



To Our Stockholders:

You are cordially invited to attend our annual meeting of stockholders which will be held at our office located at 3326 – 160<sup>th</sup> Ave SE, Suite 100, Bellevue, WA 98008, on Friday, December 14, 2007, beginning at 10:00 a.m. local time.

The election of directors is the only item of business which will be acted upon at this year's annual meeting. The proxy statement is designed to answer your questions and provide you with important information regarding our Board of Directors and senior management.

This year we are furnishing proxy materials to our stockholders over the Internet. You may read, print and download our annual report and proxy statement at the investor relations section of our website at [www.itex.com/ir](http://www.itex.com/ir). On November 2, 2007, we mailed our stockholders a notice containing instructions on how to access our 2007 proxy statement and annual report and vote online. The notice also provides instruction on how you can request a paper copy of these documents if you desire, and how you can enroll in e-delivery. If you received your annual materials via email, the email contains voting instructions and links to the annual report and proxy statement on the Internet.

Whether or not you plan to attend, your vote is important. Instructions regarding the various methods of voting are contained on the proxy card, including voting by toll-free telephone number or the Internet. If you received a paper copy of the proxy card by mail, you may still vote your shares by marking your votes on the proxy card, signing and dating it and mailing it in the envelope provided.

On behalf of the Board of Directors, we would like to express our appreciation for your continued interest in the affairs of the Company. We look forward to greeting in person as many of our shareholders as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "S. White", is written over a light blue horizontal line.

Steven White  
Chairman of the Board  
Chief Executive Officer

November 2, 2007



**NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS**

**to be held Friday, December 14, 2007  
10:00 a.m. Pacific Standard Time**

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We will hold the 2007 annual meeting of stockholders of ITEX Corporation, a Nevada corporation (the "Company"), at our corporate offices located at 3326 – 160<sup>th</sup> Ave SE, Suite 100, Bellevue, WA 98008, on Friday, December 14, 2007, beginning at 10:00 a.m. local time, for the following purposes:

1. To elect three (3) directors to serve until the next annual meeting of stockholders or until their successors have been elected and qualified;
2. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Stockholders of record at the close of business on October 29, 2007, are entitled to notice of and to vote at the meeting or any postponement or adjournment.

By Order of the Board of Directors

John Wade,  
Secretary  
Bellevue, Washington  
November 2, 2007

## PROXY STATEMENT

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## INFORMATION ABOUT THE MEETING AND VOTING

### *Why did I receive these proxy materials?*

Our Board of Directors has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the solicitation of proxies by the Board for the 2007 Annual Meeting of Stockholders which will be held on December 14, 2007. Proxies are solicited to give all stockholders of record at the close of business on October 29, 2007, an opportunity to vote on matters that come before the annual meeting.

### *Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?*

As permitted by the new rules adopted by the Securities and Exchange Commission, we are making this proxy statement and our annual report available on the Internet. On November 2, 2007, we mailed a notice to stockholders containing instructions on how to access the proxy statement and annual report and vote online. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

### *What am I voting on?*

The Board is soliciting your vote for:

- the election of three (3) directors
- action on such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

### *Who is entitled to vote?*

Stockholders of record at the close of business on the record date, October 29, 2007 (the "Record Date"), are entitled to vote on matters that come before the meeting. Shares can be voted only if the stockholder is present in person or is represented by proxy.

### *How many votes do I have?*

Each share of ITEX common stock that you own as of the Record Date entitles you to one vote. On October 29, 2007, there were 17,726,248 outstanding shares of ITEX common stock.

### *What is the difference between holding shares as a stockholder of record and as a beneficial owner of shares held in street name?*

**Stockholder of Record.** If your shares are registered directly in your name with our transfer agent, OTR Inc., you are considered the stockholder of record with respect to those shares, and the notice was sent directly to you by ITEX.

**Beneficial Owner of Shares Held in Street Name.** If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in “street name,” and the notice was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

### *How do I vote?*

All stockholders may vote by proxy over the Internet by following the instructions provided in the notice, or, if you request printed copies of the proxy materials by mail, you can also vote by mail or by telephone.

If you are a stockholder of record, you may vote in person at the annual meeting. We will give you a ballot when you arrive.

If you are a beneficial owner of shares held in street name and you wish to vote in person at the annual meeting, you must obtain a valid proxy from the organization that holds your shares. If you do not obtain a valid proxy from your bank or broker, you will not be entitled to vote your shares, but you can still attend the annual meeting if you bring a recent bank or brokerage statement showing that you were the beneficial owner of the shares on October 29, 2007, the Record Date for voting.

