over the estimated life of each asset on a straight-line basis over the following periods:

|                     |            |
|---------------------|------------|
| Office equipment    | 5-7 years  |
| Warehouse equipment | 2-10 years |
| Buildings           | 5-30 years |

**Intangibles**

The Company's intangible assets have a finite life and are recorded at cost. The most significant intangible assets are two patents related to our gate support systems. Amortization is calculated using the straight-line method over the remaining lives of 108 months and 120 months, respectively, and are reviewed annually for impairment.

**Asset retirement obligations**

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). The Company does not have any significant asset retirement obligations.

**Impairment of long-lived assets and long-lived assets to be disposed of**

Long-lived assets are reviewed 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 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 and the fair value less costs to sell.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Currency and foreign exchange**

These financial statements are expressed in U.S. dollars as the Company's operations are based only in the United States. Any amounts expressed in Canadian dollars are indicated as such.

The Company does not have non-monetary or monetary assets and liabilities that are in a currency other than the U.S. dollar. Any income statement transactions in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into U.S. dollars are included in current results of operations.

**Earnings per share**

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings per common share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive common shares.

The earnings per share data for the fiscal years ended August 31, 2009 and 2008 are as follows:

|   | 2009         | 2008         |
|---|--------------|--------------|
| Net income  | \$ 1,582,477 | \$ 2,610,134 |
| Basic weighted average number of<br>common shares outstanding   | 2,390,977    | 2,390,284    |
| Effect of dilutive securities<br>Stock options                  | -            | 720          |
| Diluted weighted average number<br>of common shares outstanding | 2,390,977    | 2,391,004    |

**Comprehensive income**

The Company has no items of other comprehensive income in any period presented. Therefore, net income presented in the consolidated statements of operations equals comprehensive income.

**Stock-based compensation**

The Company follows SFAS No. 123(R), "Share-Based Payment" ("SFAS 123(R)"), and related interpretations. All stock-based compensation is recognized as an expense in the financial statements and such costs are measured at the fair value of the award.

No options were granted during the year ended August 31, 2009, and there were no options outstanding on August 31, 2009.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

The Company follows SFAS No. 159 “The Fair Value option for Financial Assets and Financial Liabilities” and uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

*Cash and cash equivalents* - the carrying amount approximates fair value because the amounts consist of cash held at a bank and a money market fund that invests almost exclusively in U.S. Treasury Bills.

*Accounts receivable* - the carrying amounts approximate fair value due to the short-term nature and historical collectability.

*Notes receivable* - the carrying amounts approximate fair value due to the short-term nature of the amount.

*Accounts payable and accrued liabilities* - the carrying amount approximates fair value due to the short-term nature of the obligations.

*Promissory note and note payable* - the fair value of the promissory note and note payable is determined by discounting the future contractual cash flows under current financing arrangements at discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

The estimated fair values of the Company's financial instruments as of August 31, 2009 and 2008 follows:

|  | 2009            |             | 2008            |             |
|--|-----------------|-------------|-----------------|-------------|
|  | Carrying Amount | Fair Value  | Carrying Amount | Fair Value  |
| Cash and cash equivalents                | \$6,828,571     | \$6,828,571 | \$5,758,479     | \$5,758,479 |
| Accounts receivable                      | 3,603,916       | 3,603,916   | 5,405,861       | 5,405,861   |
| Note receivable                          | 41,500          | 41,500      | -               | -           |
| Accounts payable and accrued liabilities | 1,816,522       | 1,816,522   | 2,830,998       | 2,830,998   |
| Promissory note                          | -               | -           | 2,018,811       | 1,932,583   |
| Note payable                             | -               | -           | 300,000         | 312,713     |

The following table presents information about the assets that are measured at fair value on a recurring basis as of August 31, 2009, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

|                           | August 31, 2009 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------|-----------------|---|---|---|
| Assets:                   |                 |   |   |   |
| Cash and cash equivalents | \$ 6,828,571    | \$ 6,828,571                              | \$ —  | \$ —                                      |

The fair values of cash and cash equivalents are determined through market, observable and corroborated sources.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Income taxes are provided in accordance with SFAS No. 109 "*Accounting for Income Taxes*". A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

**Shipping and handling costs**

The Company incurs certain expenses related to preparing, packaging and shipping its products to its customers, mainly third-party transportation fees. All costs related to these activities are included as a component of cost of goods sold in the consolidated statement of operations. All costs billed to the customer are included as revenue in the consolidated statement of operations.

**Revenue recognition**

The Company recognizes revenue from the sales of lumber, building supply products, industrial wood and other specialty products and tools, when the products are shipped, title passes, and the ultimate collection is reasonably assured. Revenue from the Company's seed operations is generated from seed processing, handling and storage services provided to seed growers, and by the sales of seed products. Revenue from the provision of these services and products is recognized when the services have been performed and products sold and collection of the amounts is reasonably assured.

**Reclassifications**

Certain reclassifications have been made to prior periods' financial statements to conform to the classifications used in the current period.

**Recent Accounting Pronouncements**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value.

FASB Staff Position 157-2 ("FSP FAS 157-2") delayed the effective date of FAS 157 until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently assessing the impact of SFAS No. 157 on our financial position and results of operations, but do not anticipate a material impact.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Recent Accounting Pronouncements (cont'd...)**

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*”. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect an entity’s operating results, financial position, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Earlier adoption is permitted. The Company is currently reviewing the provisions of FAS 161 and has not yet adopted the statement. However, as the provisions of SFAS 161 are only related to disclosure of derivative and hedging activities, the Company does not believe the adoption of SFAS 161 will have a material impact on its consolidated operating results, financial position, or cash flows.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51,*” (SFAS 160). SFAS 160 amends Accounting Research Bulletin No. 51, “*Consolidated Financial Statements,*” to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard defines a noncontrolling interest, sometimes called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. SFAS 160 requires, among other items, that a noncontrolling interest be included in the consolidated statement of financial position within equity separate from the parent’s equity; consolidated net income to be reported at amounts inclusive of both the parent’s and noncontrolling interest’s shares and, separately, the amounts of consolidated net income attributable to the parent and noncontrolling interest all on the consolidated statement of income; and if a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Management has determined that the adoption of SFAS 160 will not have an impact on the Financial Statements.

