Parthenon LLC Delivers Open Letter to the Jewett-Cameron (NASDAQ: JCTCF) Board of Directors

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Believes that the Board should immediately begin exploring Strategic Alternatives to maximize Shareholder value

The Performance of the stock has been abysmal

Profitability has collapsed over the past 3 years

Insiders own less than 1% of the outstanding stock

No insider has purchased a single share of stock in 10 years – an unequivocal vote of "no confidence" in the business

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Jewett-Cameron Trading Company LTD.
Attn: The Board of Directors
32275 N.W. Hillcrest

P.O. Box 1010
North Plains, Oregon 97133

Members of the Board of Directors:

Parthenon LLC is one of the largest shareholders of Jewett-Cameron Trading Company Ltd. (NASDAQ: JCTCF), with a beneficial ownership of approximately 6.2%. We have been continuous shareholders since 2011. We have generally been very patient and supportive owners. However, over the past two years, we have discussed our growing apprehension and disappointment with the current CEO and the Board Chairman in numerous conversations. Our warnings, which have unfortunately proven even more prescient than we imagined, have largely been ignored. We are writing this letter to express our serious concerns regarding both the business and stock performance and the extremely problematic prospects for the long-term viability of Jewett-Cameron as an independent public company. In addition, the near-total lack of ownership by the board and management creates a governance structure with an appalling economic and incentive mismatch between insiders and outside shareholders. Management has failed operationally and strategically, yet continues to implement more of the same failed strategies of the past. Management has not articulated any rational, sound plan to address the serious and growing challenges the company faces. We believe management is in denial about the severity of the hurdles the company must surmount to generate positive returns for shareholders. They seem unaware of the need to act with urgency before more (or all) shareholder value is destroyed.

A brief summation of the stock and business performance will serve to illustrate the depth of the problem. <u>Over the past five years ending August 23, Jewett-Cameron stock has returned a horrific negative</u>

46.3%, while the Russell 2000 Index is up 62.4% for the same period. For the past 10 years, the total return in the stock has been negative 11.4%. The Russell 2000 is up 118.8% for the same period. The stock collapse has mirrored the business collapse. For the 10 Fiscal Years (FY) ending August 31, 2012 through 2021, Jewett-Cameron generated an average of approximately $4 million in EBITDA annually with a low of approximately $3 million in FY 2019. In FY 2022, EBITDA declined to $2.4 million. In FY 2023, EBITDA was slightly below $1 million. This fiscal year, through the first nine months ending May 31, EBITDA was approximately negative $1.2 million. We expect the company to be only marginally profitable (if at all) for the fiscal year ending August 2024. Based on management's comments in the third quarter 10-Q, along with our discussions with management and our own analysis, we fear that Fiscal Year 2025 results are likely to be worse than any of the past three years.

The challenges Jewett-Cameron must overcome to return to consistent profitability are, we believe, numerous, daunting, and growing. These include supply chain concentration that carries significant geopolitical risks along with rising procurement costs, limited pricing power with its most important customers, and growing competition in several important product lines. The company has introduced few successful new product line extensions over the past decade, and none that have had a meaningful positive impact on profitability. The weight of all these challenges will be difficult, if not impossible, to overcome as a small independent company with limited resources.

Our fears for the long-term viability of Jewett-Cameron as an independent company have been, as the board knows, echoed by the credit market. The company was forced to search for a new lender for its credit line this past spring after being dropped by their then-current lender. Management was able to secure a new line, but will pay interest computed at the prime rate plus 4.75%. That is now equal to a very painful, and telling, 13.25%. This extremely high-cost debt will weigh heavily on already severely diminished pre-tax profits.

Insiders own only 32,518 shares, or 0.93%. That amounts to $141,453 (at market close on August 23), a shamefully miniscule capital commitment. Even more disturbing, nearly all the shares owned by insiders were obtained through grants and options. Over the past 10 years, based on publicly available information, <u>we think that no board member or senior executive has purchased even a single share of stock.</u> This is a clear, and appalling, vote of "no confidence" in the prospects of the company that insiders manage and oversee.

In addition, we were incredibly disappointed and angered to see the board attempt to entrench themselves by instituting a staggered board in February 2024.   Fortunately, this arrogant and self-serving move was voted down by shareholders (in a true "grassroots" vote, as we are aware of no public campaign waged against the proposal).

We feel that Jewett-Cameron's branded pet containment, area fencing, and wood panel products, along with the company-owned real estate, could have a value well above the public market valuation to a buyer with the capital, expertise, and infrastructure to maximize the returns. The expense synergies in the right "home" are, we believe, potentially quite large. The board should explore, with the assistance of a qualified outside advisor, if the best path forward for the company and shareholders would be for those products to be part of a larger company with much greater resources. We are very concerned this may be the only viable long-term path forward for Jewett-Cameron. We believe the board should immediately begin to fulfill its fiduciary duty to consider the best interests of all shareholders.

Sincerely,

Thomas A. Corea
Chief Executive Officer
Parthenon LLC