UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10 - K

(Mark One)

☒ **Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended July 31, 2015.

or

☐ **Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ____________________ to

Commission File Number 0-18275

ITEX CORPORATION

(Name of small business issuer in its charter)

Nevada	**93-0922994**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3326 160th Avenue SE, Suite 100, Bellevue, WA 98008-6418
(Address of principal executive offices)

(425) 463-4000
(Issuer's telephone number including area code)

Securities registered under Section 12 (b) of the Exchange Act	None	
Securities registered pursuant to Section 12 (g) of the Exchange Act	Common Stock (par value $.01) Rights to Purchase Series A Junior Participating Preferred Stock (par value $.01)	
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in 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 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 12 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 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 Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☑

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

The aggregate market value of the common stock held by non-affiliates of the Company as of January 31, 2015 was approximately $5,239,836 based upon 1,838,539 shares held by such persons and the closing bid price of $2.85 as reported by the OTC Marketplace. Shares of common stock held by each officer and director and by each person who owns 10.0% or more of the outstanding common stock have been excluded because these people may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of September 30, 2015, we had 2,085,786 shares of common stock outstanding (including unvested restricted stock).

ITEX CORPORATION

FORM 10-K

For The Fiscal Year Ended July 31, 2015

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PART I

Special Note Regarding Forward-Looking Statements

In addition to current and historical information, this Annual Report on Form 10-K contains forward-looking statements. These statements relate to our future operations, prospects, potential products, services, developments, business strategies or our future financial performance. These statements are presented in thousands, except per share amounts, unless otherwise indicated.

Forward-looking statements reflect our expectations and assumptions only as of the date of this report and are subject to risks and uncertainties. Actual events or results may differ materially. We have included a discussion of certain risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements in the section entitled "Risk Factors" (refer to Part I Item 1A). We undertake no obligation to update or revise publicly any forward-looking statement after the date of this report, whether as a result of new information, future events or otherwise.

ITEM 1. BUSINESS

Overview

ITEX Corporation operates a marketplace (the "Marketplace") in which products and services are exchanged by Marketplace members utilizing ITEX dollars ("ITEX dollars"). ITEX dollars are only usable in the Marketplace and allows thousands of member businesses (our "members") to acquire products and services without exchanging cash. We service our member businesses through our independent licensed brokers and franchise network (individually, "broker" and together, the "Broker Network") in the United States and Canada. We administer the Marketplace and provide record-keeping and payment transaction processing services for our members. We generate revenue by charging members percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable (collectively and as reported on our financial statements, "USD" or "Cash").

We make available free of charge on our website, www.itex.com, our reports filed with or furnished to the SEC pursuant to the Securities and Exchange Act of 1934, as amended (the "Exchange Act") as soon as reasonably practicable after we file this material with, or furnish it to, the SEC. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

Marketplace Transactions

The Marketplace provides a forum for our members to purchase from and sell their products and services to other members using ITEX dollars instead of USD. An ITEX dollar is an accounting unit used to record the value of transactions as determined by the members in the Marketplace. ITEX dollars are not intended to constitute legal tender, securities, or commodities and have no readily determinable correlation to USD. ITEX dollars may only be used in the manner and for the purpose set forth in our Member Agreement and the rules of the Marketplace.

Businesses use our Marketplace to attract new customers, increase sales and to utilize unproductive assets, surplus inventory, or excess capacity. The Marketplace is especially useful to businesses where the variable costs of products or services are low, such as hospitality, media, and service related businesses.

For tax purposes, the Internal Revenue Service ("IRS") considers ITEX dollar sales to be equivalent to USD sales and ITEX dollar expenses to be equivalent to USD expenses. As a third-party record keeper under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), ITEX is required to annually send Forms 1099-B to each of our members and to the IRS, which we do electronically. The Form 1099-B reflects the member's total ITEX dollar sales for the calendar year less the amount of any returns. Form 1099-B recipients are required to recognize ITEX dollars received (sales) as gross income on their tax returns, while expenditures of ITEX dollars may qualify as deductible business expenses or as other deductions that are permitted by the Internal Revenue Code.

Broker Network

Brokers are independent contractors with respect to the Company. Our corporate staff, brokers and their staff, and outside contractors support the Marketplace. Because we depend on a high rate of repeat business, the quality of broker interactions with members is an important element of our business strategy. We develop strong, cooperative relationships with our Broker Network by providing training, marketing materials and programs, internet and computer-related support, incentive programs, and investments in customer relationship management technology.

Our brokers provide Marketplace members with information about products and services that are available locally, nationally and in Canada. Brokers are responsible for enrolling new members, training them in Marketplace policies and procedures, facilitating their transactions and assuring payment in USD of transaction fees, association fees and other fees to us. In turn, brokers receive a commission in USD for a percentage of revenue collected from the members serviced by those brokers.

Our franchise agreements and independent licensed broker contracts generally provide for a five-year, renewable term unless terminated for reasons defined in the agreement.

We offer the sale of ITEX franchises to qualified individuals under our most current franchise agreement which we periodically amend as current events and circumstances deem necessary. Through our franchisees, we distribute our services by licensing our business ideas and concepts while retaining legal ownership of those concepts and ideas, including our name, logos, trademarks and member relationships. Our franchise agreement grants a limited license and right to use and operate a recognizable ITEX outlet to the franchisee by utilizing our business system, technology and proprietary marks.

The franchise agreement sets forth the obligations and responsibilities of the franchisee and provides certain protections to which franchisees are entitled to under federal and state franchise and business opportunity laws. See "Government Regulation."

Sources of Revenue

For each calendar year, we divide our operations into 13 four-week billing and commission cycles always ending on a Thursday ("operating cycle"). For financial statement purposes, our fiscal year is from August 1 to July 31 ("year", "2015" for August 1, 2014 to July 31, 2015, "2014" for August 1, 2013 to July 31, 2014). We report our results as of the last day of each calendar month ("accounting cycle").

Our main sources of revenue are transaction and association fees. Additionally, we may charge various auxiliary fees to members, such as annual membership dues, late fees, insufficient fund fees and other fees. The fees we charge members are in USD and partially in ITEX dollars. We bill members for all fees at the end of each operating cycle. Members have the option of paying USD fees automatically by credit card, by electronic funds transfer or by check. In the fiscal year ended July 31, 2015, members made approximately 95% of their payments through electronic funds transfer or by credit cards. Members that pay through our Autopay System will generally be charged a USD transaction fee equal to 6.0% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. If paying by check, generally, the USD transaction fee is 7.5%. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members an association fee of $20 USD ($260 USD annually) and $10 ITEX dollars ($130 ITEX dollars annually). Transaction and association fees composed 96% and 95% of our total revenue in 2015 and 2014, respectively.

We prepare our financial statements on an accrual basis in accordance with United States Generally Accepted Accounting Principles (GAAP). Refer to Note 1 — "Summary of Significant Accounting Policies" included in the "Notes to Consolidated Financial Statements", Item 8 – Financial Statements for a description of our accounting policies.

Business Strategy

We seek to increase the number of members participating in our Marketplace and our revenues by providing members:

- *An efficient method to execute and track transactions in the Marketplace*. We have developed a comprehensive, customer relationship management and payment processing software called Trade Exchange Account Manager "TEAM." This software solution provides members, brokers and our management team with enhanced information systems and marketing tools. We continue to upgrade and enhance TEAM.

- *A community where members can interact and safely transact business with other members*. Our website conveys to members the variety of businesses that comprise the Marketplace and the benefits that come with their participation. Our Broker Network and corporate staff seek to maintain a fair and equitable environment for our members. Members may sell in the Marketplace only those products and services they have the legal right to sell.

- *More coverage by increasing the size and effectiveness of our Broker Network*. We seek to attract new franchisees in order to increase the trade regions covered by the Marketplace. A portion of our website at www.itex.com provides information about our franchise program, in which we identify target markets, and provides detail about our company and business model.

- *Excellent customer service by the Broker Network and our corporate staff*. We provide training and support for brokers and refine our operating manuals and related support materials on an ongoing basis to better service our members. Additionally, we hold a national convention and regional meetings each year in which we discuss and openly share solutions for current issues and plan future enhancements to and benefits for the Marketplace.

- *Develop social media presence*. We utilize social media to create and enhance relationships with and for our members, facilitate transactions, as well as to attract new members to our Marketplace. We are on several of the leading social media websites, including Facebook, YouTube, LinkedIn, Google+ and Twitter.

- *Smart Phone technology.* During the first quarter of fiscal 2015 we launched ITEX Mobile℠, enabling our members to easily register new prospects in the Marketplace; complete a transaction with ITEXpay℠; search for other members with ITEXmap℠ and to make payments to us.

Members

Our members are located in the United States and Canada. The majority of members are businesses with fewer than 10 employees. Members may choose to participate in the Marketplace for a number of reasons including to:

- Attract new customers
- Increase sales
- Add new channels of distribution
- Utilize unproductive assets, surplus inventory or excess capacity

Sales, Marketing and Transactions

The primary function of new member enrollment is to grow the Marketplace member base, increase transactional opportunities and generate additional revenue. We provide marketing and support materials, ongoing training, and promotion to assist our Broker Network in expanding the member base. Our brokers contact prospective members to market the benefits of joining the Marketplace. In addition, brokers obtain new members by attending networking events in their areas and through the referrals of existing members. We offer a Member Incentive Program that provides discounted association fees to existing members that invite new qualified members to the Marketplace.

Our marketing strategy is to promote our Marketplace and attract new members while instructing them how to effectively use the Marketplace to grow their business. To promote the Marketplace and the ITEX brand, we market products and services of existing members through our website, directories, newsletters, e-mail, social media and other means.

Brokers facilitate transactions between members by identifying their needs and making them aware of products and services available in the Marketplace that could fulfill those needs. Members can also log onto our website and initiate product or service listings on the Marketplace or search for products or services to purchase. Reoccurring transactions often develop between Marketplace members, generating transaction fees with less interaction by brokers.

Systems and Technologies

The Marketplace is handled by TEAM. We designed TEAM to facilitate the activities of all parties involved in the Marketplace, from our corporate management and accounting personnel to brokers and members. The system extends well beyond record keeping and transaction processing. The major features of the system are as follows:

- Account Information Manager ("AIM") Online - provides our brokers and corporate staff with customer relationship management tools.

- Marketplace - an online classified ad section where members can list products and services they are offering for sale as well as locate products and services they are seeking to purchase.

- Member Directory - a categorized listing of members.

- ITEX Mobile℠ - enables our members to easily register new prospects into our Marketplace, complete a transaction, search for other members, and make payments to us.

- Reporting provides a number of reports allowing for a comprehensive analysis of various aspects of the Marketplace.

We take a number of measures to ensure the security of our hardware and software systems and member information. We enhance our systems for data management and protection, intrusion detection and prevention, upgrade our network architecture, and to expand our disaster recovery processing capacity. Our technologies are co-hosted at our corporate office and a secure data center located in Bellevue, Washington and we perform back-ups daily. We continue to improve the speed and reliability of our information systems and transaction tools.

Industry Overview

Our industry was developed in 1960 when our wholly-owned subsidiary BXI Exchange, Inc. established a non USD-based index of valuation for credits and debits called "trade dollars." For us, the index of valuation is the ITEX dollar and our trade exchange is our Marketplace, consisting of thousands of members served by our Broker Network. In 2011 we conducted an informal market analysis to determine the size of our industry composed of various trade exchanges ("Exchanges"), contacting hundreds of Exchanges across the United States. Based on our information, we estimated the industry size to consist of approximately 300 exchange locations servicing 90,000 members, generating $680 million in gross merchandise value (GMV) transactions and $56 million in revenues.