In December 2007, the FASB issued SFAS 141(R), which replaces SFAS 141 and retains the fundamental requirements in SFAS 141, including that the purchase method be used for all business combinations and for an acquirer to be identified for each business combination. This standard defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control instead of the date that the consideration is transferred. SFAS 141(R) requires an acquirer in a business combination, including business combinations achieved in stages (step acquisition), to recognize the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. It also requires the recognition of assets acquired and liabilities assumed arising from certain contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. SFAS 141(R) becomes effective for the first annual reporting period beginning on or after December 15, 2008. Management has determined that the adoption of SFAS 141(R) will not have a material impact on the Financial Statements.

In April 2008, the FASB issued FSP No. FAS 142-3, “*Determination of the Useful Life of Intangible Assets,*” (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “*Goodwill and Other Intangible Assets,*” (SFAS 142) in order to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other GAAP. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Management has determined that the adoption of FSP FAS 142-3 will not have an impact on the Financial Statements.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Management has determined that the adoption of FSP EITF 03-6-1 will not have an impact on the Financial Statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles or SFAS No. 162. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. We do not believe that implementation of this standard will have a material impact on our consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"), superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. SFAS 168 reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. SFAS 168 will be effective for financial statements issued for reporting periods that end after September 15, 2009. This will have an impact on the Company's financial statements since all future references to authoritative accounting literature will be references in accordance with SFAS 168.

**3. INVENTORY**

A summary of inventory as of August 31, 2009 and 2008 follows:

|                                  | <u>2009</u>        | <u>2008</u>        |
|----------------------------------|--------------------|--------------------|
| Wood products and metal products | \$5,356,199        | \$6,945,671        |
| Industrial tools                 | 557,722            | 706,068            |
| Agricultural seed products       | <u>1,040,890</u>   | <u>416,545</u>     |
|                                  | <u>\$6,954,811</u> | <u>\$8,068,284</u> |

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**4. PROPERTY, PLANT AND EQUIPMENT**

A summary of property, plant, and equipment as of August 31, 2009 and 2008 follows:

|                          | <b>2009</b>         | <b>2008</b>         |
|--------------------------|---------------------|---------------------|
| Office equipment         | \$ 677,791          | \$ 615,940          |
| Warehouse equipment      | 1,297,383           | 1,219,360           |
| Buildings                | 2,089,544           | 2,004,306           |
| Land                     | 576,881             | 568,713             |
|                          | <u>4,641,599</u>    | <u>4,408,319</u>    |
| Accumulated depreciation | <u>(2,769,408)</u>  | <u>(2,546,667)</u>  |
| Net book value           | <u>\$ 1,872,191</u> | <u>\$ 1,861,652</u> |

In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future discounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized. Management's estimates of revenues, operating expenses, and operating capital are subject to certain risks and uncertainties which may affect the recoverability of the Company's investments in its assets. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect management's estimate of the net cash flow expected to be generated from its operations.

**5. INTANGIBLE ASSETS**

A summary of intangible assets as of August 31, 2009 and 2008 follows:

|                          | <b>2009</b>       | <b>2008</b>       |
|--------------------------|-------------------|-------------------|
| Patent                   | \$ 850,000        | \$ 850,000        |
| Other                    | 30,605            | 30,605            |
|                          | <u>880,605</u>    | <u>880,605</u>    |
| Accumulated amortization | <u>(218,560)</u>  | <u>(140,223)</u>  |
| Net book value           | <u>\$ 662,045</u> | <u>\$ 740,382</u> |

**6. DEFERRED INCOME TAXES**

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

|  | <b>2009</b>         | <b>2008</b>         |
|--|---------------------|---------------------|
| Computed tax at the federal statutory rate | \$ 982,051          | \$ 1,415,280        |
| State taxes, net of federal benefit        | 124,775             | 184,858             |
| Depreciation                               | 413                 | (14,475)            |
| Inventory reserve                          | (106,876)           | 18,034              |
| Other                                      | 40,897              | (6,889)             |
|  | <u>40,897</u>       | <u>(6,889)</u>      |
| Provision for income taxes                 | <u>\$ 1,041,260</u> | <u>\$ 1,596,808</u> |

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**6. DEFERRED INCOME TAXES (cont'd...)**

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

Deferred income tax assets as of August 31, 2009 of \$261,780 (August 31, 2008 - \$192,870) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| Deferred tax assets:                         |                   |                   |
| Allowance for inventory                      | \$ 232,164        | \$ 125,288        |
| Allowance for bad debts                      | 1,464             | 4,017             |
| Difference between book and tax depreciation | 28,152            | 28,565            |
| Net operating loss carryforwards - Canada    | -                 | 35,000            |
| Total deferred tax assets                    | <u>261,780</u>    | <u>192,870</u>    |
| Valuation allowance                          | <u>-</u>          | <u>-</u>          |
| Net deferred tax assets                      | <u>\$ 261,780</u> | <u>\$ 192,870</u> |

**7. BANK INDEBTEDNESS**

There was no bank indebtedness under the Company's line of credit as of August 31, 2009 or August 31, 2008.

Bank indebtedness, when it exists, is secured by an assignment of accounts receivable and inventory. Prior to January 31, 2008 interest was calculated at either prime or the one month LIBOR rate plus 190 basis points. However, starting on January 31, 2008 the borrowing mechanism was simplified, and the interest rate is calculated solely on the one month LIBOR rate plus 190 basis points.