### *What happens if I do not give specific voting instructions?*

**Stockholders of Record.** If you are a stockholder of record and you:

- Indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board of Directors; or
- If you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

**Beneficial Owners of Shares Held in Street Name.** If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. We believe Proposal 1 (election of directors) and Proposal 2 (other matters presented) will be considered routine. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform us that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a “broker non-vote.” When the vote is tabulated for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not otherwise be counted. We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the notice.

### ***Can I change my vote?***

You can change your vote by revoking your proxy at any time before it is exercised at the meeting in one of four ways:

- vote again on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted); or
- submit a proxy card with a later date;
- vote in person at the annual meeting;
- notify the ITEX Corporate Secretary in writing before the annual meeting that you are revoking your proxy.

Attendance at the annual meeting will not automatically revoke your previously granted proxy unless you vote again at the meeting or specifically request in writing that your prior proxy be revoked.

### ***What does it mean if I get more than one proxy card?***

Your shares are likely registered differently or are in more than one account, such as individually and also jointly with your spouse. To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting our transfer agent, OTR Inc., 1000 SW Broadway, Ste. 920, Portland, Oregon 97205, phone 1-503-225-0375, fax 1-503-273-9168, or, if your shares are held by your broker or bank in “street name,” you should contact the broker or bank who holds your shares.

### ***Why did I receive only one set of proxy materials although there are multiple stockholders at my address?***

If one address is shared by two or more of our stockholders, we send only one set of proxy materials to that address unless we receive instructions to the contrary from any stockholder at that address. This practice, known as householding, is used to reduce our printing and postage costs. If a stockholder of record residing at such an address wishes to receive a separate set of proxy materials in the future, he or she may contact our transfer agent at 1-503-225-0375, fax 1-503-273-9168, or write to OTR Inc., 1000 SW Broadway, Ste. 920, Portland, Oregon 97205. If you are a beneficial owner of shares held in street name, you can request householding by contacting the bank, broker, or nominee.

### ***What constitutes a quorum?***

The presence of the owners of 51 percent of the shares entitled to vote at the annual meeting is required in order to hold the meeting and conduct business. Presence may be in person or by proxy. You will be considered part of the quorum if you voted on the Internet, by telephone or by properly submitting a proxy card or voting instruction form by mail, or if you are present and vote at the annual meeting.

Abstentions and broker “non-votes” are counted as present and entitled to vote for determining whether a quorum is present. For the purpose of determining whether the stockholders have approved a matter, abstentions and broker “non-votes” are not treated as votes cast affirmatively or negatively, and therefore have no effect on the outcome of any matter being voted on at the annual meeting.

If a broker indicates on its proxy that it does not have discretionary authority to vote on a particular matter, the affected shares will be treated as not present and not entitled to vote with respect to

that matter, even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters.

***What is required to approve each proposal?***

***Election of Directors:*** The three nominees who receive the most votes will be elected. Any shares not voted (whether by abstention, broker non-vote, or otherwise) have no impact on the vote.

***Other Matters:*** Approval of any unscheduled matter, such as a matter incident to the conduct of the meeting, would require the affirmative vote of a majority of the votes cast. Any shares not voted (whether by abstention, broker non-vote, or otherwise) have no impact on the vote.

***What are the Board's recommendations on the proposals?***

The Board recommends a vote FOR Proposals 1 and 2.

***How can I attend the annual meeting?***

You are invited to attend the annual meeting only if you were an ITEX stockholder or joint holder as of the close of business on October 29, 2007 or if you hold a valid proxy for the annual meeting. In addition, if you are a stockholder of record (owning shares in your own name), your name will be verified against the list of registered stockholders on the Record Date prior to your being admitted to the annual meeting. If you are not a stockholder of record but hold shares through a broker or nominee (in street name), you should provide proof of beneficial ownership on the Record Date, such as a recent account statement or a copy of the voting instruction card provided by your broker or nominee. The meeting will begin at 10:00 a.m. local time. Check-in will begin at 9:30 a.m. local time.

***How will we solicit proxies and who is paying for this proxy solicitation?***

The cost of soliciting proxies will be borne by us. These costs will include the expense of preparing, assembling, printing and mailing the notice to stockholders of record and beneficial owners and printed proxy materials to stockholders who specifically request them, and reimbursements paid to brokerage firms and others for their reasonable out-of-pocket expenses for forwarding proxy materials to stockholders and obtaining beneficial owners' voting instructions. We have not retained a proxy solicitor in conjunction with the annual meeting. In addition to soliciting proxies by mail, our board members, officers and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone. We will also solicit proxies by email from stockholders who are our employees or who previously requested to receive proxy materials electronically.