Competition

We encounter significant competition in our efforts to develop our Marketplace. Our competitors include internet distribution channels and local Exchanges. Based on reported USD revenues, participating member businesses and regions served, we believe that we are the Exchange leader in the United States and Canada.

Internet distribution channel competitors include well-known companies such as eBay, Travelocity, Priceline, Amazon and Overstock. Similar to our Marketplace, these companies provide distribution channels to move excess or surplus inventory. We currently and potentially compete with a wide variety of online and offline companies providing products and services to consumers and merchants, including big box stores such as Best Buy, Costco and Sam's Club. In addition, the internet and mobile networks provide new, rapidly evolving and intensely competitive channels for the sale of all types of products and services. The greater the number of avenues to move excess inventory or products and services, the more competitive it is to attract businesses to trade their inventory in our Marketplace. We also compete with these companies with respect to price, ease of use and brand name awareness.

We compete with other Exchanges primarily on a service basis, the number of products and services available in the Marketplace and the liquidity of ITEX dollars. In addition to existing Exchanges, new competitors could launch new Exchanges. For more information regarding these competition risks, see the information in "Risk Factors" under the caption "*Substantial and increasing competition from the ecommerce industry, exchanges and other distribution channels may adversely affect our overall business, revenues and results of operations.*"

Government Regulation

Government regulation impacts several key aspects of our business and regulatory changes have potential to further affect our industry. In particular, we are subject to laws and regulations that govern relationships with our franchisees, transaction reporting and the management of member information. For more information regarding these risks, see the information in "Item 1A: Risk Factors."

Intellectual Property

We rely on a combination of copyright and trademark laws, trade secrets, software security measures, franchise and license agreements and nondisclosure agreements to protect our intellectual property. We pursue the registration of our domain names, copyrights, trademarks and service marks in the U.S. We seek to protect our intellectual property rights and other proprietary rights, a process that is expensive and time consuming, may require litigation and may not be successful. If we are unable to register or protect our trademarks or domain names, we could be adversely affected in any jurisdiction in which our trademarks or domain names are not registered or protected.

Employees

As of July 31, 2015, we had 14 full-time or part-time employees. From time to time, we utilize independent consultants or contractors for additional support.

ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains statements that are forward-looking such as estimates, projections, statements relating to our business plans, objectives and expected operating results. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. All statements that express expectations and projections with respect to future matters may be affected by changes in our strategic direction, as well as developments beyond our control. We cannot assure you that our expectations will necessarily come to pass. Actual results could differ materially because of issues and uncertainties such as those listed below, in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", Part II Item 7 and elsewhere in this report. These factors, among others, may adversely impact and impair our business and should be considered in evaluating our financial outlook.

Our revenue growth and success is tied to the operations of our Broker Network, and as a result the loss of our brokers or the financial performance of our brokers can negatively impact our business

Our financial success primarily depends on our brokers and the manner in which they operate and develop their offices. We depend on the ability of our brokers to enroll new members, train them in the use of the Marketplace, grow our transactional volume by facilitating business among members, manage member relationships, provide members with information about ITEX products and services, and assure the payment of our fees. Brokers are independently owned and operated and have a contractual relationship with ITEX, typically for a renewable five-year term. Our inability to renew a significant portion of these agreements on terms satisfactory to our brokers and us could have a material adverse effect on our business, financial condition and results of operations. Further, our brokers may not be successful in increasing the level of revenues generated compared to prior years, or even sustaining their own business activities, which depends on many factors, including industry trends, the strength of the local economy, the success of their marketing activities, control of expense levels, the employment and management of personnel, and being able to secure adequate financing to operate their businesses. There can be no assurance that our brokers will be successful in adding members or increasing the volume of transactions through the Marketplace, or that if they do not renew their agreements or terminate operations we will be able to attract new brokers at rates sufficient to maintain a stable or growing revenue base. If our brokers are unsuccessful in generating revenue, enrolling new members to equalize the attrition of members leaving the Marketplace, or if a significant number of brokers become financially distressed and terminate operations, our revenues could be reduced and our business operating results and financial condition may be materially adversely affected.

Future revenue growth remains uncertain and our operating results and profitability may decline

Marketplace revenue decreased 11% for the year ended July 31, 2015, compared to the previous year ended July 31, 2014 and decreased 9% for the year ended July 31, 2014 compared to the same period ended July 31, 2013. Although we seek to increase revenues through organic growth and the development of new revenue streams, we cannot assure you that our revenues will increase in future quarters or future years. We may be unable to add revenue through acquisitions, either because of the absence of acquisition candidates, lack of financing, or unacceptable terms. We have approximately 33% recurring revenues. We do not have an order backlog, and approximately 63% of our revenues each quarter come from variable transaction fees computed as a percentage of the ITEX dollar value of the transactions occurring during that quarter.

We cannot assure you that we can continue to be operated profitably, which depends on many factors, including, our success in expanding our member base, the control of our expense levels, and the success of our business activities. We may make investments in marketing, broker and member support, technology and further development of our operating infrastructure which entail long-term commitments. Our industry as a whole may be adversely affected by industry trends, economic factors and new regulations. Despite our efforts to expand our revenues, we may not be successful. We experience a certain amount of attrition from members leaving the Marketplace. If new member enrollments do not continue or are insufficient to offset attrition, we will increasingly need to focus on keeping existing members active and increasing their activity level in order to maintain or grow our business. We cannot assure you that this strategy would be successful to offset declining revenues or profits.

Substantial and increasing competition from the ecommerce industry, exchanges and other distribution channels may adversely affect our overall business, revenues and results of operations

We encounter significant competition in our efforts to develop our Marketplace. Our competitors include internet distribution channels and local Exchanges. Internet distribution channel competitors include well-known companies such as eBay, Travelocity, Priceline, Amazon and Overstock. Similar to our Marketplace, these companies provide distribution channels to move excess or surplus inventory. We currently and potentially compete with a wide variety of online and offline companies providing products and services to consumers and merchants, including big box stores. The internet and mobile networks provide new, rapidly evolving and intensely competitive channels for the sale of all types of products and services. The greater the number of avenues to move excess inventory or products and services, the more competitive it is to attract businesses to trade their inventory in our Marketplace. We also compete with these companies with respect to price, ease of use and brand name awareness.

We compete with other Exchanges primarily on a service basis, the number of products and services available in the Marketplace and the liquidity of ITEX dollars. In addition to existing Exchanges, new competitors could launch new Exchanges at a relatively low cost since technological and financial barriers to entry are relatively low. Businesses can readily launch online sites or mobile platforms and applications at nominal cost by using commercially available software. Potential competitors undertaking this effort could include companies with longer operating histories, greater market presence and name recognition, larger customer bases and greater financial, technical and marketing resources than we have.

Our ability to compete successfully will depend on our ability to enhance and improve our existing services, adapt to current technologies, and to continually improve our operating efficiencies. Our competitors may develop competing exchanges, distribution channels, technologies, products or strategic alliances and affiliations that make our brand, products and services less marketable or less useful or desirable. Increased competition could result in erosion of our market share, and adversely affect our revenues, business operating results and financial condition.

Our ability to pay dividends on our common stock is subject to the discretion of our Board of Directors and may be limited by our lack of liquidity or access to capital.

Our dividend policy is subject to the discretion of our Board of Directors and depends upon a number of factors, including our earnings, financial condition, cash and capital needs and general economic or business conditions. Although we are currently declaring cash dividends on our common stock as a way to return value to our stockholders, we are not required to do so and we cannot assure you that we will continue to pay dividends in the future. If liquidity from our cash flow is inadequate or unavailable, we may be required to scale back or eliminate the dividends we pay to our stockholders. Any reduction of, or the elimination of, our common stock dividend in the future could adversely affect the market price of our common stock.

Our ability to use our net operating loss carryforwards to offset future taxable income would be limited if we do not generate sufficient taxable income or if an ownership change occurs, which would negatively impact our results of operations and stockholders' equity

As of July 31, 2015, we reported a consolidated federal net operating loss ("NOL") carryforward and deferred tax asset of $3,678, which represents approximately 34% of our total assets. The use of our NOL carryforwards is subject to uncertainty because, in addition to the factors discussed below, it is dependent upon the amount of taxable income we generate. There can be no assurance that we will have sufficient taxable income, if any, in future years to use the net operating loss carryforwards before they expire. If we have uncertainties surrounding our ability to continue to generate future taxable income to realize these tax assets, a valuation allowance will be established to offset our deferred tax assets. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not (greater than 50%) that a tax benefit will not be realized.

Additionally, the future utilization of our NOL carryforwards to offset future taxable income may be subject to an annual limitation as a result of ownership changes that could occur in the future. Federal and state tax laws impose restrictions on the utilization of NOL and tax credit carryforwards in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code of 1986, as amended. Generally, an ownership change occurs if the percentage of the value of the stock that is owned in the aggregate by our direct or indirect "five percent shareholders" increases by more than 50% over their lowest ownership percentage at any time during any three-year testing period. Future changes in our stock ownership, which may be outside of our control, may trigger an "ownership change." In addition, future equity offerings or acquisitions that have equity as a component of the purchase price could result in an "ownership change." If an "ownership change" has occurred or does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to us and cause us to pay U.S. federal income taxes earlier than we otherwise would, adversely affecting our future cash flow. The write off of NOL carryforward tax benefits would also negatively affect our net earnings and reduce stockholders' equity.

If our goodwill or intangible assets become impaired we may be required to record a charge to earnings, and there could be a negative impact on stockholders' equity

We have goodwill of $3,191 and net other intangible assets of $102 as of July 31, 2015, which represents approximately 31% of our total assets. Goodwill represents the excess of cost over the fair value of identified net assets acquired. Goodwill acquired in a purchase business combination is determined to have an indefinite useful life and is not amortized, but instead tested for impairment at least annually. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, adverse changes in legal factors or the business climate, and lowered expectations of future financial results. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which would reduce earnings in such period, and reduce stockholders' equity. We cannot accurately predict the amount, if any, or the timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

Our brokers could take actions that could harm our business, our reputation and adversely affect the ITEX Marketplace

Our agreements with our brokers require that they understand and comply with all laws and regulations applicable to their businesses, and operate in compliance with our Marketplace Rules. Brokers are independently owned and operated and are not our employees, partners, or affiliates. We set forth operational standards and guidelines; however, we have limited control over how our broker businesses are run. Our brokers have individual business strategies and objectives, and may not operate their offices in a manner consistent with our philosophy and standards. We cannot assure that our brokers will avoid actions that adversely affect the reputation of ITEX or the Marketplace. Improper activity stemming from one broker can generate negative publicity which could adversely affect our entire Broker Network and the Marketplace. Our image and reputation and the image and reputation of other brokers may suffer materially, and system-wide sales could significantly decline if our brokers do not operate their businesses according to our standards. While we ultimately can take action to terminate brokers that do not comply with the standards contained in our agreements, and even though we may implement compliance and monitoring functions, we may not be able to identify problems and take action quickly enough and, as a result, our image and reputation may suffer, causing our revenues or profitability to decline. Further, the success and growth of our Broker Network depends on our maintaining a satisfactory working relationship with our existing brokers and attracting new brokers to our network. Lawsuits and other disputes with our brokers could discourage our brokers from expanding their business or lead to negative publicity, which could discourage new brokers from entering our network or existing brokers from renewing their agreements, and could have a material adverse effect on our business, financial condition and results of operations.