**8. LONG TERM LIABILITIES**

The carrying amounts are as follows:

|  | <u>2009</u> | <u>2008</u>        |
|--|-------------|--------------------|
| Promissory note due June 15, 2010 bearing interest at 6.52% per annum (monthly payments of \$16,601)                     | \$ -        | \$2,018,811        |
| Note payable bearing interest at 5% per annum with \$300,000 due January 15, 2008 and the remainder due January 15, 2009 | -           | 300,000            |
|  | <u>-</u>    | <u>2,318,811</u>   |
| Less current portion:  |             |                    |
| Promissory note  | -           | 67,807             |
| Note payable   | -           | 300,000            |
|  | <u>-</u>    | <u>367,807</u>     |
| Long term portion  | <u>\$ -</u> | <u>\$1,951,004</u> |

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**8. LONG TERM LIABILITIES (cont'd...)**

The promissory note was secured by the property at the Company's headquarters located in North Plains, Oregon. The note payable was used to partially fund the purchase of the patents related to the fence gate support systems. The Company granted a security interest in the patents.

During the quarter ended February 28, 2009, the Company repaid the note payable in full, and prepaid the full amount of the Promissory Note prior to the due date of June 15, 2010.

**9. CAPITAL STOCK**

**Common stock**

Holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since incorporation.

**10. STOCK OPTIONS**

The Company has a stock option program under which stock options to purchase securities from the Company can be granted to directors and employees of the Company on terms and conditions acceptable to the regulatory authorities of Canada, notably the Toronto Stock Exchange ("TSX"), the Ontario Securities Commission and the British Columbia Securities Commission.

Under the stock option program, stock options for up to 10% of the number of issued and outstanding common shares may be granted from time to time, provided that stock options in favor of any one individual may not exceed 5% of the issued and outstanding common shares. No stock option granted under the stock option program is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee. Generally, no option can be for a term of more than 10 years from the date of the grant.

The exercise price of all stock options, granted under the stock option program, must be at least equal to the fair market value (subject to regulated discounts) of such common shares on the date of grant. Options vest at the discretion of the board of directors.

Stock option activity during the years ended August 31, 2009 and August 31, 2008 is as follows:

|   | Number<br>Of<br>Shares | Weighted<br>Average<br>Exercise Price |
|---|------------------------|---------------------------------------|
| Balance, at August 31, 2007                     | 15,000                 | \$ 7.06                               |
| Granted   | -                      | -                                     |
| Exercised                                       | -                      | -                                     |
| Expired / Forfeited                             | (15,000)               | 7.06                                  |
| Balance, at August 31, 2008 and August 31, 2009 | -                      | \$ -                                  |

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**11. EMPLOYEE STOCK OWNERSHIP PLAN (“ESOP”)**

The Company sponsors an ESOP that covers all U.S. employees who are employed by the Company on August 31 of each year and who have at least one thousand hours with the Company in the twelve months preceding that date. The ESOP grants to participants in the plan certain ownership rights in, but not possession of, or voting control of, the common stock of the Company held by the Trustee of the Plan. Shares of common stock are allocated annually to participants in the ESOP pursuant to a prescribed formula. The Company accounts for its ESOP in accordance with Statement of Position 93-6 “*Employers’ Accounting for Employee Stock Ownership Plans*”. The Company records compensation expense based on the market price of the Company shares when they are allocated. Any dividends on allocated ESOP shares are recorded as a reduction of retained earnings. ESOP compensation expense was \$164,118 and \$158,700 for the fiscal years ended August 31, 2009 and 2008, respectively, and is included in wages and employee benefits. The ESOP shares as of August 31 were as follows:

|                      | <b>2009</b> | <b>2008</b> |
|----------------------|-------------|-------------|
| Shares owned by ESOP | 414,598     | 399,968     |

**12. PENSION AND PROFIT-SHARING PLANS**

The Company has a deferred compensation 401(k) plan for all employees with at least 12 months of service pending a semi-annual enrollment time. For the years ended August 31, 2009 and 2008 the contributions to the pension and profit sharing plan were \$64,105 and \$73,898, respectively. The Company contributes 3% of the first \$100,000 of eligible compensation.

**13. CONTINGENT LIABILITIES AND COMMITMENTS**

- a) One of our subsidiaries was a plaintiff in a lawsuit filed in Portland, Oregon, entitled, Greenwood Products, Inc. et al v. Greenwood Forest Products, Inc. et al., Case No. 05-02553 (Multnomah County Circuit Court).

During fiscal 2002 the Company entered into a purchase agreement to acquire inventory over a 15 month period with an initial estimated value of \$7,000,000 from Greenwood Forest Products, Inc. During the year ended August 31, 2003, the Company completed the final phase of the inventory acquisition. As partial consideration for the purchase of the inventory the Company issued two promissory notes, based on its understanding of the value of the inventory purchased. The Company believes it overpaid the obligation by approximately \$820,000. The holder counterclaimed for approximately \$2,400,000. Management is of the opinion that the counterclaim is of no merit and believes that the Company will be successful in its claim. However, in the event that resolution of the dispute results in a change to the promissory notes, any gain or loss will be recognized in the period that the final determination of the amount is made. Any potential charge is not determinable at this time.

Litigation was completed on March 5, 2007 with the court’s general judgment and money award. The net effect was money judgment in favor of Greenwood Forest Products, Inc. for \$242,604. The Company has accrued reserves to cover the money judgment related to this dispute.

Both parties have filed appeals for review of the court’s opinion.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)

**13. CONTINGENT LIABILITIES AND COMMITMENTS (cont'd...)**

b) Greenwood formerly leased office premises pursuant to operating leases. One of these leases expired on January 31, 2008, and the Company moved to a new location. The new lease scheduled to expire on July 31, 2009, was extended to September 30, 2009, at which point it was terminated and Greenwood co-located its operations in the building utilized by JCLC and MSI. For the years ended August 31, 2009 and 2008 rental expense was \$90,000 and \$131,185, respectively.