***Where can I find voting results of the annual meeting?***

We intend to announce preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-QSB for the second quarter of fiscal 2007.

***What is the deadline for submitting proposals for next year's annual meeting or to nominate individuals to serve as directors?***

You may submit proposals, including director nominations, for consideration at future stockholder meetings.

***Stockholder Proposals:*** For an eligible stockholder proposal to be considered for inclusion in ITEX's proxy statement for the annual meeting next year, the written proposal must be received by the Corporate Secretary of ITEX at our principal executive offices no later than July 7, 2008, which is 120 calendar days prior to the anniversary of this year's mailing date. Stockholder proposals also will need to comply with Securities and Exchange Commission ("SEC") regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. As the rules of the SEC make clear, simply submitting a proposal does not guarantee that it will be included.

To qualify as an "eligible" stockholder, a stockholder must have been a record or beneficial owner of at least one percent (1%) of our outstanding common stock, or shares of common stock having a market value of at least \$2,000, for a period of at least one (1) year prior to submitting the proposal, and the stockholder must continue to hold the shares through the date on which the meeting is held.

SEC regulations establish a deadline for submission of stockholder proposals that are not intended to be included in ITEX's proxy statement with respect to management's use of its discretionary voting authority. For the 2008 annual meeting, a stockholder proposal must be received by the Corporate Secretary of ITEX at our principal executive offices no later than September 18, 2008, which is 45 calendar days prior to the anniversary of this year's mailing date. If a shareholder gives notice of a proposal after this date, management will be allowed to use its discretionary voting authority to vote against the shareholder proposal when and if the proposal is raised at the 2008 Annual Meeting. We have not been notified by any stockholder of his or her intent to present a stockholder proposal from the floor at this year's annual meeting. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

***Nomination of Director Candidates:*** You may propose director candidates for consideration by the Board's Nominating Committee. Any such recommendations should include the nominee's name and qualifications for Board membership, information regarding any relationships between the candidate and ITEX within the last three years and a written indication by the recommended candidate of her or his willingness to serve, and should be directed to the Corporate Secretary of ITEX at the address of our principal executive offices set forth above within the time period described above under "Stockholder Proposals."

***How may I communicate with ITEX's Board or the non-management directors on ITEX's Board?***

You may contact any of our directors by writing to them c/o ITEX Corporation, 3326 – 160<sup>th</sup> Ave SE, Suite 100, Bellevue, WA 98008. You may also send an email to ITEX's Board at board@itex.com. Each communication should specify the applicable director or directors to be contacted as well as the general topic of the communication. We may initially receive and process communications before forwarding them to the applicable director. We generally will not forward to the directors a shareholder communication that is determined to be primarily commercial in nature, that relates to an improper or irrelevant topic, or that requests general information about ITEX. Concerns about accounting or auditing matters or communications intended for non-management directors should be sent to the attention of the Chair of the Audit Committee at the email address above. Our directors may at any time review a log of all correspondence received by ITEX that is addressed to the independent members of the Board and request copies of any such correspondence.

## INFORMATION ABOUT OUR BOARD

### ELECTION OF DIRECTORS (Proposal 1 on Proxy Card)

The persons named as ITEX proxy holders intend to vote for the election of the three nominees listed on the following pages. If you do not wish your shares to be voted for particular nominees, please identify the exceptions in the designated space provided on the proxy card or, if you are voting by telephone or the Internet, follow the instructions provided when you vote. Assuming a quorum is present, the three nominees receiving the highest number of affirmative votes of shares entitled to be voted for them will be elected as directors of the Company. Any shares not voted, whether by abstention, broker non-vote, or otherwise, have no impact on the vote. Stockholders are not entitled to cumulate votes in the election of directors.

If at the time of the meeting one or more of the nominees have become unavailable to serve, shares represented by proxies will be voted for the remaining nominees and for any substitute nominee or nominees designated by the Nominating Committee or, if none, the size of the Board will be reduced. The Nominating Committee knows of no reason why any of the nominees will be unavailable or unable to serve.