Stockholders or investors may attempt to effect changes or acquire control over our business, which could adversely affect our results of operations and financial condition.

During the past several years, U.S. companies have seen an increasing level of insurgent campaigns, proxy solicitations, and shareholder derivative actions or other attempts to acquire control of companies or effect operational changes. In recent years, we have been the subject of two proxy contests seeking control of our board of directors, as well as a related lawsuit. We cannot assure you that we will not be subject to further proxy contests, litigation or other activity or demands in the future. If we are, such activity or demands could harm the Company because:

- Responding to proxy contests, litigation and other actions by dissident shareholders can interfere with our ability to execute our strategic plan, disrupt our operations, be costly and time-consuming, and divert the attention of our management and employees from the pursuit of business strategies;

- Perceived uncertainties as to our future direction diverts the attention of, damages morale and creates instability among members of our Broker Network, and adversely impact our existing and potential strategic and operational relationships and opportunities;
- We may experience difficulties in hiring, retaining and motivating personnel during the resulting uncertain and turbulent times;
- If individuals are elected or appointed to our Board of Directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders;
- We would experience substantial increases in legal fees, insurance, administrative and associated costs incurred in connection with responding to proxy contests and related litigation;
- A successful change in control of the Company could result in compensation charges and other expenses, and potentially allow an insurgent shareholder to reimburse his proxy or takeover expenses, resulting in substantial charges.

Failure to deal effectively with member disputes could result in costly litigation, damage our reputation and harm our business

ITEX faces risks with respect to transactional disputes between members of the Marketplace. While ITEX does, in some cases, as part of its transaction dispute resolution process, reverse transactions, reduce or eliminate credit lines, suspend accounts, or take other measures with members who fail to fulfill their payment or delivery obligations to other members, the determination as to whether a transaction is reversed or how to resolve a specific dispute is made by ITEX in its sole discretion. Measures we may take to resolve transactional disputes or combat risks of fraud have the potential to damage relations with our members or brokers or decrease transactional activity in the Marketplace by restricting the activities of certain members. Furthermore, negative publicity and member sentiment generated as a result of member complaints or fraudulent or deceptive conduct by members of our Marketplace could damage our reputation, or reduce our ability to attract new members or retain our current members.

We occasionally receive communications from members requesting reimbursement or threatening or commencing legal action against us if no reimbursement is made. In addition, because we service our member businesses through our Broker Network, we are subject to claims and could potentially be found liable for the conduct of our brokers in a situation where that broker has caused injury to a member. Litigation involving disputes between members and liability for broker actions could be costly and time consuming for us, divert management attention, result in increased costs of doing business, lead to adverse judgments, or otherwise harm our business. In addition, affected members may complain to regulatory agencies that could take action against us, including imposing fines or seeking injunctions.

We may be held responsible by members, third parties, regulators or courts for the actions of, or failures to act by, our brokers or their employees, which exposes us to possible adverse judgments, other liabilities and negative publicity

From time to time we are subject to claims for the conduct of our brokers in situations where a broker is alleged to have caused injury to a member as a result of a transaction in the Marketplace. Third parties, regulators or courts may seek to hold us responsible for the actions or failures to act by our brokers or their employees. The failure to comply with laws and regulations by our brokers, or litigation involving potential liability for broker activities could be costly and time consuming for us, divert management attention, result in increased costs of doing business, lead to adverse judgments, expose us to possible fines and negative publicity, or otherwise harm our business.

Our business is subject to government regulation and future regulation or regulatory changes may increase the cost of compliance and doing business

We are subject to various federal, state and local laws, regulations and administrative practices affecting our businesses. These include the requirement to obtain business licenses, withhold taxes, remit matching contributions for our employees' social security accounts, and other such legal requirements, regulations and administrative practices required of businesses in general. We are a third party record-keeper under the Tax Equity and Fiscal Responsibility Act ("TEFRA") and accordingly, we account for and report annually to the IRS the total ITEX dollar sales transactions, net of any returns, of each member in our Marketplace. Under the Federal Trade Commission Act and state franchise and business opportunity laws, our franchisees are entitled to certain protections including mandatory disclosures and the provision that many of the substantive aspects of the business relationship (i.e., termination, transfer, cancellation, and non-renewal) will be governed by state law. An adverse finding in one or more of these business relationship aspects could govern the enforceability of our franchise agreements or permit the recovery of damages and penalties which could have a material adverse effect on our financial condition.

In addition, we are currently or potentially subject to laws and regulations affecting our operations in a number of other areas, including data privacy requirements, intellectual property ownership and infringement, prohibited items and stolen goods, digital content, promotions, virtual currency, taxes, as well as laws and regulations intended to combat money laundering and the financing of terrorist activities. With respect to our online and mobile operations, it is not always clear how certain laws and regulations apply to our business. Many of these laws were adopted prior to the advent of the internet, mobile, and related technologies and, as a result, are subject to interpretation by the courts on an ongoing basis. We cannot predict the impact, if any, that future internet-related regulation or regulatory changes might have on our business. Compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our services less attractive to our members, delay the introduction of new products or services in one or more regions, or cause us to change or limit our business practices. We implement policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees or brokers will not violate these laws and regulations or our policies and procedures.

Use of our services for illegal purposes could damage our reputation and harm our business

Our members, typically small businesses, actively market products and services through the Marketplace and our website. We may be unable to prevent our members from selling unlawful or stolen goods or unlawful services, or selling goods or services in an unlawful manner, and we could be subject to allegations of civil or criminal liability for unlawful activities carried out by members through our services. It is possible that third parties, including government regulators and law enforcement officials, could allege that our services aid and abet certain violations of certain laws, for example, laws regarding the sale of counterfeit items, the fencing of stolen goods, selective distribution channel laws, and the sale of items outside of the U.S. that are regulated by U.S. export controls.

Although we have prohibited the listing of illegal products and services and implemented other protective measures, we may be required to spend substantial resources to take additional protective measures or discontinue certain service offerings, any of which could harm our business. Any costs incurred as a result of potential liability relating to the alleged or actual sale of unlawful goods or services could harm our business. In addition, negative media publicity relating to the listing or sale of unlawful goods and stolen goods using our services could damage our reputation, diminish the value of our brand, and make members reluctant to use our services.

Recent changes in law have increased the penalties for intermediaries providing payment services for certain illegal activities. Despite measures taken by ITEX as administrator and as transaction processor and record-keeper to detect and lessen the risk of this kind of conduct, illegal activities could still be funded using ITEX dollars. Any resulting claims or liabilities could harm our business.

Our business is subject to online security risks, including security breaches and identity theft

We host confidential information as part of our client relationship management and transactional processing platform. Our security measures may not detect or prevent security breaches that could harm our business. Currently, a significant number of our members authorize us to bill their credit card or bank accounts directly for fees charged by us. We take a number of measures to ensure the security of our hardware and software systems and member and client information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the technology used by us to protect transaction data being breached or compromised. Many companies have been the subject of sophisticated and highly targeted attacks on portions of their websites. In addition, any party who is able to illicitly obtain a members' password could access the members' transaction data. An increasing number of websites have reported breaches of their security. Any compromise of our security could harm our reputation and, therefore, our business, and could result in a violation of applicable privacy and other laws. In addition, a party that is able to circumvent our security measures could misappropriate proprietary information, cause interruption in our operations, damage our computers or those of our users, or otherwise damage our reputation and business. Under credit card rules and our contracts with our card processors, if there is a breach of credit card information that we store, we could be liable to the credit card issuing banks for their cost of issuing new cards and related expenses. In addition, if we fail to follow credit card industry security standards, even if there is no compromise of customer information, we could incur significant fines or lose our ability to give customers the option of using credit cards to pay their fees. If we were unable to accept credit cards, our business would be seriously damaged.

We enhance our systems for data management and protection, and intrusion detection and prevention. However, our servers may be vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches, including any breach by us or by parties with which we have commercial relationships that result in the unauthorized release of our members' personal information, could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our insurance policies carry coverage limits which may not be adequate to reimburse us for losses caused by security breaches.

The emergence of increased regulation related to virtual currencies could increase our costs by requiring us to update our products and services; or subject us to operational requirements that result in substantial compliance costs which would adversely affect our business

Innovation in the payments industry has led to a variety of virtual currencies, community currencies and reward points, and federal and state regulatory regimes are seeking to revise antiquated currency provisions. The increased attention to virtual currencies could result in changes in federal or state regulations or the adoption of new regulations that could affect us as well as many companies transacting in credits that might be considered "virtual currency." For example, the Financial Crimes Enforcement Network ("FinCEN"), a bureau of the U.S. Treasury, as the delegated administrator of the Bank Secrecy Act ("BSA") issued interpretive guidance in March 2013 to clarify the applicability of regulations to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currencies. Although we do not believe we as an administer of a Marketplace utilizing ITEX dollars are currently subject to the BSA requirements, that could potentially change with new regulation. Registering with FinCEN and complying with FinCEN's regulations would be burdensome, as would getting licensed as a money transmitter and complying with the money transmission regulatory regimes in each state. Changes to existing laws or regulations or adoption of new laws or regulations relating to the use of virtual currencies could require us to incur significant costs to update our products and services, significantly increase our compliance costs or may impose conditions that we are unable to meet. This could make our business cost-prohibitive in the affected state or states and could materially adversely affect our business.

Unplanned system interruptions or system failures could harm our business and reputation

Any interruption in the availability of our transactional processing services due to hardware and operating system failures will reduce our revenues and profits. Our revenue depends on members using our processing services. Any unscheduled interruption in our services results in an immediate, and possibly substantial, loss of revenues. Frequent or persistent interruptions in our services could cause current or potential members to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our website or services, and could permanently harm our reputation. Furthermore, any system failures could result in damage to our members' and brokers' businesses. These persons could seek compensation from us for their losses. Even if unsuccessful, this type of claim likely would be time-consuming and costly for us to address.

Although our systems have been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, and similar events or disruptions. Some of our systems are not fully redundant, and our disaster recovery planning may not be sufficient for all eventualities. Our systems are also subject to break-ins, sabotage, and intentional acts of vandalism. Despite any precautions we may take, the occurrence of a natural disaster, a decision by any of our third-party hosting providers to close a facility we use without adequate notice for financial or other reasons, or other unanticipated problems at our hosting facilities could cause system interruptions, delays, and loss of critical data, and result in lengthy interruptions in our services. Our business interruption insurance may not be sufficient to compensate us for losses that may result from interruptions in our service as a result of system failures.

Failure to comply with laws and regulations that protect our members' and brokers' personal and financial information could result in liability and harm our reputation

We store personal and financial information for members of the Marketplace and our brokers. Privacy concerns relating to the disclosure and safeguarding of personal and financial information have drawn increased attention from federal and state governments. Federal and state law requires us to safeguard our members' and brokers' financial information, including credit card information. Although we have established security procedures to protect against identity theft and the theft of this personal and financial information, breaches of our privacy may occur. To the extent the measures we have implemented are breached or if there is an inappropriate disclosure of confidential or personal information or data, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our brand and reputation. Even if we were not held liable, a security breach or inappropriate disclosure of confidential or personal information or data could harm our reputation. In addition, we may be required to invest additional resources to protect us against damages caused by these actual or perceived disruptions or security breaches in the future. Changes in these federal and state regulatory requirements could result in more stringent requirements and could result in a need to change our business practices. Establishing systems and processes to achieve compliance with these new requirements may increase our costs and could have a material adverse effect on our business, financial condition and results of operations.