JCLC leases office premises pursuant to an operating lease which expires on January 31, 2010. For the years ended August 31, 2009 and 2008 rental expense was \$8,750 and \$8,750 respectively.

Future minimum annual lease payments are as follows:

|             |          |
|-------------|----------|
| Fiscal 2010 | \$11,146 |
| Fiscal 2011 | \$0      |

c) At August 31, 2009 and August 31, 2008 the Company had an un-utilized line-of-credit of \$5,000,000 and \$4,700,000, respectively (note 7). The line-of-credit has certain financial covenants. The Company is in compliance with these covenants.

**14. SEGMENT INFORMATION**

The Company has four principal reportable segments. These reportable segments were determined based on the nature of the products offered. Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates performance based on several factors, of which the primary financial measure is business segment income before taxes. The following tables show the operations of the Company's reportable segments.

Following is a summary of segmented information for the years ended August 31:

|   | <b>2009</b>          | <b>2008</b>          |
|---|----------------------|----------------------|
| <b>Sales to unaffiliated customers:</b>   |                      |                      |
| Industrial wood products                  | \$ 11,484,094        | \$ 27,988,051        |
| Lawn, garden, pet and other               | 24,759,386           | 27,840,099           |
| Seed processing and sales                 | 4,376,530            | 7,357,195            |
| Industrial tools and clamps               | 1,510,087            | 1,135,689            |
|   | <u>\$ 42,130,097</u> | <u>\$ 64,321,034</u> |
| <b>Income (loss) before income taxes:</b> |                      |                      |
| Industrial wood products                  | \$ (395,764)         | \$ 678,170           |
| Lawn, garden, pet and other               | 2,953,804            | 3,239,976            |
| Seed processing and sales                 | 34,082               | 177,794              |
| Industrial tools and clamps               | 9,918                | 66,648               |
| Unallocated overhead                      | 21,697               | 44,354               |
|   | <u>\$ 2,623,737</u>  | <u>\$ 4,206,942</u>  |

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in U.S. Dollars)

**14. SEGMENT INFORMATION (cont'd...)**

**Identifiable assets:**

|                             |                      |                      |
|-----------------------------|----------------------|----------------------|
| Industrial wood products    | \$ 2,812,744         | \$ 5,591,291         |
| Lawn, garden, pet and other | 15,100,160           | 13,928,355           |
| Seed processing and sales   | 1,783,874            | 1,724,490            |
| Industrial tools and clamps | 721,745              | 872,828              |
| Unallocated overhead        | 10,905               | 63,274               |
|                             | <u>\$ 20,429,428</u> | <u>\$ 22,180,238</u> |

**Depreciation and amortization:**

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Industrial wood products    | \$ 4,105          | \$ 6,106          |
| Lawn, garden, pet and other | 293,548           | 288,710           |
| Seed processing and sales   | 12,671            | 12,105            |
| Industrial tools and clamps | 6,640             | 6,640             |
|                             | <u>\$ 316,964</u> | <u>\$ 313,561</u> |

**Capital expenditures:**

|                             |                   |                  |
|-----------------------------|-------------------|------------------|
| Industrial wood products    | \$ 1,500          | \$ 10,762        |
| Lawn, garden, pet and other | 246,646           | 49,556           |
| Seed processing and sales   | 1,019             | 3,264            |
| Industrial tools and clamps | -                 | -                |
|                             | <u>\$ 249,165</u> | <u>\$ 63,582</u> |

**Interest expense:**

|                             |           |            |
|-----------------------------|-----------|------------|
| Lawn, garden, pet and other | \$ 43,363 | \$ 189,627 |
|-----------------------------|-----------|------------|

The following table lists sales made by the Company to customers which were in excess of 10% of total sales for the years ended August 31.

|       |               |             |
|-------|---------------|-------------|
|       | <u>2009</u>   | <u>2008</u> |
| Sales | \$ 17,757,074 | \$ -        |

The Company conducts business primarily in the United States, but also has limited amounts of sales in foreign countries. The following table lists sales by country for the fiscal years ended August 31:

|               |               |               |
|---------------|---------------|---------------|
|               | <u>2009</u>   | <u>2008</u>   |
| United States | \$ 37,570,073 | \$ 59,628,633 |
| Canada        | 3,328,059     | 4,336,487     |
| Mexico        | 360,149       | 203,328       |
| Europe        | 527,131       | 129,175       |
| Asia/Pacific  | 325,454       | 23,411        |
| Africa        | 19,231        | -             |

All of the Company's identifiable assets were located in the United States as of August 31, 2009 and 2008.

**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)

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**15. CONCENTRATIONS**

*Credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a high quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated geographically in the United States amongst a small number of customers. At August 31, 2009 three customers accounted for accounts receivable greater than 10% of total accounts receivable at 41%. At August 31, 2008 one customer accounted for accounts receivable greater than 10% of total accounts receivable at 13%. The Company controls credit risk through credit approvals, credit limits, credit insurance and monitoring procedures. The Company performs credit evaluations of its commercial customers but generally does not require collateral to support accounts receivable.

*Volume of business*

The Company has concentrations in the volume of purchases it conducts with its suppliers. For the fiscal year ended August 31, 2009 there were two suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$11,368,318. For the fiscal year ended August 31, 2008 there were three suppliers that each accounted for greater than 10% of total purchases, and the aggregate purchases amounted to \$20,601,470.

**16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Certain cash payments for the years ended August 31, 2009 and 2008 are summarized as follows:

|                                | <u>2009</u>  | <u>2008</u>  |
|--------------------------------|--------------|--------------|
| Cash paid during the year for: |              |              |
| Interest                       | \$ 59,416    | \$ 203,686   |
| Income taxes                   | \$ 1,140,221 | \$ 1,857,489 |

There were no non-cash investing or financing activities during the years presented.

**17. SUBSEQUENT EVENTS**

We have evaluated all events subsequent to the end of the Company's fiscal year ended on August 31, 2009 through November 18, 2009 and determined there are no subsequent events that require disclosure under SFAS 165.