Directors elected at the annual meeting will hold office until the next annual meeting or until their successors have been elected and qualified. Each of the three nominees for director is currently a director of the Company. The names of persons who are nominees for director, their ages as of the Record Date, and their positions and offices with the Company are set forth in the table below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Employee Directors:</i>		
Steven White	49	Chairman CEO and Interim CFO
<i>Non-Employee Directors:</i>		
Eric Best	38	Director
John A. Wade	45	Director, Secretary, Treasurer

Following is a discussion of the business background of each director and executive officer. Steven White is a full-time employee of the Company. The other directors devote only such time as may be necessary to our business and affairs. There are no family relationships among any of the directors or executive officers of the Company.

#### **Directors**

*Steven White* has been a director of the Company and its Chairman since February 2003. Mr. White has served as CEO and Interim CFO of the Company since June 2003. From 1996 to 2000, he was CEO and President of Ubarter.com, a web-based cashless trading community originally founded by Mr. White in 1983 as Cascade Trade Association. In June 2000, Mr. White directed the sale of Ubarter.com to Network Commerce, an Internet-based technology infrastructure and services company.

*Eric Best* has been a director of the Company since February 2003. He founded MindCorps, an e-commerce systems integrator acquired by Amazon.com in 1999, and Emercis, an e-commerce tools provider acquired by Impresa in 2000. He founded and is currently CEO of Mercent Corporation, a software venture that enables retailers to sell through online merchandising channels. Mr. Best is also founder and Chairman of Seattle-based Morse Best Innovation, a technical marketing agency serving clients such as Microsoft, Lexmark, and WRQ. He is a graduate of Seattle Pacific University and a member of the SPU Entrepreneurial Studies Council and Society of Fellows.

*John A. Wade* has been a director of the Company since February 2003. He has served as Chief Financial Officer of Aptimus, Inc., an online direct marketing company, from 1998 to 2007. Prior to joining Aptimus, Mr. Wade served as CFO and COO for Buzz Oates Enterprises, a real estate development company. Mr. Wade has a Bachelor of Science degree in business administration with a concentration in accounting from the San Diego State University School of Business and has been a CPA since 1987.

### **Executive Officers**

Steven White has served as Chief Executive Officer and Interim Chief Financial Officer of the Company since June 2003. See background information above for Mr. White under the heading “Directors.”

### **Information Regarding the Board and its Committees**

The Board of Directors represents the interests of our stockholders as a whole and is responsible for directing the management of the business and affairs of ITEX. Our board of directors is currently composed of three members. Each director currently serves until the next annual meeting of stockholders or until his successor is duly elected and qualified. Our bylaws provide that the authorized number of directors may be between three and nine, with the exact number to be determined by a majority of our board of directors or stockholders.

The Board of Directors held four meetings during fiscal 2007 which were attended by all directors. There were five Audit Committee meetings during fiscal 2007 and one Compensation & Nominating Committee meetings, which were attended by all committee members. Directors are encouraged to attend the annual meetings of ITEX stockholders. All current directors attended the last annual meeting of stockholders. Below is a table that provides membership and meeting information for each of the Board committees:

<u>Name</u>	<u>Audit</u>	<u>Compensation &amp; Nominating</u>
Mr. White	◆	
Mr. Wade	◆ *	◆
Mr. Best		◆ *
Total meetings in fiscal year 2007	5	1

\* Committee Chairperson

## **Committees of the Board of Directors**

The standing committees of the Board of Directors of the Company are the Audit Committee and the Compensation and Nominating Committee. Our board of directors may establish other committees to facilitate the management of our business. Below is a description of each committee of the Board of Directors.

### ***Audit Committee***

The Audit Committee assists our Board of Directors in its oversight of the quality and integrity of our accounting, auditing, and reporting practices. The Audit Committee's role includes discussing with management the Company's processes to manage business and financial risk, and for compliance with applicable legal and regulatory requirements. The Audit Committee is responsible for the appointment, replacement, compensation, and oversight of the independent registered public accounting firm engaged to prepare and issue audit reports on our financial statements. The Audit Committee relies on the expertise and knowledge of management and the independent accounting firm in carrying out its oversight responsibilities. The specific responsibilities in carrying out the Audit Committee's oversight role are set forth in the ITEX Audit Committee Charter. The Audit Committee Charter is reviewed annually and as may be required due to changes in industry accounting practices or the promulgation of new rules or guidance documents.