We may have claims and lawsuits against us that may result in adverse outcomes

From time to time we are subject to a variety of claims and lawsuits. See Note 11 — "Legal Proceedings and Litigation Contingencies" included in the "Notes to Consolidated Financial Statements". Adverse outcomes in one or more claims could occur which may result in significant monetary damages that could adversely affect our ability to conduct our business. Although management does not believe resolving any pending matter, individually or in the aggregate, would have a material adverse impact on our financial statements, litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

If we lose the services of our Chief Executive Officer, our business could suffer

Our Board places heavy reliance on the continued services of our Chief Executive Officer, Steven White, and his industry experience and relationships, management and operational skills. We have not entered into an employment agreement with Mr. White. If we were to lose the services of Mr. White, we could face substantial difficulty in hiring a qualified successor or successors, and could experience a loss in performance while any successor obtains the necessary training and experience. Corporate staff and our brokers could lose confidence in the direction and stability of the Company and choose to pursue other opportunities. In addition, in connection with a management transition we may need to attract, train, retain and motivate additional financial, technical, managerial, marketing or support personnel. We face the risk that if we are unable to attract and integrate new personnel, or retain and motivate existing personnel, our business, financial condition and results of operations will be adversely affected.

Alliances, mergers and acquisitions could result in operating difficulties, dilution and other harmful consequences

We expect to evaluate and consider potential strategic transactions, including business combinations, acquisitions and dispositions of businesses, technologies, services, products and other assets and strategic investments. At any given time we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures and is risky. The areas where we may face difficulties include:

- Diversion of management time, as well as a shift of focus from operating the businesses to challenges related to integration and administration;
- Challenges associated with integrating employees from the acquired company into the acquiring organization. These may include declining employee morale and retention issues resulting from changes in, or acceleration of, compensation, or changes in management, reporting relationships, future prospects, or the direction of the business;
- The need to integrate each company's accounting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;

- The need to implement controls, procedures and policies appropriate for a public company at companies that prior to acquisition had lacked such controls, procedures and policies;
- The need to transition operations, members, and customers onto our existing platforms; and
- Liability for activities of the acquired company before the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

The expected benefit of any of these strategic relationships may not materialize and the cost of these efforts may negatively impact our financial results. Future alliances, mergers or acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the expenditure of our cash or the incurrence of debt, contingent liabilities or amortization expenses of which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders.

We may need additional financing; current funds may be insufficient to finance our plans for growth or our operations

We believe that our financial condition is stable and that our cash balances and operating cash flows provide adequate resources to fund our ordinary operating requirements. However, our existing working capital may not be sufficient to allow us to execute our business plan as fast as we would like or may not be sufficient to take full advantage of all available strategic opportunities. We believe our current core operations reflect a scalable business strategy, which will allow our business model to be executed with limited outside financing. However, we also may expand our operations, enter into a strategic transaction, or acquire competitors or other business to business enterprises. If adequate capital was not available or were not available on acceptable terms at a time when we needed it, our ability to execute our business plans, develop or enhance our services, make acquisitions or respond to competitive pressures would be significantly impaired. Further, we cannot be certain that we will be able to implement various financing alternatives or otherwise obtain required working capital if needed or desired.

We are dependent on the value of foreign currency.

We transact business in Canadian dollars as well as USD. Revenues denominated in Canadian dollars comprised 6.2% and 6.7% of total revenue in the years ended July 31, 2015 and 2014, respectively. Part of our cash reserves are held in Canadian banks and subject to currency exchange rate fluctuations. Foreign currency expense for the year ended July 31, 2015 increased by $119 compared to the year ended July 31, 2014. Foreign currency exchange fluctuations may or may not materially adversely affect our operations. Changes in the relation of the Canadian dollar to the USD could affect our revenues, cost of sales, operating margins or value of bank holdings which could result in exchange losses.

Our Brokers may default on their loans

From time to time we finance the operational and expansion activities of our brokers. We loan brokers funds for general operational purposes, to acquire the management rights to select member accounts, and for other reasons. These loans are repaid from regular deductions from broker commissions. We had outstanding loans to brokers of $1,083 at July 31, 2015 and $1,424 at July 31, 2014. In the event one or more brokers default on their loans, it may adversely affect our financial condition.

The market for our securities has limited liquidity and may become less liquid

Our common stock trades on the OTC Pink tier of the over-the-counter market known as the OTC Marketplace. The OTC Marketplace has three tiers, consisting of OTCQX, OTCQB and OTC Pink marketplaces. Many of the securities quoted in the OTC Marketplace do not have a liquid market. They are infrequently traded and can move up or down in price substantially from one trade to the next. As a result, an investment in our shares may be illiquid even if there is a market. Moreover, our securities are not listed on a national securities exchange. Under current regulations national securities exchanges have the ability to offer certain advantages to listed companies. For example, securities listed on a national securities exchange are exempt from state Blue Sky laws covering the offer or sale of securities within the state. We avail ourselves of applicable Blue Sky exemptions, however there are certain states in which we have not qualified for an exemption and our shares may not be traded. National securities exchanges also offer the ability to margin certain listed securities and the potential inclusion of listed securities in certain exchange-traded funds and indices. These differences between our marketplace and the national securities exchanges may make certain investors choose to not invest in our stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate and administrative headquarters offices are located in Bellevue, Washington. We lease property, on a month-to-month basis, in the following location to be utilized by our senior management, sales and marketing, finance, general and administrative personnel:

Location	Area leased (sq. feet)		Monthly rent	Lease expiration
Bellevue, Washington	7,035	$	7,000	Month to Month

We believe that our current facilities are adequate and suitable for their current use, and that all of the leased space and all property maintained within are adequately insured. For additional information regarding our obligations under leases, refer to Note 8 — "Commitments" included in the "Notes to Consolidated Financial Statements", Item 8 – Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to Note 11 — "Legal Proceedings and Litigation Contingencies" included in the "Notes to Consolidated Financial Statements", Item 8 – Financial Statements.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock trades on the OTC Pink tier of the over-the-counter market known as the OTC Marketplace under the ticker symbol "ITEX." The range of high and low closing bid prices for our common stock for each quarter during the two most recent years, and dividends paid for the quarter, are as follows:

	Fiscal Year 2015			Fiscal Year 2014		
	Prices		Dividends	Prices		Dividends
	High	Low	Paid	High	Low	Paid
First	$ 3.60	$ 2.70	$ 0.05	$ 4.15	$ 3.65	$ 0.05
Second	3.05	2.66	0.05	4.15	3.82	0.05
Third	3.67	2.32	0.05	4.75	3.90	0.05
Fourth	3.42	2.62	0.05	4.02	3.42	0.05

This table reflects the range of high and low closing bid prices for our common stock during the indicated periods, as compiled by OTC Markets Group Inc. based on trading information reported by the FINRA Composite Feed or other qualified interdealer quotation medium. The quotations merely reflect the prices at which transactions were proposed and do not necessarily represent actual transactions. Prices do not include retail markup, markdown or commissions.

There were 523 holders of record of our common stock as of July 31, 2015. Most shares of our common stock are held by brokers and other institutions on behalf of shareholders.

During 2015, we paid quarterly dividends of $0.05 per share, totaling $0.20 for the year. We expect to pay semi-annual dividends in the future, subject to declaration by the Board of Directors. See Item 1A — Risk Factors — *Our ability to pay dividends on our common stock is subject to the discretion of our Board of Directors and may be limited by our lack of liquidity or access to capital*.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases or any affiliated purchaser during the three-months ended July 31, 2015 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
5/01/15 - 5/31/15	4,756	$3.99	-	$1,035,629
6/01/15 – 6/30/15	543	$3.99	-	$1,033,462
7/01/15 - 7/31/15	1,388	$3.25	-	$1,028,951

(1) Amounts shown in this column reflect amounts remaining under the $2.0 million stock repurchase program, authorized by the Board of Directors and announced on March 9, 2010. The program authorizes the repurchase of shares in open market purchases or privately negotiated transactions, has no expiration date and may be modified or discontinued by the Board of Directors at any time.

ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in thousands except per share amounts unless otherwise indicated)

The following discussion is provided as a supplement to the accompanying consolidated financial statements and notes (refer to Item 8 – Financial Statements) and is intended to help provide information we believe is relevant to an assessment and understanding of our results of operations and financial condition. In addition to our consolidated financial statements and notes, it should be read in conjunction with the section entitled "Risk Factors" (refer to Part I Item 1A) and the cautionary statement regarding forward-looking statements on page 1.

OVERVIEW

ITEX Corporation operates a Marketplace in which products and services are exchanged by Marketplace members utilizing ITEX dollars, enabling our member businesses to acquire products and services without exchanging cash. We generate revenue by charging members percentage-based transaction fees, association fees, and other fees. Our most significant cost of revenue consists of commissions paid to our brokers, and our most significant expenses are related to compensating employees, selling, general and administrative, and income taxes.

Part of our focus in fiscal year 2015 was toward developing smartphone technology to enable our members to expand their trading community and instantly complete transactions through a mobile device. For the year ended 2015, as compared to 2014, income from operations increased by $108, or 13%. However, for the year ended 2015, as compared to 2014, our revenue decreased by $1,525, or 11%. Faced with contracting revenues, we implemented organizational changes, and made strategic and tactical moves to support the generation of cash flow and operational income.

Industry Trends

Based on reported revenues and informal market information available to us, trade exchanges overall are faced with a general decline in year-over-year revenue. We believe this reflects, in part, the effect of enhanced competition. Trade exchanges currently compete with a wide variety of online and offline companies providing products and services to consumers and merchants, including big box stores. There are numerous avenues to move excess inventory or products and services. We strive to view industry change as an opportunity to conceive new services, technologies, or new ideas that can further transform the industry and our business.

Economic Conditions, Challenges, and Risks

We encounter significant competition in our efforts to develop our Marketplace. Our competitors include internet distribution channels and local Exchanges. The greater the number of avenues to move excess inventory or products and services, the more competitive it is to attract businesses to trade their inventory in our Marketplace.

We have approximately 33% recurring revenues from association fees. Approximately 63% of our revenues each year come from transaction fees assessed during that year. Our reduction in revenue this year was due to a reduction in members and a corresponding reduction in transaction and association fees generated from our members. We believe the reduction in members and transaction volume is attributable in part to the prolonged weak economic climate for small businesses (our primary clientele), as well as the increased competition from pricing and convenience of distribution channels such as big box stores and internet outlets.

We seek to increase our revenue by enhancing our internet applications, offering expanded tools and features with ITEX Mobile℠, marketing the benefits of participation in the Marketplace, expanding Marketplace offerings of goods and services, and attracting and retaining qualified brokers. Adding new brokers is a component of our overall growth plan, and we are sustaining our broker recruiting incentives. Through our Broker Mentor program, existing brokers recruit prospective brokers and provide ongoing training to the prospective broker until certain performance thresholds are met. Upon meeting the performance thresholds, the prospective broker is offered a franchise for a reduced fee.

Our Canadian operations provide a portion of our total revenue and expenses. Revenues denominated in Canadian dollars comprised 6.2% of total revenue in 2015. Changes in foreign exchange rates affects our revenue and expenses. Recently, the significant strengthening of the U.S. dollar relative to certain foreign currencies increased our foreign currency expense for 2015.

See a discussion of these factors and other risks under Risk Factors (Part I, Item 1A of this Form 10-K).