**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Directors of  
Jewett-Cameron Trading Company Ltd. and Subsidiaries

Our report on the consolidated financial statements of Jewett-Cameron Trading Company Ltd. and Subsidiaries as at August 31, 2009 and 2008 and for the years then ended is included on Page 17 of this Form 10-K. In connection with our audits of such consolidated financial statements, we have also audited the related consolidated financial statement schedule II for the years ended August 31, 2009 and 2008 included in this Form 10-K.

In our opinion, the consolidated financial statement schedule referred to above for the years ended August 31, 2009 and 2008, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information required to be included therein.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

November 18, 2009



**JEWETT-CAMERON TRADING COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENT SCHEDULE**  
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**  
**AUGUST 31, 2009**

|   | Balance at<br>Beginning<br>of Year | Additions<br>Charged to<br>Costs and<br>Expenses | Deductions<br>Credited to<br>Costs and<br>Expenses | Deductions<br>From<br>Reserves | Balance at<br>End of Year |
|---|------------------------------------|--|--|--------------------------------|---------------------------|
| <b>August 31, 2008</b>                                    |                                    |  |  |                                |                           |
| Allowance deducted from related<br>Balance sheet account: |                                    |  |  |                                |                           |
| Inventory   | \$ -                               | \$ 100,000                                       | \$ -   | \$ -                           | \$ 100,000                |
| Deferred tax valuation account                            | \$ -                               | \$ -   | \$ -   | \$ -                           | -                         |

**August 31, 2009**

|   |            |            |      |      |            |
|---|------------|------------|------|------|------------|
| Allowance deducted from related<br>Balance sheet account: |            |            |      |      |            |
| Inventory   | \$ 100,000 | \$ 213,000 | \$ - | \$ - | \$ 313,000 |
| Deferred tax valuation account                            | \$ -       | \$ -       | \$ - | \$ - | \$ -       |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS  
ON ACCOUNTING AND FINANCIAL DISCLOSURE**

--- No Disclosure Necessary ---

**ITEM 9A. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures*

Management has evaluated, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation our Chief Executive Officer and our Chief Financial Officer have concluded that as of the end of the period covered by this report our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized, and reported in a timely manner, and (2) accumulated and communicated to our management including our Chief Executive Officer and our Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under supervision and with the participation of our management including our Chief Executive Officer and our Chief Financial Officer we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation our management concluded that our internal control over financial reporting was effective as of August 31, 2009.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K. These rules of the Securities and Exchange Commission further stipulate that we are not required to include an attestation report of our registered public accounting firm until our fiscal year ending August 31, 2010.

*Changes in Internal Controls*

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

--- No Disclosure Necessary ---

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Table No. 4 lists as of November 13, 2009 the names of the Directors of the Company. The Directors will serve until the next Annual Shareholders' Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles/By-Laws of the Company.

Table No. 4  
Directors

| Name                      | Age | Date First<br>Elected<br>Or Appointed |
|---------------------------|-----|---------------------------------------|
| Donald M. Boone (2)       | 69  | July 1987                             |
| Ted A. Sharp (1) (2)      | 61  | September 2004                        |
| Jeffrey G. Wade (1) (2)   | 68  | March 2007                            |
| Ralph E. Lodewick (1) (2) | 74  | February 2008                         |

- (1) Member of Audit Committee.
- (2) Resident of Oregon, USA and citizen of the United States.

Table No. 5 lists, as of October 19, 2009, the names of the executive officers of the Company. The executive officers serve at the pleasure of the board of directors. All executive officers are residents and citizens of the United States and spend 100% of their time on the affairs of the Company, with the exception of the CFO who spends 50% of his time on the affairs of the Company.

Table No. 5  
Executive Officers

| Name              | Position  | Age | Date of<br>Board Approval |
|-------------------|---|-----|---------------------------|
| Donald M. Boone   | President, Chief Executive Officer and<br>Treasurer | 69  | July 1987                 |
| Murray G. Smith   | Chief Financial Officer                             | 38  | September 2009            |
| Michael C. Nasser | Corporate Secretary                                 | 63  | July 1987                 |

**Family Relationships/Other Relationships/Arrangements**

There are no arrangements or understandings between any two or more directors or executive officers, pursuant to which he/she was selected as a director or executive officer. There are no family relationships, material arrangements or understandings between any two or more directors or executive officers.

## Written Management Agreements

--- No Disclosure Necessary ---

## Business Experience

**Donald M. Boone** has over 41 years of management experience and has been Chief Executive Officer of the Company since its beginning in 1987. Before this he worked for companies including Sunrise Forest Products, Oregon Pacific Industries, and Tektronix.

**Murray G. Smith** is a licensed CPA with over 17 years of accounting and finance leadership experience. Prior to joining Jewett-Cameron as Chief Financial Officer, he led the Company's Sarbanes-Oxley compliance program the past two years. Previous employers have included Intel, Arthur Andersen, Teledyne & Paulson Investment. Mr. Smith is a graduate of the University of Washington.

**Michael C. Nasser** has over 36 years of experience in sales and sales management and has worked in this capacity for the Company since its inception. Prior to this he worked for companies including Sunrise Forest Products and Oregon Pacific Industries. Mr. Nasser is a graduate of Portland State University.

**Ted A. Sharp** is Chairman of the Company's Audit Committee. He has been a Certified Public Accountant since 1978 and since 2002 has been Controller for Cherry City Electric in Salem, Oregon. Previously he was Chief Financial Officer of Cord Communications, and before that he worked for companies including Westower Communications. Mr. Sharp is a graduate of the University of Oregon.

**Jeffrey G. Wade** has around 36 years of business experience holding a variety of positions. These have included Finance Director – International Operations for Novell, Chief Financial Officer of Univel, and Group Controller – International Operations for Tektronix. Mr. Wade has an MBA from Northeastern University, and his undergraduate degree is from Willamette University.