The Audit Committee consists of Messrs. White and Wade. Our Audit Committee Charter provides that if the Committee is composed of three (3) or more members, a majority of the members will meet the independence requirements of the NASDAQ Marketplace Rules. The Board has determined that one of the two current members of the Audit Committee, Mr. Wade, is "independent" as defined by Rule 4200 of the NASDAQ Marketplace Rules. Mr. White is not independent because he is an executive officer of ITEX. Mr. White has made and will make certain certifications required under the Sarbanes-Oxley Act of 2002 and the related rules adopted by the SEC with respect to (i) our financial statements and other financial information included in periodic reports filed with the SEC, (ii) our disclosure controls and procedures regarding the disclosure to the certifying officers of material information relating to the Company, and (iii) our internal controls and whether there are any deficiencies in the design or operation of such internal controls. Mr. White meets with and makes reports to the Audit Committee with respect to the items which are the subject matter of his certifications and other matters. The Board believes that the valuable contributions Mr. White makes to the Audit Committee outweigh any concerns arising out of the fact that he does not satisfy the independence requirement of the NASDAQ Marketplace Rules. Our Board believes each Audit Committee member has sufficient experience and knowledge in financial and auditing matters to effectively serve and carry out the duties and responsibilities of the Committee. In addition, the Board has determined that John Wade is an "audit committee financial expert" as defined by Securities and Exchange Commission rules, which is basically limited to those who have prepared, audited, or directly supervised the audit of comparable public company financial statements.

### ***Compensation and Nominating Committee***

The Compensation Committee reviews retirement and benefit plans and salaries and incentive compensation to be provided to our executive personnel, employees, and consultants, and recommends appropriate compensation and benefit levels. The Compensation Committee also administers our current equity incentive plan, including recommending the issuance of grants and options under the plan to our employees, consultants and directors and, in general, oversees general policy matters relating to our various compensation plans, including payroll, option, stock, medical and bonus plans.

In its function as Nominating Committee, the Committee is responsible for identifying and recommending to the Board of Directors qualified nominees to become board members and considers stockholder recommendations for nominees to fill Board positions if such recommendations are received. The Nominating Committee also recommends to the Board of Directors regarding the size and composition of the Board as well as carrying out the duties set forth in the ITEX Nominating Committee Charter. The Board has determined that both members of the Compensation and Nominating Committee are independent as defined by Rule 4200 of the NASDAQ Marketplace Rules. In making the independence determinations, the following relationships were considered: Mr. Best is the principal shareholder of Morse Best, Inc., a business from which ITEX purchased IT consulting services during fiscal 2007. ITEX's payments for these services fell below the thresholds set forth in the NASDAQ Marketplace Rules. In addition, the CEO of ITEX is a board member of Morse Best, but does not serve on that company's compensation committee. After a review of the relevant information concerning these circumstances, the board determined that they do not constitute a material relationship that affects Mr. Best's independence.

The Nominating Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 25 years of age, having business experience at a policy-making level, and having high moral character. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties. Their service on other boards of public companies should be limited to a number that permits them to perform responsibly all director duties. The Committee retains the right to modify these minimum qualifications from time to time.

The Committee's process for identifying and evaluating nominees is as follows: In the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews the directors' overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any transactions of such directors with the Company during their term. In the case of new director candidates, the Committee first determines whether the nominee must or should be independent, which determination is based upon the Company's charter and bylaws, applicable securities laws, the rules and regulations of the SEC, applicable NASDAQ rules, and the advice of counsel, if necessary. The Committee uses its network of contacts to compile a list of potential candidates, which may include candidates that come to the attention of the Nominating Committee through stockholders, search firms or other persons. The Committee then meets to discuss and consider such candidates' qualifications and then chooses a candidate by majority vote. There are no nominees for election to our Board this year other than directors standing for re-election.

### ***Stockholder nominees***

The Nominating Committee will consider director candidates recommended by stockholders provided the procedures set forth below are followed by stockholders in submitting recommendations. The Committee does not intend to alter in the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder or not. Any such recommendations by stockholders should include the nominee's name and qualifications for board membership and (together with any materials provided in connection with the nomination of a director candidate) should be addressed to: Corporate Secretary, ITEX Corporation, 3326 – 160<sup>th</sup> Ave SE, Suite 100, Bellevue, WA 98008.

In addition, to be timely the recommendation must be received by the Corporate Secretary within

the time period prescribed for “Stockholder Proposals.” See “Information About the Meeting and Voting — *What is the deadline for submitting proposals for next year’s annual meeting or to nominate individuals to serve as directors?*” on page 5.