Financial Position

Our financial condition and balance sheet at July 31, 2015, had cash of $2,047 compared to $3,673 at the same period in 2014. In April 2015, we completed a partial tender offer to purchase shares of our common stock, for an aggregate cost of $3,000, excluding fees and expenses relating to the tender offer. The shares purchased in the tender offer represented approximately 26% of our outstanding common shares (including shares of unvested restricted stock). During 2015 we also repurchased $76 of our stock through our stock repurchase plan and we paid quarterly dividends of $0.05 per share, totaling $0.20 per share for the year.

Our net cash flows provided by operating activities were $1,608 for the year ended July 31, 2015, compared to $1,250 for the previous year. The increase in net cash provided by operating activities is primarily due to the positive change of $299 in operating assets and liabilities in the year ended July 31, 2015.

RESULTS OF OPERATIONS (in thousands except per share amounts unless otherwise indicated)

Condensed Results

	Year Ended July 31, 2015	Year Ended July 31, 2014
Revenue	$ 12,017	$ 13,542
Cost of marketplace revenue	7,394	8,309
Operating expenses	3,666	4,384
Income from operations	957	849
Other income	90	109
Income before income taxes	1,047	958
Income tax expense	357	297
Net income	$ 690	$ 661
Net income per common share:		
Basic	$ 0.29	$ 0.25
Diluted	$ 0.28	$ 0.25
Average common and equivalent share:		
Basic	2,414	2,614
Diluted	2,423	2,652

Revenue

Revenue consists of Marketplace transaction fees, association fees and other revenue net of revenue adjustments for both broker offices and corporate-owned offices. Revenue also includes a nominal amount of ITEX dollars (non-cash).

Marketplace and other revenue for the year ended July 31, 2015, decreased $1,525 or 11% to $12,017 from $13,542 during the prior year. This decrease was due to a reduction in the number of members, a reduction in transaction volume and a corresponding decrease in transaction and association fees.

Income before income taxes for the year ended July 31, 2015 was $1,047, an increase of $89 or 9% from income before income taxes in 2014 of $958. We attribute this increase primarily to the reduction in our operating expenses of $718 offset by a reduction in gross profit of $610.

Earnings per share, basic, increased by $0.04 or 16% to $0.29 per share for the year ended July 31, 2015, from $0.25 per share for the year ended July 31, 2014.

Revenue, Costs and Expenses

The following table summarizes our selected consolidated financial information for the years ended July 31, 2015 and 2014, with amounts expressed as a percentage of total revenues:

	Years Ended July 31, 2015 Amount	2015 Percent of Revenue	2014 Amount	2014 Percent of Revenue
Revenue:				
Marketplace revenue and other revenue	$ 12,017	100%	$ 13,542	100%
Costs and expenses:				
Cost of Marketplace revenue	7,394	61%	8,309	61%
Salaries, wages and employee benefits	1,864	16%	2,235	17%
Selling, general and administrative	1,711	14%	2,030	15%
Depreciation and amortization	91	1%	119	1%
	11,060	92%	12,693	94%
Income from operations	957	8%	849	6%
Other income, net	90	1%	109	1%
Income before income taxes	1,047	9%	958	7%
Income tax expense	357	3%	297	2%
Net income	$ 690	6%	$ 661	5%

The following are the components of revenue that are included in the consolidated statements of income:

	Year Ended July 31, 2015	Percent change from 2014	2014
Association fees	$ 3,991	-7%	$ 4,289
Transaction fees	7,577	-12%	8,634
Other revenue	232	-19%	286
Revenue, subtotal	$ 11,800	-11%	$ 13,209
ITEX dollar revenue	$ 217	-35%	$ 333
Total Revenue	$ 12,017	-11%	$ 13,542

Revenue decreased by $1,525 or 11% for the year ended 2015 compared to 2014. Association revenue decreased $298 or 7% to $3,991 from $4,289. The association revenue decrease was due to a reduction in the number of members assessed association fees. Transaction revenue decreased $1,057 or 12% to $7,577 from $8,634. The transaction revenue decrease was due to lower transaction volume in the Marketplace in 2015 when compared to 2014.

Other revenue decreased $54 or 19% from $286 to $232. The other revenue decrease was due to lower association and transaction volume that creates the majority of other revenue fees along with a decrease in the amount of late fees charged to Members during the period ending July 31, 2015.

ITEX Dollar Revenue

As described in notes to our consolidated financial statements, we receive ITEX dollars from members' transaction and association fees, and, to a lesser extent, from other member fees. Occasionally we spend ITEX dollars in the Marketplace for our corporate needs. As discussed in Note 1 to our consolidated financial statements, we record ITEX dollar revenue in the amounts ultimately equal to expenses we incurred and paid for in ITEX dollars, resulting in an overall net effect of $0 on the operating and net income lines. We recorded $217 and $333 as ITEX dollar revenue for the years ended July 31, 2015 and 2014, respectively.

Cost of Marketplace revenue

Cost of Marketplace revenue consists of commissions paid to brokers, salaries and employee benefits of our corporate-owned offices, payment of processing fees and other expenses directly correlated to Marketplace revenue. The following are the main components of cost of Marketplace revenue that are included in the consolidated statements of income:

	Year Ended July 31,		
	2015	Percent change from 2014	2014
Association fee commissions	$ 1,433	-6%	$ 1,530
Transaction fee commissions	5,668	-12%	6,471
Other Marketplace expenses	293	-5%	308
	$ 7,394	-11%	$ 8,309
Costs of Marketplace revenue as a percentage of total revenue	61%		61%

Costs of Marketplace revenue for 2015, as compared to 2014, decreased by $915, or 11%. Costs of Marketplace revenue as a percentage of total revenue was 61% in both years.

Association fee commissions decreased by $97, or 6% for the year ended 2015 as compared to 2014. The decrease in commissions paid was comparable to the decrease in the corresponding association revenue.

Transaction fee commissions decreased by $803, or 12% for the year ended 2015, as compared to 2014. Transaction fee commissions will generally increase or decrease at a similar percentage as the increase or decrease in transaction revenue, which was the case for 2015.

Other Marketplace expenses consist of miscellaneous Marketplace related expenses such as credit card processing fees and other commissions not associated with association or transaction revenue. Other Marketplace expenses decreased by $15, or 5% for the year ended 2015 as compared to 2014. The primary decrease in the year ended 2015 is due to a reduction in the credit card processing fee due to lower transaction volume.

Association fee commissions as a percentage of its related revenue remained at 36% in both 2015 and 2014. Transaction fee commissions, as a percentage of corresponding revenue, was also the same at 75% in both years ended 2015 and 2014.

Corporate Salaries, Wages and Employee Benefits

Corporate salaries, wages and employee benefits include expenses for employee salaries and wages, payroll taxes, 401(k), payroll related insurance, healthcare benefits, recruiting costs, temporary services and other personnel-related items.

Corporate salaries, wages and employee benefits expenses for 2015 decreased by $371 or 17% to $1,864 from $2,235 for the year ended 2014. The decrease in compensation-related costs for the year is primarily due to a reduction of staff during the year ended July 31, 2015.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, SG&A, include consulting, legal and professional services, as well as expenses for rent and utilities, marketing, insurance, bad debts, sales tax and other taxes, and other costs.

SG&A expenses for 2015 decreased by $319 or 16% to $1,711 from $2,030 for the year ended 2014. The decrease is due primarily to a $154 decrease in consulting fees as we discontinued an outside consulting project after completion of that project in the prior year. Also, legal fees decreased $48 and there was a $118 decrease in ITEX dollars used for corporate purposes during 2015. These decreases were offset somewhat by a $119 increase in foreign currency expense. We hold some assets and conduct business in Canada and the decrease in CDN exchange rates during 2015 caused an increase in this expense.

Depreciation and Amortization

Depreciation and amortization expenses include depreciation on our fixed assets and amortization of our intangible assets.

Depreciation and amortization for 2015 decreased by $28, or 24% to $91 from $119 for the year ended 2014. The primary reason for the decrease is that there were no material additions of property and equipment or amortizable intangible assets in 2015.

Other Income

Other income includes interest received on notes receivable and promissory notes and gains and losses on sale of assets. The interest income is derived primarily from our notes receivable for corporate-owned office sales and loans to Brokers. Other income in 2015 decreased by $20 or 18% to $90 from $110 for the year ended 2014. The notes receivable are repaid in installments. The installment payments for the various notes receivable end between 2016 and 2022.

Recoverability of Deferred Tax Assets

Deferred tax assets on our balance sheet primarily include federal and state net operating loss carry forwards (collectively "NOLs") which are expected to result in future tax benefits. Realization of these NOLs assumes that we will be able to generate sufficient future taxable income to realize these assets. Deferred tax assets also include temporary differences between the financial reporting basis and the income tax basis of our assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. In 2015 and 2014, respectively, we utilized $844 and $483 of our available NOLs. As of July 31, 2015, we have approximately $9,117 of NOLs available to offset future taxable income.

We periodically assess the realizability of our available NOLs by assessing whether we believe we will generate enough future taxable income to utilize substantially all of the available NOLs. We determined that there is no allowance required on our Federal NOL. We determined that we will not be able to utilize the California NOL. As of July 31, 2015 and 2014, we have a $99 and 109, respectively, valuation allowance on state of California NOLs.

FINANCIAL CONDITION (in thousands)

Our total assets were $10,740 and $13,371 at July 31, 2015 and 2014, respectively, representing a decrease of $2,631 or 20%. The decrease in asset base is primarily due to the completion of a partial tender offer in which we purchased 750 shares of our common stock for $3,000, less cash dividends paid out to stockholders in 2015 of $534 and the utilization of $356 of deferred income taxes. In addition, we also repurchased 23 shares of our common stock for $76 through the stock repurchase program.

Our cash totaled $2,047 and $3,673 as of July 31, 2015 and 2014, respectively, representing a decrease of $1,626, or 44%. Our cash flow activity is described in more detail below (see "Liquidity and Capital Resources").

Accounts receivable balances, net of allowances of $439 and $357, were $398 and $658 as of July 31, 2015 and 2014 respectively, representing a decrease of $260 or 40%, primarily due to reduced revenue and the timing of our cycle close in comparable years.

Our total current liabilities were $1,368 and $1,442 at July 31, 2015 and 2014, respectively, representing a decrease of $74 or 5%. The decrease is primarily due to a reduction of $77 in accrued commissions and commissions payable to brokers.

Our stockholders' equity decreased by $2,557 or 21% to $9,372 at July 31, 2015, compared to $11,929 at July 31, 2014 primarily due to $3,000 utilized in the tender offer, $534 in dividends paid and $76 of stock repurchases during 2015. This decrease was offset somewhat by net income of $690 and $38 in principal payments received on Stockholders notes during 2015.

LIQUIDITY AND CAPITAL RESOURCES (in thousands)

Our principal sources of liquidity are our cash provided by operating activities and cash on hand. Net cash provided by operating activities was $1,608 and $1,250 for the years ended July 31, 2015 and 2014, respectively. Our cash balance as of July 31, 2015 totaled $2,047. Additionally, we have a revolving credit agreement for a $1,000 line of credit facility from our primary banking institution, U.S. Bank ("line of credit"), effective through November 30, 2015. We do not plan to renew the credit facility when it expires. We have no outstanding balance on our line of credit as of July 31, 2015.