**Ralph E. Lodewick** has an extensive business and governance background covering over 40 years. Employers have included Tektronix and Kelly Services, and he has owned businesses involved in art and music. He has served on the board of directors of City Arts and the Mt. Hood Festival of Jazz. Also, he has been a board member and board president of the Jazz Society of Oregon and the Multnomah Arts Center Association.

## Involvement in Certain Legal Proceedings

There have been no events during the last five years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person including:

- 1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- 2) Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations/other minor offenses);
- 3) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities or banking activities; and
- 4) Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## Audit Committee Financial Expert

Our Board of Directors has determined that Ted Sharp is the "audit committee financial expert", as defined in Item 401(h) of Regulation S-K. Mr. Sharp is independent as that term is used in Section 240.14a-101 under the Exchange Act and as defined under NASDAQ Rule 4200 9a) (15).

### **Audit Committees**

The Company has an audit committee, which recommends to the board of directors the engagement of the independent auditors of the Company and reviews with the independent auditors the scope and results of the Company's audits, the Company's internal accounting controls, and the professional services furnished by the independent auditors to the Company. The board of directors, in light of the increased responsibilities placed on the audit committee during 2002 by the Sarbanes-Oxley Act and the SEC, adopted an Amended and Restated Charter in late 2002.

The audit committee is directly responsible for the appointment, compensation and oversight of auditors; and concerns about accounting and auditing matters; and has the authority to engage independent counsel and other outside advisors.

The audit committee may delegate to one or more designated members of the audit committee the authority to grant pre-approvals required by this policy / procedure. The decisions of any audit committee member to whom authority is delegated to pre-approve a service shall be presented to the audit committee at its next scheduled meeting.

In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, we introduced a procedure for the review and pre-approval of any services performed by Davidson & Company, LLP, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of Davidson & Company, LLP for audit and permitted non-audit services are submitted to the audit committee for approval prior to the beginning of any such services.

The current members of the audit committee are Ted Sharp, Jeff Wade, and Ralph Lodewick. All current members of the audit committee are "independent" within the meaning of the new regulations from the SEC regarding audit committee membership.

The audit committee met three times during Fiscal 2007, three times during Fiscal 2008, and five times in Fiscal 2009.

### **Compliance with Section 16(a) of the Exchange Act.**

All of the officers and directors filed the required paperwork during Fiscal 2009.

### **Code of Ethics**

The Company has a written "code of ethics" that meets the United States' Sarbanes-Oxley standards. The code is posted on the Company's website.

### **Limitation of Liability and Indemnification**

Our certificate of incorporation limits the personal liability of our board members for breaches by them of their fiduciary duties. Our bylaws also require us to indemnify our directors and officers to the fullest extent permitted by British Columbia law. British Columbia law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following acts:

- a. any breach of their duty of loyalty to the Company or its stockholders;
- b. acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- c. unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions; and
- d. any transaction from which the director derived an improper personal benefit.

Such limitation of liability may not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission. In addition, British Columbia laws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether indemnification would be permitted under British Columbia law. We currently maintain liability insurance for our directors and executive officers.

Among other things, this will provide for indemnification of our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or executive officer of ours, any subsidiary of ours or any other company or enterprise to which the person provided services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

#### **ITEM 11. EXECUTIVE COMPENSATION**

Table No. 6 details compensation paid or accrued for fiscal 2009, 2008 and 2007 for the Company's chief executive officer, each of the Company's four most highly compensated executive officers who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$100,000 per year.

Table No. 6  
Summary Compensation Table  
Executive Officers

| Name and<br>Principal<br>Position                                 | Fiscal<br>Year | Annual Compensation |          |                          | Long-term Compensation        |  |                 |                       |           |
|---|----------------|---------------------|----------|--------------------------|-------------------------------|--|-----------------|-----------------------|-----------|
|   |                | Salary              | Bonus    | Other<br>Annual<br>Comp. | Awards                        |  | Payouts         |                       |           |
|   |                |                     |          |                          | Restricted<br>Stock<br>Awards | Securities<br>Underlying<br>Options/<br>SARS (#) | LTIP<br>Payouts | All<br>Other<br>Comp. |           |
| Donald Boone, President,<br>Chief Executive Officer,<br>Treasurer | 2009           | \$36,000            | \$ -     | \$ -                     | \$ -                          | \$ -   | \$ -            | \$ -                  | \$ 3,600  |
|   | 2008           | \$36,000            | \$ -     | \$ -                     | \$ -                          | \$ -   | \$ -            | \$ -                  | \$ 3,420  |
|   | 2007           | \$36,000            | \$ -     | \$ -                     | \$ -                          | \$ -   | \$ -            | \$ -                  | \$ 3,384  |
| Michael Nasser,<br>Corporate Secretary                            | 2009           | \$177,000           | \$60,885 | \$ -                     | \$ -                          | \$ -   | \$ -            | \$ -                  | \$ 10,000 |
|   | 2008           | \$177,000           | \$92,950 | \$ -                     | \$ -                          | \$ -   | \$ -            | \$ -                  | \$ 9,500  |
|   | 2007           | \$177,000           | \$54,250 | \$ -                     | \$ -                          | \$ -   | \$ -            | \$ -                  | \$ 9,400  |

The Company may grant stock options to directors, executive officers and employees. The Company established an ESOP that covers all eligible employees. Also, the Company has a 401(k) Plan; the terms of which call for the Company to contribute 3% of the first \$100,000 of each eligible employee's income to the 401(k) Plan.

Other than participation in the Company's stock option plan, ESOP, and 401(k), no funds were set aside or accrued during fiscal 2009 to provide pension, retirement or similar benefits for directors or executive officers.

The Company has no plans or arrangements with respect to remuneration received or that may be received by executive officers of the Company to compensate such executive officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

No executive officer or director received other compensation in excess of the lesser of \$25,000 or 10% of such officer's cash compensation, and all executive officers or directors as a group did not receive other compensation, which exceeded \$25,000 times the number of persons in the group or 10% of the compensation.