### ***Code of Ethics***

We have adopted a Code of Ethics that applies to our executive officers, including financial officers and other finance organization employees. The Code of Ethics is available on the investor relations portion of our website at <http://www.itex.com>. Our Board did not grant any waivers of any ethics policies in fiscal 2007 to our directors or executive officers. If we make any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer or Corporate Controller, we will disclose the nature of such amendment or waiver on that website or in a report on Form 8-K. The charters of the Audit Committee and Nominating Committee are also available at the same website address.

### **Compensation of Directors**

During fiscal 2007, directors each received a grant of 40,000 shares for serving on the board. In addition, each director was granted a “tax gross-up” payment equal to the approximate amount of the recipient’s federal and state tax liability realized in connection with the grant of these shares. ITEX does not pay meeting fees. Non-employee directors are entitled to reimbursement for their reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors or its committees and board-related activities, such as ITEX sponsored events. No reimbursements were paid in fiscal 2007. If elected at the upcoming annual meeting, as compensation for the fiscal 2008 term, directors, whether or not compensated by a salary from the Company, will receive a grant of 30,000 shares and a cash bonus equal to the amount of the director’s federal and state tax liability realized in connection with the grant of these shares. Directors are eligible to receive option grants and equity issuances under our current equity incentive plan. Other than the grant of 40,000 shares, no options or other stock grants were issued to the current Board during fiscal 2007 for serving on our board of directors. During 2007, an affiliated company of Mr. Best was paid a total of \$7,245 in payment for services rendered to ITEX.

### ***Fiscal 2007 Director Compensation Table***

The following summary compensation table indicates the cash and non-cash compensation earned during the fiscal year ended July 31, 2007 by the non-employee directors.

Name	Stock Awards <sup>(1)</sup>	All Other Compensation <sup>(2)</sup>	Total
Eric Best	\$ 27,600	\$ 9,892	\$ 37,492
John A. Wade	\$ 27,600	\$ 9,892	\$ 37,492

<sup>(1)</sup> The amount represents the grant date fair value of 40,000 shares, as recognized in the fiscal year for financial statement reporting purposes in accordance with SFAS 123(R).

<sup>(2)</sup> This column shows “tax gross-up” amounts paid to directors to reimburse them for taxes on income realized in connection with the grant of stock awards.

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information that has been provided to the Company regarding the beneficial ownership as of October 29, 2007 of the Company's common stock by (a) each person who is known by the Company to be a beneficial owner of more than five percent of the outstanding common stock of the Company, (b) each director or director nominee of the Company, (c) each of the named executive officers, and (d) all directors and executive officers of the Company as a group.

Name and Address <sup>(1)</sup> <u>Of Beneficial Owner</u>	Shares <sup>(2)</sup> <u>Beneficially Owned</u>	Percent <sup>(3)</sup> <u>of Voting Shares</u>
<i>Current Directors and Executive Officers:</i>		
Steven White <sup>(4)</sup>	1,683,420	9.5%
Eric Best	65,000	*
John Wade	200,000	1.1%
All current directors and executive officers as a group (3 persons)	1,948,420	11.0%

\* Less than one percent.

<sup>(1)</sup> Except as noted below, the business address of the current directors and executive officers is c/o ITEX Corporation, 3326 – 160<sup>th</sup> Ave SE, Suite 100, Bellevue, WA 98008.

<sup>(2)</sup> Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are exercisable within 60 days of October 29, 2007 are deemed outstanding. These shares, however, are not deemed outstanding for purposes of computing the ownership of any other person. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the stockholders named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

<sup>(3)</sup> Percentage of beneficial ownership is based upon 17,726,248 voting shares outstanding as of the Record Date.

<sup>(4)</sup> Mr. White has 175,000 unvested stock awards outstanding.

## Executive Compensation

The following table provides summary information about compensation expensed or accrued by the Company during the fiscal year ended July 31, 2007 for (a) our Chief Executive Officer, (b) the next two most highly compensated executive officers serving at the end of the fiscal year ended July 31, 2007,

and (c) up to two additional individuals for whom disclosure would have been provided but for the fact that they were not serving as executive officers at the end of fiscal 2007 (collectively, the “named executive officers”):

**Summary Compensation Table\***

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (1)</u>	<u>Stock Awards (2)</u>	<u>All Other Compensation (3)</u>	<u>Total</u>
Steven White, CEO, Interim CFO	2007	\$ 124,800	\$ 86,600	\$ 20,835	\$ 232,235