The following table presents a summary of our cash flows for the years ended 2015 and 2014 respectively (in thousands):

	Year Ended July 31,	
	2015	2014
Net cash provided by operating activities	$ 1,608	$ 1,250
Net cash provided by (used in) investing activities	338	(46)
Net cash used in financing activities	(3,572)	(883)
(Decrease) increase in cash and cash equivalents	$ (1,626)	$ 321

We have financed our operational needs through cash flow generated from operations. During 2015, our cash position decreased by $1,626 to $2,047. In 2015, we used a significant portion of cash reserves to fund the tender offer of $3,000. We use operational cash flow provided by operating activities for routine operating expenses, loans to brokers, stock buybacks and quarterly dividend payments to common stockholders.

We believe that our financial condition is stable and that our cash balances, other liquid assets, and cash flows from operating activities provide adequate resources to fund ongoing operating requirements.

Inflation has not had a material impact on our business during the last two fiscal years. Inflation affecting the U.S. dollar is not expected to have a material effect on our operations in the foreseeable future.

Operating Activities

For the year ended July 31, 2015, net cash provided by operating activities was $1,608 compared to $1,250 in the year ended July 31, 2014, an increase of $358, or 29%. The increase in net cash provided by operating activities is primarily due to the positive change of $299 in operating assets and liabilities.

The difference between our net income and our net cash provided by operating activities was attributable to non-cash expenses included in net income, and changes in the operating assets and liabilities, as presented below (in thousands):

	Year ended July 31, 2015	Year ended July 31, 2014
Net income	$ 690	$ 661
Add: non-cash expenses	854	824
Plus (less) : changes in operating assets and liabilities	64	(235)
Net cash provided by operating activities	$ 1,608	$ 1,250

Non-cash expenses are associated primarily with the amortization of intangible assets, depreciation and amortization of property and equipment, stock-based compensation expense, and the changes in the deferred portion of the provision for income taxes.

Investing Activities

For the year ended July 31, 2015, net cash provided by investing activities was $338 compared with $46 used in investing activities in the year ended July 31, 2014, an increase of $384. In the year ended July 31, 2014, the net cash used in investing activities was primarily related to the purchase of $46 in equipment. In addition, $450 in note receivable principal collections were offset by $443 in note receivable advances. In the year ended July 31, 2015, the net cash provided by investing activities was primarily related to $372 in note receivable principal collections were offset by $30 in note receivable advances.

Financing Activities

For the year ended July 31, 2015, net cash used in financing activities was $3,572 compared with $883 used in financing activities in the year ended July 31, 2014, a decrease of $2,689, or 305%. In the year ended July 31, 2015, the net cash used in financing activities was primarily related to the partial tender offer of $3,000 along with the repurchase of $76 in common stock and $534 in dividends paid to common stockholders. In the year ended July 31, 2014, the net cash used in financing activities was primarily related to the repurchase of $364 in common stock and $579 in dividends paid to common stockholders.

Our net cash used in financing activities consists of dividends paid to shareholders, contractual and discretionary debt repayments and discretionary repurchases of our common stock. We repurchased 23 and 86 shares of ITEX stock under our stock repurchase program in 2015 and 2014, respectively.

Commitments and Contingencies

We utilize leased facilities in the normal course of our business. As of July 31, 2015, we are leasing our office space on a month to month basis.

The lease expense, inclusive of utilities included in our lease payments, for our executive office space and corporate-owned offices for the years ended July 31, 2015 and 2014 was $149 and $169, respectively.

OTHER MATTERS

Critical Accounting Policies and Estimates

We have identified the policies below as critical to our understanding of the results or our business operations. We discuss the impact and any associated risks related to these policies on our business operations throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

In the ordinary course of business, we have made a number of estimates and assumptions in preparing our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates and assumptions. The following critical accounting policies are those that are most important to the portrayal of our consolidated financial statements. These policies require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a summary of all of our significant accounting policies, including the critical accounting policies discussed below, refer to Note 1 — "Summary of Significant Accounting Policies" included in the "Notes to Consolidated Financial Statements", Item 8 – Financial Statements.

Revenue Recognition

We generate our revenue by charging members percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable (collectively and as reported on our financial statements "USD" or "Cash"). We recognize revenue when persuasive evidence of an arrangement exists, the transaction has occurred or a cycle period has ended, the charges are fixed and determinable and no major uncertainty exists with respect to collectability.

In each accounting cycle, we recognize as revenue all transaction fees, association fees and applicable other fees that occurred during that month regardless of which operating cycle the fees occurred. We defer annual dues, which are prepaid, and recognize this revenue over the periods they apply.

We generally do not record revenues or expenses in our financial statements for ITEX dollars we receive from or expend to members or brokers, but we do record revenues and expenses for ITEX dollars we spend on various products or services where the value of those ITEX dollars is readily determinable (see Note 1 below, "Accounting for ITEX Dollar Activities").

Gross versus Net Revenue Recognition

In the normal course of business, we act as administrator of transactions between Marketplace members. We pay commissions to our brokers after the close of each operating cycle based on member transaction and association fees collected in USD. We report revenue based on the gross amount billed to the ultimate customer, the Marketplace member. When revenues are recorded on a gross basis, any commissions or other payments to brokers are recorded as costs or expenses so that the net amount (gross revenues less expenses) is reflected in operating income.

Determining whether revenue should be reported as gross or net is first based on an assessment of whether we are acting as the principal or acting as an agent in the transaction. In determining whether we serve as principal or agent, we follow the related guidance. Pursuant to such guidance, we serve as the principal in transactions in which we have substantial risks and rewards of ownership. The determination of whether we are acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement. In our case, we administer the Marketplace, provide record-keeping and payment transaction processing services for our members, bill Marketplace members directly pursuant to contractual agreements with them for which we establish the terms, collect all revenue, and assess the collectability of our accounts receivable monthly. Our revenues remain the property of ITEX.

Valuation of Notes Receivable and Accounts Receivable

We determine a present value of our notes receivable using a monthly average Treasury note rate with approximately the same term as the note to approximate a market value interest rate when we determine that a negotiated interest rate does not properly reflect the risk associated with the notes. We calculate the effective rate on the note given the market rate and the payment streams and record the note accordingly. We periodically review our notes for possible impairment whenever events or changes in circumstances indicate that the carrying value has been impaired and may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Change in management of the franchisee or independent licensed broker responsible for the note.

We assess the collectability of accounts receivable monthly based on past collection history and current events and circumstances. Accordingly, we adjust the allowance on accounts receivable to reflect net receivables that we ultimately expect to collect.

Valuation Allowance on Deferred Tax Assets

We account for income taxes using an asset and liability approach as required. This approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. We assess a valuation allowance on our deferred tax assets if it is more likely than not that a portion of our available deferred tax assets will not be realized. We record our deferred tax assets net of valuation allowances.

We also account for uncertainty in income taxes in accordance with related guidance. Under the related provisions, we recognize the tax benefits of tax positions only if it is more likely than not that the tax positions will be sustained, upon examination by the applicable taxing authorities, based on the technical merits of the positions. We also record any potential interest and penalties associated with our tax positions. We have opted to record interest and penalties as a component of income tax expense.

Deferred tax assets on our balance sheet primarily include Federal and State net operating loss carry forwards (collectively "NOLs") which are expected to result in future tax benefits. Realization of these NOLs assumes that we will be able to generate sufficient future taxable income to realize these assets. Deferred tax assets also include temporary differences between the financial reporting basis and the income tax basis of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled.

In assessing the recoverability of deferred tax assets, we periodically assess the realizability of our available NOLs by assessing whether we believe we will generate enough future taxable income to utilize some portion or all of the available NOLs. We determined that there is no allowance required on our Federal NOL. We determined that we will not be able to utilize the California NOL. As of July 31, 2015 and 2014, we had a $99 and $109, respectively valuation allowance on state of California NOLs.

On July 31, 2015, we had NOLs of approximately $9,117 available to offset future taxable income. When circumstances warrant, we re-assess the realizability of our available NOLs for future periods. When this occurs, if we determine that the realizability of our NOLs has changed, we record the impact of that change as a component of our tax expense in the consolidated statements of income in that period.

The deferred tax assets recorded at July 31, 2015 represent our current estimate of all deferred tax benefits to be utilized in the current year and future periods beyond 2015.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired, including domains and other definite-lived intangible assets, and liabilities assumed in business combinations accounted for under the purchase method.

Goodwill acquired in a purchase business combination is determined to have an indefinite useful life and is not amortized, but instead tested for impairment at least annually. In testing goodwill for impairment, we first assess qualitative factors before calculating the fair value or a reporting unit in step 1 of the goodwill impairment test. If we determine that the fair value of the reporting unit is more likely than not less than its carrying value, then we will perform the two-phase approach. The first phase is a screen for potential impairment, while the second phase (if necessary) measures the amount of impairment, if any. Goodwill is written down and charged to operating results in any period in which the recorded value of goodwill exceeds its fair value.

We analyzed goodwill as of July 31, 2015 using a discounted cash flow methodology with a risk-adjusted weighted average cost of cost of capital (WACC). We believe the use of a discounted cash flow approach is the most reliable indicator for the Company to use when determining its fair market value. In order to determine the future cash flows, we prepared a cash flow forecast for the next 15 years based on past experience and our anticipated capital expenditures, revenue and expense forecast. In connection with our assessment of goodwill impairment, management determined that a Step 1 impairment assessment should be performed. Our evaluation determined after performance of Step 1, that goodwill was not impaired at July 31, 2015. The excess of fair value over the net carrying value of our reporting unit as of July 31, 2015 was minimal and as a result any significant declines in the Company's future operating performance or an overall negative impact on current economic conditions are likely to result in a future impairment of goodwill and any such impairment could be material. The most sensitive assumptions which impact the estimated fair value of our reporting unit include the planned growth (or decline) rate of future expected revenues, unplanned increases in our recurring cost structure and our ability to continue to efficiently manage our operating costs and changes in our WACC.

Share-based Payments

The Company accounts for share-based compensation to its employees and directors and measures of the amount of compensation expense for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Restricted stock awards issued to employees and directors are measured based on the fair market values of the underlying stock on the dates of grant.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This accounting guidance will be effective for the Company beginning in the first quarter of fiscal year 2019 using one of two prescribed retrospective methods. Early adoption is not permitted. We have not yet selected a transition method, nor have we determined the effect of the standard on our ongoing financial reporting.

There were other various accounting standards and interpretations issued recently, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

ITEM 7. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of ITEX Corporation are included in Item 8:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statement of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
ITEX Corporation
Bellevue, Washington

We have audited the accompanying consolidated balance sheets of ITEX Corporation (the "Company") as of July 31, 2015 and 2014 and the related consolidated statements of income, 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 ITEX Corporation as of July 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EKS&H LLLP

October 13, 2015
Denver, Colorado

ITEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	July 31, 2015	July 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,047	$ 3,673
Accounts receivable, net of allowance of $439 and $357	398	658
Prepaid expenses	174	104
Loans and advances	8	15
Deferred tax asset, net of allowance of $15 and $15	554	542
Notes receivable	291	318
Other current assets	11	30
Total current assets	3,483	5,340
Property and equipment, net of accumulated depreciation of $397 and $415	38	74
Goodwill	3,191	3,191
Deferred tax asset, net of allowance of $84 and $95 and net of current portion	3,124	3,492
Intangible assets, net of accumulated amortization of $3,325 and $3,270	102	157
Notes receivable - net of current portion	792	1,106
Other long-term assets	10	11
Total assets	10,740	13,371
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and other expenses payable	50	52
Commissions payable to brokers	259	267
Accrued commissions to brokers	659	728
Accrued expenses	261	254
Deferred revenue	27	32
Advance payments	112	106
Note payable, current portion	-	3
Total current liabilities	1,368	1,442
Total Liabilities	1,368	1,442
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 9,000 shares authorized; 1,890 shares and 2,602 shares issued and outstanding, respectively	19	26
Additional paid-in capital	22,361	25,222
Stockholder notes receivable	(6)	(161)
Accumulated deficit	(13,002)	(13,158)
Total stockholders' equity	9,372	11,929

The accompanying notes are an integral part of these Consolidated Financial Statements.