Except for our ESOP and 401(k) Plan we have no material stock option plan, bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers. Michael Nasser received bonuses, which were determined by the Chief Executive Officer.

## **Stock Options**

The Company may grant stock options to purchase securities to directors and employees on terms and conditions acceptable to the regulatory authorities in Canada, notably the Toronto Stock Exchange, the Ontario Securities Commission and British Columbia Securities Commission. The Company has no formal written stock option plan.

Under our stock option program, stock options for up to 10% of the number of our issued and outstanding common shares may be granted from time to time, provided that stock options in favor of any one individual may not exceed 5% of our issued and outstanding common shares. No stock option granted under the stock option program is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

The exercise price of all stock options granted under the stock option program must be at least equal to the fair market value (subject to regulated discounts) of such common shares on the date of grant, and the maximum term of each stock option may not exceed ten years and are determined in accordance with Toronto Stock Exchange ("TSX") guidelines.

During Fiscal 2007 stock options to purchase a total of 37,500 shares were granted to independent directors with a weighted average exercise price of \$7.04. However, options to purchase 15,000 shares with an exercise price of \$7.03 were subsequently forfeited based on one director resigning and one director's term of office ending. Also, options to purchase 7,500 shares were exercised at \$7.03.

During Fiscal 2008 the stock options to purchase 15,000 shares that were outstanding at the beginning of the year were forfeited based on one director's term of office ending and another director not exercising his options prior to expiration. No options were granted during Fiscal 2009, and at year end there were no options outstanding.

## **401(k) Plan**

The Company has a 401(k) Plan, the terms of which call for us to contribute 3% of the first \$100,000 of each of our eligible employee's income to the Plan. The Company's aggregate contribution to the 401(k) Plan was \$64,105 and \$73,898 and for the fiscal years ended August 31, 2009 and August 31, 2008, respectively. The contributions for Donald Boone were \$1,080 and \$1,080 for the fiscal years ended August 31, 2009 and 2008 respectively; and the contributions for Michael Nasser were \$3,000 and \$3,000 for the fiscal years ended August 31, 2009 and 2008 respectively. There are no un-funded liabilities.

## **Employee Stock Ownership Plan (ESOP)**

The Company sponsors an ESOP that covers all U.S. employees who are employed by the Company on August 31st of each year and who have at least one thousand hours with the company in the twelve months preceding that date. The ESOP grants to participants in the plan certain ownership rights in, but not possession of, the common stock of the Company held by the Trustee of the Plan. Shares of common stock are allocated annually to participants in the ESOP pursuant to a prescribed formula. The Company accounts for its ESOP in accordance with Statement of Position 93-6 (Employers' Accounting for Employee Stock Ownership Plans). The Company records compensation expense based on the market price of the shares acquired on the open market or on the price of shares purchased from the Company. ESOP compensation expense was \$164,118 and \$158,700 for the fiscal years ended August 31, 2009 and 2008 respectively. The ESOP shares allocated as of August 31, 2009 and 2008 were 0 and 0 respectively. The contributions for Donald Boone were \$2,520 and \$2,340 for the fiscal years ended August 31, 2009 and 2008 respectively; and the contributions for Michael Nasser were \$7,000 and \$6,500 for the fiscal years ended August 31, 2009 and 2008 respectively. There are no un-funded liabilities.

Starting for the first time in the fiscal year ended August 31, 2008 the compensation expense associated with the ESOP for that year has been invested on behalf of the plan participants in the Vanguard Star Fund, which is a low cost, broadly diversified mutual fund that owns both stocks and bonds. This new move by the Company is designed to provide plan participants with some degree of diversification in their ownership stake in the ESOP.

### **Long-Term Incentive Plan / Defined Benefit or Actuarial Plan**

During fiscal 2009 the Company had no Long-Term Incentive Plan (“LTIP”) and no LTIP awards were made. Also, during Fiscal 2009 the Company had no Defined Benefit or Actuarial Plan.

### **Compensation Committee Interlocks and Insider Participation**

The Company has no compensation committee, and the independent members of the board of directors perform equivalent functions.

No board of director member and none of our executive officers have a relationship that would constitute an interlocking relationship with executive officers and directors of another entity.

### **Employment Contracts**

#### **Termination of Employment and Change-in-Control Arrangements**

--- No Disclosure Necessary ---

### **Director Compensation**

The Company has no formal plan for compensating its directors for their service in their capacity as directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. The board of directors may award special remuneration to any director undertaking any special services on behalf of the Company other than services ordinarily required of a director. During fiscal 2009 the following cash payments were paid to directors to compensate them for board meetings attended: Ted Sharp \$3,700, Jeff Wade \$1,200 and Ralph Lodewick \$2,100.

### **Executive Officer Compensation**

The Company has no compensation committee and a majority of the board of directors performs equivalent functions.

As in prior years all judgments regarding executive compensation for fiscal 2009 were based primarily upon our assessment of each executive officer’s performance and contribution towards enhancing long-term shareowner value. We rely upon judgment and not upon rigid guidelines or formulas or short-term changes in our stock price in determining the amount and mix of compensation for each executive officer.

Decisions concerning 2009 compensation considered each executive officer’s level of responsibility and performance. As noted above, specific decisions involving 2009 executive officer compensation were ultimately based on a judgment about the individual executive officer’s performance and contribution towards enhancing long-term shareholder value.

The board of director’s basis for Donald Boone’s compensation was set many years ago, and this compensation has remained unchanged at his request. This amount of compensation is substantially less than what would ordinarily be considered as normal compensation for being Chief Executive Officer of the Company.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The Company is a publicly owned corporation. It is not controlled directly or indirectly by another corporation or any foreign government.

Table No. 7 shows directors, executive officers, and 5% shareholders who beneficially owned the Company’s common stock and the amount of the Company’s voting stock owned as of November 13, 2009.