- (\*) Columns in the Summary Compensation Table that were not relevant to the compensation paid to the named executive officers were omitted.
- (1) Mr. White also contributed a portion of his salary to the Company’s 401(k) savings plan, which was matched .
- (2) The amount represents the grant date fair value of stock awards, as recognized in the fiscal year for financial statement reporting purposes in accordance with SFAS 123(R), and includes 40,000 shares awarded for service on the board of directors. Stock awards for Mr. White include the amount expended during the fiscal year for a restricted stock grant of 300,000 shares granted on July 6, 2006. The award vests equally over a 36-month period, assuming continued employment. For additional information on this grant, please see the narrative that follows this table.
- (3) This column includes the “tax gross-up” amount paid to reimburse Mr. White for taxes on income realized in connection with the grant of stock award, which was \$13,347. Included are matching contributions under our 401(k) plan of \$7,488 for Mr. White. All employees are eligible to contribute a portion of their compensation to our 401(k) Plan on a pre-tax basis and receive a matching employer contribution of up to 6.0% of their eligible compensation. All 401(k) participants are treated equally with respect to our 401(k), and we do not have preferential matching for our executive officers.

**Narrative to Summary Compensation Table**

We have an equity incentive plan (“2004 Plan”) which allows for grants of nonqualified and incentive stock options and stock awards to eligible employees, directors, officers or consultants. On July 6, 2006, we issued 300,000 shares of restricted common stock with a grant date fair value of \$177,000 to Mr. White as equity incentive grants under the 2004 Plan. The shares vest over a three-year period, with one thirty sixth (1/36) of the granted shares vesting each month. In accordance with SFAS 123(R), for financial statement reporting purposes we recognized \$59,000 of compensation cost in connection with this grant during the 2007 fiscal year.

**Employment and Change-in-Control Agreements.** Our employees, including our named executive officers, are employed at will and do not have employment agreements. Our Compensation Committee believes that employment agreements encourage a short-term rather than long-term focus, provide inappropriate security to the executives or employees and undermine the team spirit of the organization.

Each share of restricted stock issued under the 2004 Plan will immediately vest in the event that we are acquired by merger or asset sale, or in the event there is a change in control or ownership of ITEX. Except these provisions relating to our restricted stock grants, none of our named executive officers has a change of control arrangement or agreement that provides for termination, severance or change-in-control benefits.

**Personal Benefits.** ITEX seeks to maintain a corporate culture in which its officers are not entitled to operate under different standards than other employees. We do not have programs for providing personal-benefit perquisites to officers, such as financial counseling, reserved parking spaces, athletic club memberships, company car, home security, permanent lodging or defraying the cost of personal entertainment or family travel. ITEX's health care and other employee-benefit programs are the same for all eligible employees, including its officers.

### **Outstanding Equity Awards at Fiscal Year End**

The following table provides information on unvested stock awards held by the named executive officers on July 31, 2007.

<u>Name</u>	<u>Option Awards</u>	<u>Stock Awards</u>	
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Steven White, CEO	N/A	200,000 <sup>(1)</sup>	\$ 160,000 <sup>(2)</sup>

<sup>(1)</sup> The stock award was granted on July 6, 2006, and vests in thirty-six equal monthly installments over a three-year period. The unvested shares will vest on July 6, 2009, subject to continuous employment.

<sup>(2)</sup> The market value was calculated by multiplying the number of shares shown in the table by \$.80, which was the closing market price on July 31, 2007, the last trading day of our fiscal year.

## Securities authorized for issuance under equity compensation plans

The following table gives information about equity awards under the Company's 2004 Equity Incentive Plan and individual equity arrangements as of July 31, 2007.

<u>Plan category</u>	(a) Number of securities to be issued upon exercise of outstanding options, <u>warrants and rights</u>	(b) Weighted-average exercise price of outstanding options, <u>warrants and rights</u>	(c) Number of securities available for future issuance under equity compensation plans [excluding securities reflected in column (a)]
Equity compensation plans approved by security holders	90,000 <sup>(1)</sup>	—	375,000
Equity compensation plans not approved by security holders	—	—	—
Total	90,000	—	375,000

<sup>(1)</sup> These shares represent potential awards of 30,000 shares each of common stock to compensate director nominees in 2008. There were no other outstanding options, warrants or rights as of July 31, 2007.

## Transactions with Related Persons

ITEX and its subsidiaries had no transactions, nor are there any currently proposed transactions, in which ITEX or its subsidiaries was or is to be a participant, the amount involved exceeded \$113,640 (one percent of the average of our year-end total assets for the last three years), and any director or director nominee, executive officer or any of their immediate family members, or any promoter or control person, had a material direct or indirect interest.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our directors and executive officers, and persons who own more than ten percent of our common stock, file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater-than-ten percent shareholders are required by the SEC regulation to furnish us with copies of all Section 16(a) forms they file. Specific due dates have been established by the SEC, and we are required to disclose in this report any failure to file by those dates.

We believe that there has been compliance with all Section 16(a) filing requirements applicable to our officers, directors and ten-percent beneficial owners.

### **Fees Paid to EKS&H (Audit and Non-Audit Fees)**

The following table presents fees for professional audit services rendered by Ehrhardt Keefe Steiner & Hottman PC (“EKS&H”), for the audit of our annual financial statements for the years ended July 31, 2007, and 2006, and the reviews of the financial statements included in each of our quarterly reports on Form 10-QSB during the fiscal years ended July 31, 2007 and 2006, and fees billed for other services rendered by EKS&H during those periods.

Year Ended July 31	2007	2006
Audit Fees <sup>(1)</sup>	\$ 91,973	\$ 103,466
Audit Related Fees <sup>(2)</sup>	10,864	984
Tax Fees <sup>(3)</sup>	--	1,980
<b>Total</b>	<b>\$ 102,837</b>	<b>\$ 106,430</b>

- (1) Fiscal 2006 fees include \$7,400 related to the restatement of our July 31, 2005 and 2004 financial statements and related amended quarterly filings on Form 10-QSB.
- (2) Audit Related Fees consist of assurance and related services that are reasonably related to the performance of the audit or review of ITEX’s financial statements. This category includes fees related to the performance of audits and attest services not required by statute or regulations, and accounting consultations regarding proposed transactions and acquisitions.
- (3) Tax Fees consist of the aggregate fees billed for professional services rendered by EKS&H for tax compliance, tax advice, and tax planning.

All of the EKS&H fees in each of the categories enumerated above were approved in advance by the Audit Committee. The Audit Committee’s policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee pre-approves particular services on a case-by-case basis.

### **OTHER MATTERS TO COME BEFORE THE ANNUAL MEETING**

In addition, there will be an address by the CEO and a general discussion period during which stockholders will have an opportunity to ask questions about the business. If you granted a proxy, the persons named as proxy holders, Steven White and John Wade, will have the discretion to vote your shares on any additional matters not described herein which may properly come before the meeting, or any adjournment or postponement of the meeting. If for any unforeseen reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such

other candidate or candidates as may be nominated by the Board. At the time this document went to press, ITEX knew of no other matters that might be presented for stockholder action at the ITEX fiscal 2007 annual meeting of Stockholders.

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this report by reference therein.

### **Report of the Audit Committee**

The primary purpose of the Audit Committee is to oversee the financial reporting process for the Company on behalf of the Board of Directors. The Committee's function is more fully described in its charter, which the Board has adopted and which is publicly available. The Audit Committee Charter is reviewed annually and as may be required due to changes in industry accounting practices or the promulgation of new rules or guidance documents.

In fulfilling its oversight responsibilities, the Audit Committee reviews the Company's internal accounting procedures, consults with and reviews the services provided by the Company's independent accounting firm and makes recommendations to the Board of Directors regarding the selection of an independent registered public accounting firm. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles.

The Committee has reviewed and discussed the audited consolidated financial statements of the Company for the fiscal year ended July 31, 2007, with the Company's management. The Committee has discussed with Ehrhardt Keefe Steiner & Hottman PC, the Company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as modified or supplemented.

The Committee has also received the written disclosures and the letter from Ehrhardt Keefe Steiner & Hottman PC required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and the Committee has discussed the independence of Ehrhardt Keefe Steiner & Hottman PC with that firm.

Based on the Committee's review and discussions noted above, the Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007, for filing with the Securities and Exchange Commission.

Submitted by:

John Wade (Chairman)  
Steven White

### **Other Information**

Copies of the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission for the year ended July 31, 2007 will be provided to stockholders without charge upon request. Stockholders should direct any request to ITEX Corporation, 3326 – 160<sup>th</sup> Ave SE, Suite 100, Bellevue, WA 98008, Attn: John Wade, Secretary. ITEX will also furnish any exhibit to the 2007 Form 10-KSB specifically requested.

By Order of the Board of Directors

John Wade  
Secretary

Bellevue, Washington