Table No. 7.  
Shareholdings of Directors, Executive Officers,  
and 5% Shareholders

| Class   | Name<br>and Address of<br>of Beneficial Owner   | Amount of Beneficial<br>and Voting<br>Ownership | Percent of<br>Class (1) |
|---|---|---|-------------------------|
| Common  | Donald M. Boone (2)<br>12615 S.W. Parkway<br>Portland, Oregon 97225                     | 560,281   | 23.4%                   |
| Common  | Michael C. Nasser (3)<br>3150 S.W. 72nd Avenue<br>Portland, Oregon 97225                | 227,184   | 9.5%                    |
| Common  | Jewett-Cameron ESOP and Trust (4)<br>32275 N.W. Hillcrest<br>North Plains, Oregon 97133 | 414,598   | 17.3%                   |
| Common  | Ted A. Sharp  | 3,500   | 0.1%                    |
| Common  | Ralph E. Lodewick   | 1,500   | 0.1%                    |
| <b>Total directors, executive officers, and 5% shareholders</b> |   | 1,207,063                                       | 50.5%                   |

- (1) Based on 2,390,977 shares outstanding as of November 13, 2009.
- (2) In addition to what is shown in this table Mr. Boone also owned 15,010 shares through his participation in the Company's ESOP.
- (3) In addition to what is shown in this table Mr. Nasser also owned 46,385 shares through his participation in the Company's ESOP.
- (4) Donald M. Boone is the sole Trustee for the Jewett-Cameron Trading Co. Ltd. Employee Stock Option and Trust.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

There have been no transactions or proposed transactions, which have materially affected or will materially affect the Company in which any director, executive officer, or beneficial holder of more than 5% of the outstanding common stock, or any of their respective relatives, spouses, associates or affiliates has had or will have any direct or material indirect interest.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The audit committee is directly responsible for the appointment, compensation and oversight of auditors; and has the authority and the funding to engage independent counsel and other outside advisors.

The audit committee may delegate to one or more designated members of the audit committee the authority to grant pre-approvals required by this policy and procedure. The decisions of any audit committee member to whom authority is delegated to pre-approve a service shall be presented to the audit committee at its next meeting.

In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, we introduced a procedure for the review and pre-approval of any services performed by Davidson & Company, LLP, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of Davidson & Company, LLP for audit and permitted non-audit services are submitted to the finance and audit committee for approval prior to the beginning of any such services.

Fees, including reimbursements for expenses and for professional services rendered by Davidson & Company, LLP to the Company were:

| <b>Principal Accountant<br/>Fees and Services</b> | <b>Fiscal Year</b>                |                   |
|---|-----------------------------------|-------------------|
|   | <b>2009</b>                       | <b>2008</b>       |
| Audit fees  | \$ 125,269                        | \$ 144,851        |
| Tax fees  | 3,937                             | 4,000             |
| All other fees (1)                                | 30,333                            | 33,220            |
| <b>Total</b>                                      | <b>\$ 159,539</b>                 | <b>\$ 182,071</b> |
| (1) FY2009:                                       | \$7,468 to review the Q1 Form 10Q |                   |
|   | \$8,801 to review the Q2 Form 10Q |                   |
|   | \$8,801 to review the Q3 Form 10Q |                   |
|   | \$5,263 for other services        |                   |
| FY2008:   | \$8,321 to review the Q1 Form 10Q |                   |
|   | \$8,321 to review the Q2 Form 10Q |                   |
|   | \$8,801 to review the Q3 Form 10Q |                   |
|   | \$7,777 for other services        |                   |

#### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

##### **(A) Financial Statements and Schedules:**

##### **(B) Exhibits:**

2. Plan of acquisition, reorganization, arrangement, liquidation or succession:  
No Disclosure Necessary
3. Articles of Incorporation/By-Laws:  
Incorporated by reference to Form 10 Registration Statement, as amended.
4. Instruments defining the rights of holders, including indentures  
--- Refer to Exhibit #3 ---
9. Voting Trust Agreements: No Disclosure Necessary.
10. Material Contracts:  
Incorporated by reference to Form 10 Registration Statement, as amended.
11. Statement re Computation of Per Share Earnings: No Disclosure Necessary
12. Statements re computation of ratios: No Disclosure Necessary
13. Annual Report to security holders, Form 10-Q or  
quarterly report to security holders: No Disclosure Necessary
14. Code of Ethics: No Disclosure Necessary
16. Letter on Change of Certifying Accountant: No Disclosure Necessary
18. Letter on change in accounting principles: No Disclosure Necessary
21. Subsidiaries of the Registrant: Refer to page 4 of this Form 10-K
22. Published report regarding matters submitted to vote  
No Disclosure Necessary
23. Consent of Experts and Counsel: No Disclosure Necessary
24. Power of Attorney: No Disclosure Necessary
31. Rule 13a-14a/15d-14(a) Certifications
32. Section 1350 Certifications
99. Additional Exhibits: No Disclosure Necessary

## SIGNATURE PAGE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Jewett-Cameron Trading Company Ltd.  
Registrant

Dated: November 18, 2009

By: /s/ Donald M. Boone  
Donald M. Boone,  
President/CEO/Treasurer/Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: November 18, 2009

By /s/ Donald M. Boone  
Donald M. Boone,  
President/CEO/Treasurer/Director

Dated: November 18, 2009

By /s/ Murray G. Smith  
Murray G. Smith,  
Chief Financial Officer

Dated: November 18, 2009

By /s/ Michael C. Nasser  
Michael C. Nasser,  
Corporate Secretary

Dated: November 18, 2009

By /s/ Ted A. Sharp  
Ted A. Sharp,  
Director

Dated: November 18, 2009

By /s/ Jeffrey G. Wade  
Jeffrey G. Wade,  
Director

Dated: November 18, 2009

By /s/ Ralph E. Lodewick  
Ralph E. Lodewick,  
Director