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

	Year ended July 31, 2015	Year ended July 31, 2014
Revenue:		
Marketplace and other revenue	$ 12,017	$ 13,542
Costs and expenses:		
Cost of Marketplace revenue	7,394	8,309
Corporate salaries, wages and employee benefits	1,864	2,235
Selling, general and administrative	1,711	2,030
Depreciation and amortization	91	119
	11,060	12,693
Income from operations	957	849
Other income/(expense):		
Interest income	90	110
Other income (expense), net	-	(1)
	90	109
Income before income taxes	1,047	958
Income tax expense	357	297
Net income	$ 690	$ 661
Net income per common share:		
Basic	$ 0.29	$ 0.25
Diluted	$ 0.28	$ 0.25
Weighted average shares outstanding:		
Basic	2,414	2,614
Diluted	2,423	2,652

The accompanying notes are an integral part of these Consolidated Financial Statements.

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional paid in capital	Stockholder Notes Receivable	Accumulated deficit	Total
Balance, July 31, 2013	2,596	$ 26	$ 25,214	$ (226)	$ (13,240)	$ 11,774
Stock based compensation expense	93	1	376	-	-	377
Common Stock repurchased and retired	(86)	(1)	(363)	-	-	(364)
Payments on Broker notes receivables	-	-	-	60	-	60
Cancellation of Broker stock purchase	(1)		(5)	5	-	-
Dividend payment	-	-	-	-	(579)	(579)
Net Income	-	-	-	-	661	661
Balance, July 31, 2014	2,602	$ 26	$ 25,222	$ (161)	$ (13,158)	$ 11,929
Stock based compensation expense	90	1	324	-	-	325
Common Stock repurchased and retired	(23)	-	(76)	-	-	(76)
Tender Offer, partial	(750)	(8)	(2,992)	-	-	(3,000)
Payments on Broker notes receivables	-	-	-	38	-	38
Cancellation of Broker stock purchase	(29)	-	(117)	117	-	-
Dividend payment	-	-	-	-	(534)	(534)
Net Income	-	-	-	-	690	690
Balance, July 31, 2015	1,890	$ 19	$ 22,361	$ (6)	$ (13,002)	$ 9,372

The accompanying notes are an integral part of these Consolidated Financial Statements.

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended July 31, 2015	Year ended July 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 690	$ 661
Items to reconcile to net cash provided by operating activities:		
Depreciation and amortization	91	119
Loss on disposal of equipment	-	1
Stock-based compensation	325	377
Increase (decrease) in allowance for uncollectible receivables	82	(6)
Decrease in deferred income taxes	356	333
Changes in operating assets and liabilities:		
Accounts receivable	178	59
Prepaid expenses	(70)	3
Loans and advances	7	(8)
Other assets	20	2
Accounts and other expenses payable	(2)	(49)
Commissions payable to brokers	(8)	(41)
Accrued commissions to brokers	(69)	(105)
Accrued expenses	7	(66)
Deferred revenue	(5)	(1)
Long-term liabilities	-	(5)
Advance payments	6	(24)
Net cash provided by operating activities	1,608	1,250
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received from notes receivable - corporate office sales	371	450
Payments of note payable	(3)	(7)
Notes receivable - advances	(30)	(443)
Purchase of property and equipment	-	(46)
Net cash provided by (used in) investing activities	338	(46)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes receivable from broker stock purchase	38	60
Repurchase of Common stock	(76)	(364)
Tender offer, partial	(3,000)	-
Cash dividend paid to Common Stockholders	(534)	(579)
Net cash used in financing activities	(3,572)	(883)
Net (decrease) increase in cash and cash equivalents	(1,626)	321
Cash and cash equivalents at beginning of period	3,673	3,352
Cash and cash equivalents at end of period	$ 2,047	$ 3,673
Supplemental cash flow information:		
(Refund) cash paid for taxes	(7)	44
Non-cash activities:		
Cancellation of portion of private placement notes and equity	117	5

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTE 1 - DESCRIPTION OF OUR COMPANY AND SUMMARY OF OUR SIGNIFICANT ACCOUNTING POLICIES

Description of our Company

ITEX Corporation ("ITEX", "Company", "we" or "us") was incorporated in October 1985 in the State of Nevada. Through our independent licensed broker and franchise network (individually, "broker," and together the "Broker Network") in the United States and Canada, we operate a "Marketplace" in which products and services are exchanged by Marketplace members utilizing ITEX dollars "ITEX dollars". ITEX dollars are only usable in the Marketplace and allows thousands of member businesses (our "members") to acquire products and services without exchanging cash. We administer the Marketplace and provide record-keeping and payment transaction processing services for our members. A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The consolidated financial statements include the accounts of ITEX Corporation and its wholly owned subsidiary BXI Exchange, Inc.. All inter-company accounts and transactions have been eliminated in consolidation.

Accounting Records and Use of Estimates

The accounting records are maintained in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions affecting the amounts reported in the consolidated financial statements and accompanying notes. Changes in these estimates and assumptions may have a material impact on the Company's financial statements and notes. Examples of estimates and assumptions include estimating:

- certain provisions such as allowances for accounts receivable and notes receivable
- any impairment of long-lived assets
- useful lives of property and equipment
- the value and expected useful life of intangible assets and goodwill
- the value of assets and liabilities acquired through business combinations
- tax provisions and valuation allowances
- accrued commissions and other accrual expenses
- litigation matters described herein
- stock based payments

Actual results may vary from estimates and assumptions that were used in preparing the financial statements.

Operating and Accounting Cycles

For each calendar year, we divide our operations into 13 four-week billing and commission cycles always ending on a Thursday ("operating cycle"). For financial statement purposes, our fiscal year is from August 1 to July 31 ("year", "2015" for August 1, 2014 to July 31, 2015, "2014" for August 1, 2013 to July 31, 2014). We report our results as of the last day of each calendar month ("accounting cycle").

Business Combinations

The Company accounts for business combinations using the purchase method of accounting. The total consideration paid in an acquisition is allocated to the fair value of the acquired company's identifiable assets and liabilities. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. The consolidated financial statements reflect the results of operations of an acquired business from the completion date of an acquisition. The costs to acquire a business, including transaction costs, are expensed as incurred.

The Company identifies and records separately the intangible assets acquired apart from goodwill based on the specific criteria for separate recognition established per the accounting standards codification, namely:

- the asset arises from contractual or other legal rights; or
- the asset is capable of being separated from the acquired entity and sold, transferred, licensed, rented or exchanged.

Concentrations of Credit Risk

At July 31, 2015, we maintained our cash balances at a U.S. Bank branch in Portland, Oregon, an investment bank, a Royal Bank of Canada branch in Vancouver, Canada, and a Bank of Montreal branch in Toronto, Canada. The balances are insured by the Federal Deposit Insurance Corporation up to $250 U.S. dollars and by the Canadian Deposit Insurance Corporation up to $100 Canadian dollars.

Accounts and Notes Receivable

We assess the collectability of accounts receivable monthly based on past collection history and current events and circumstances. Accordingly, we adjust the allowance on accounts receivable to reflect net receivables that we ultimately expect to collect.

We review all notes receivable for possible impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value has been impaired and may not be recoverable. Factors considered important that could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and a change in management of the franchisee or independent licensed broker responsible for the note.

Loans and Advances and Notes Receivable

At our discretion, we occasionally allow members who complete large transactions to pay the related transaction fee over time, typically ranging from three to six operating cycles. The aggregate total owed to us on July 31, 2015 is $8. Interest rates are typically 13% charged on the outstanding balances. The maximum individual balance owed is $1. Payoff dates for the loans are scheduled within one year.

From time to time we finance the operational and expansion activities of our brokers. We loan brokers funds for general operational purposes, to acquire the management rights to select member accounts, and for other reasons. These loans are repaid from regular deductions from broker commissions. The amount of loans to brokers as of July 31, 2015 was $1,083. Interest rates are typically 6% to 8% charged on the outstanding balances. Payoff dates for the loans are from the year 2016 to 2022.

Property and Equipment

We report property and equipment at cost less accumulated depreciation recorded on a straight-line basis over useful lives ranging from three to seven years. Included in property and equipment are additions and improvements that add to productive capacity or extend useful life of the assets. Property and equipment also includes internally developed software (refer to “Software for Internal Use”). When we sell or retire property or equipment, we remove the cost and related accumulated depreciation from the balance sheet and record the resulting gain or loss in the income statement. We record an expense for the costs of repair and maintenance as incurred.

Software for Internal Use

We have developed extensive software to manage and track the ITEX dollar activity in the Marketplace to calculate USD and ITEX dollar fees accordingly. We have expensed costs incurred in the development of software for internal use in the period incurred as such costs were not significant during the related application development phase.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired, including domains and other definite-lived intangible assets, and liabilities assumed in business combinations accounted for under the purchase method.

Goodwill acquired in a purchase business combination is determined to have an indefinite useful life and is not amortized, but instead tested for impairment at least annually. In testing goodwill for impairment, we first assess qualitative factors before calculating the fair value or a reporting unit in step 1 of the goodwill impairment test. If we determine that the fair value of the reporting unit is more likely than not less than its carrying value, then we will perform the two-phase approach. The first phase is a screen for potential impairment, while the second phase (if necessary) measures the amount of impairment, if any. Goodwill is written down and charged to operating results in any period in which the recorded value of goodwill exceeds its fair value. We analyzed goodwill as of July 31, 2015 using a discounted cash flow methodology with a risk-adjusted weighted average cost of cost of capital (WACC). We believe the use of a discounted cash flow approach is the most reliable indicator for the Company to use when determining its fair market value. In order to determine the future cash flows, we prepared a cash flow forecast for the next 15 years based on past experience and our anticipated capital expenditures, revenue and expense forecast. In connection with our assessment of goodwill impairment, management determined that a Step 1 impairment assessment should be performed. Our evaluation determined after performance of Step 1, that goodwill was not impaired at July 31, 2015. The excess of fair value over the net carrying value of our reporting unit as of July 31, 2015 was minimal and as a result any significant declines in the Company's future operating performance or an overall negative impact on current economic conditions are likely to result in a future impairment of goodwill and any such impairment could be material. The most sensitive assumptions which impact the estimated fair value of our reporting unit include the planned growth (or decline) rate of future expected revenues, unplanned increases in our recurring cost structure and our ability to continue to efficiently manage our operating costs and changes in our WACC.

Intangible Assets with Definite Lives

Intangible assets acquired in business combinations are estimated to have definite lives and are comprised of membership lists, noncompetition agreements and trade names. The Company amortizes costs of acquired intangible assets using the straight-line method over the contractual life of one to three years for noncompetition agreements, the estimated life of six to ten years for membership lists and the estimated life of ten years for trade names.

The carrying value of intangible assets with definite lives is reviewed on a regular basis for the existence of facts that may indicate that the assets are impaired. An asset is considered impaired when the estimated undiscounted future cash flows expected to result from its use and disposition are less than the amount of its carrying value. If the carrying value of an asset is deemed not recoverable, it is adjusted downward to the estimated fair value.

Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. We look primarily at the market values of the assets when available, or, alternatively, the undiscounted future cash flows in our assessment of whether or not they have been impaired. If impairment is deemed to have occurred, we then measure the impairment by looking to the excess of the carrying value over the discounted future cash flows or market value, as appropriate.

Commissions Payable to Brokers and Accrued Commissions to Brokers

We compute commissions to brokers as a percentage of cash collections of revenues from association fees, transactions fees, and other fees. We pay most commissions in two tranches with approximately 50% paid one week after the end of the operating cycle and the remainder paid two weeks later. Commissions payable to brokers on our balance sheet as of July 31, 2015 represents commissions payable from the operating cycle ending July 23, 2015. In 2014, the closest operating cycle ended July 24, 2014. Accrued commissions to brokers on our balance sheets are the estimated commissions on the net accounts receivable balance and unpaid commissions on cash already collected as of the financial statement date.

Deferred Revenue

We bill annual dues to certain members acquired as part of legacy fee plans related to acquisitions. We defer this revenue and recognize it over the annual period to which it applies. As of July 31, 2015 and 2014 we have $27 and $32 of annual dues deferred on our balance sheet.

Advance Payments

In some cases, members pre-pay transaction and/or association fees or receive USD credits on their accounts for previously paid fees associated with transactions that are subsequently reversed. We defer these payments and recognize revenue when these fees are earned.

Fair Value of Financial Instruments

All of our financial instruments are recognized in our balance sheet. The carrying amount of our financial instruments including cash, accounts receivable, loans and advances, accounts payable, commissions payable and accrued commissions and other accruals approximate their fair values at July 31, 2015 due to the short-term nature of these instruments. All of these instruments have terms of less than one year. For notes receivable, the Company has determined that the rates are commensurate with current rates for similar transactions, and therefore, net book value approximates fair value.

The fair value of notes payable is based on rates currently available to us for debt of similar terms and remaining maturities. There are no quoted market prices for the debt or similar debt; though we believe the fair value approximates the carrying amounts on our balance sheets due to the short-term nature of these instruments. We have $0 and $3 of note payable debt outstanding as of July 31, 2015 and 2014, respectively.

Revenue Recognition

We generate our revenue by charging members percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable (collectively and as reported on our financial statements "USD" or "Cash"). We recognize revenue when persuasive evidence of an arrangement exists, the transaction has occurred or a cycle period has ended, the charges are fixed and determinable and no major uncertainty exists with respect to collectability.

Our largest sources of revenue are transaction fees and association fees. We charge members of the Marketplace an association fee every operating cycle in accordance with our members' individual agreements. We also charge both the buyer and the seller a transaction fee based on the ITEX dollar value of that Marketplace transaction. Additionally, we may charge various auxiliary fees to members, such as annual membership dues, late fees, and insufficient fund fees. The total fees we charge to members are in USD and partially in ITEX dollars (see below, "Accounting for ITEX Dollar Activities"). We bill members for all fees at the end of each operating cycle. We track all financial activity in our internally developed database. Members have the option of paying USD fees automatically by credit card, by electronic funds transfer or by check. In the years ended July 31, 2015 and 2014, members made approximately 95% and 94%, respectively, of their payments through electronic funds transfer or by credit cards using our Preferred Member Autopay System ("Autopay System"). If paying through our Autopay System, generally, the USD transaction fee is 6% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. If paying by check, generally, the USD transaction fee is 7.5% of the ITEX dollar amount of that member's purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members an association fee of $20 USD ($260 USD annually) and $10 ITEX dollars ($130 ITEX dollars annually). Transaction and association fees composed 96% and 95% of our total revenue in 2015 and 2014, respectively.

In each accounting cycle, we recognize as revenue all USD transaction fees, association fees and applicable other fees that occurred during that month regardless of which operating cycle the fees occurred. Annual dues, billed in advance of the applicable service periods, are deferred and recognized into revenue on a straight-line basis over the term of one year.

For transaction and association fees charged to members, we share a portion of our revenue with the brokers in the Broker Network in the form of commissions based on a percentage of cash collections from members. For those fees, revenues are recorded on a gross basis. Commissions to brokers are recorded as cost of revenue in the period corresponding to the revenue stream on which these commissions are based.

We record an allowance for uncollectible accounts based upon its assessment of various factors. We consider historical experience, the age of the accounts receivable balances, the credit quality of its customers, current economic conditions and other factors that may affect customers' ability to pay to determine the level of allowance required.

Gross versus Net Revenue Recognition

In the normal course of our core business, we act as administrator to execute transactions between Marketplace members. We pay commissions to our brokers after the close of each operating cycle based on member transaction and association fees collected in USD. We report revenue based on the gross amount billed to our ultimate customer, the Marketplace member. When revenues are recorded on a gross basis, any commissions or other payments to brokers are recorded as costs or expenses so that the net amount (gross revenues less expenses) is reflected in operating income.

Accounting for ITEX Dollar Activities

Primarily, we receive ITEX dollars from members' transaction and association fees, but we also receive ITEX dollars, to a much lesser extent, from other member fees. We expend ITEX dollars for revenue sharing transaction fees and association fees with our Broker Network, and for general Marketplace costs. Our policy is to record transactions at the fair value of products or services received when those values are readily determinable.

Our accounting policy follows the accounting standards codification which indicates that transactions in which non-monetary assets are exchanged for barter credits should be recorded at fair value of the assets (or services) involved. The fair value of the assets received (in this case ITEX dollars) should be used to measure the cost if it is more clearly evident than the fair value of the asset surrendered or service provided. Our position is that the fair value of the non-monetary asset exchanged is more clearly evident than the fair value of the ITEX dollar received. In addition, there is no cost basis to us for ITEX dollars. Our conclusion may change if we could convert ITEX dollars into USD in the near term, as evidenced by a historical practice of converting ITEX dollars into USD shortly after receipt, or if quoted market prices in USD existed for the ITEX dollar.

We expend ITEX dollars primarily on the following items:

- Co-op advertising with Marketplace members and brokers;
- Revenue sharing with brokers for transaction fees and association fees;
- Incentives to brokers for registering new members in the Marketplace.

We believe that fair value should not be regarded as determinable within reasonable limits if major uncertainties exist about the realizability of the value that would be assigned to the asset received in a non-monetary transaction at fair value. If neither the fair value of the non-monetary asset (or service) transferred or received in the exchange is determinable within reasonable limits, the recorded amount of the non-monetary asset transferred from the enterprise may be the only measure of the transaction. When our ITEX dollar transactions during the periods presented in the accompanying financial statements lacked readily determinable fair values they were recorded at the cost basis of the trade dollars surrendered, which was zero. However, we have reflected in our financial statements those items that meet non-monetary recognition by having readily determinable fair values. Our consolidated statements of income include ITEX dollar expenses for corporate expenses for certain products or services we purchased at prices comparable to what we would have expended had we paid in USD.

While the accounting policies described above are used for financial reporting purposes, the Internal Revenue Service requires, for purposes of taxation, that we recognize revenues, expenses, assets, and liabilities for all transactions in which we either receive or spend ITEX dollars using the ratio of one USD per ITEX dollar. For this reason, we track our ITEX dollar activity in statements to members and brokers and in other ways necessary for the operation of the Marketplace and our overall business.

Advertising Expenses

We expense all advertising costs as incurred. Advertising expense was $5 and $13 for the years ended July 31, 2015 and 2014, respectively.

Share-based Payments

We account for share-based compensation to our employees, contractors and directors and measure the amount of compensation expense for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Restricted stock awards issued to employees, contractors and directors are measured based on the fair market values of the underlying stock on the dates of grant. Share based expense was $325 and $377 for the years ended July 31, 2015 and 2014, respectively.

Operating Leases

We account for our executive office lease on a month-to month basis.

Accounting for Income Taxes

We account for income taxes using an asset and liability approach as required. Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. We assess a valuation allowance on our deferred tax assets if it is more likely than not that a portion of our available deferred tax assets will not be realized. We record our deferred tax assets net of valuation allowances.

We also account for uncertainty in income taxes in that we recognize the tax benefits of tax positions only if it is more likely than not that the tax positions will be sustained, upon examination by the applicable taxing authorities, based on the technical merits of the positions. As required, we record potential interest and penalties associated with our tax positions. We have opted to record interest and penalties, if any, as a component of income tax expense.

Contingencies

In the normal course of our business we are periodically involved in litigation or claims. We record litigation or claim-related expenses upon evaluation of among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. We accrue for settlements when the outcome is probable and the amount or range of the settlement can be reasonably estimated. In addition to our judgments and use of estimates, there are inherent uncertainties surrounding litigation and claims that could result in actual settlement amounts that differ materially from estimates. We expense our legal costs associated with these matters when incurred.

Income per Share

We present in our financial statements on the face of the income statement both basic and diluted earnings per share. Basic earnings per share excludes potential dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. As of July 31, 2015, we had no contracts to issue common stock. The Company had 195 unvested restricted stock units that were dilutive as of July 31, 2015.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This accounting guidance will be effective for the Company beginning in the first quarter of fiscal year 2019 using one of two prescribed retrospective methods. Early adoption is not permitted. We have not yet selected a transition method, nor have we determined the effect of the standard on our ongoing financial reporting.

There were other various accounting standards and interpretations issued recently, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

NOTE 3 – CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, COMMISSIONS PAYABLE TO BROKERS AND ACCRUED COMMISSIONS TO BROKERS

The timing differences between our operating cycles and our accounting cycles cause fluctuations in the comparative balances of cash and cash equivalents, accounts receivable, commissions payable to brokers and accrued commissions to brokers presented on the consolidated balance sheets. Depending on the length of time between the end of the operating cycle and the end of the accounting cycle, members' payments on accounts receivable balances may vary. The longer the time, the greater amount of USD collections causes an increase in the reported cash and cash equivalents balance and a decrease in the net accounts receivable balance. The difference between our operating cycle ending date and the reporting date for July 31, 2015 was six business days as our cycle end date was on July 23, 2015. In 2014, our operating cycle ending date was July 24, 2014 or seven business days different than the accounting cycle end date of July 31, 2014.

We compute commissions to brokers as a percentage of USD collections of our revenues from association fees, transactions fees, and other fees. Commissions payable to brokers include amounts owed for the most recently ended operating cycle. We pay commissions in two tranches with approximately 50% paid approximately one week after the end of the operating cycle and the remainder paid approximately two weeks later. Commissions accrued are the estimated commissions on the net accounts receivable balance and USD collections on accounts receivable since the most recently ended operating cycle.

Our payments for salaries and wages to our employees occur on the same bi-weekly schedule as our commission payments to brokers.

NOTE 4 – NOTES RECEIVABLE

Notes receivables have been originated primarily by the sales of corporate-owned offices to brokers and loans for general operating purposes. In 2015, we originated loans to a number of brokers as new notes receivables in the amount of $30.

The aggregate total owed to us on July 31, 2015 is $1,083. Payoff dates for the loans are scheduled between 2016 and 2022.

Original Principal Balance on Notes	Principal Additions in 2015	Balance Receivable at July 31, 2015	Current Portion	Long-Term Portion
$ 2,338	$ 30	$ 1,083	$ 291	$ 792

The activity for Notes receivables was as follows:

Balance at July 31, 2013	$	1,431
Principal additions		443
Interest income at stated rates		108
Payments received		(558)
Balance at July 31, 2014	$	1,424
Principal additions		30
Interest income at stated rates		90
Payments received		(461)
Balance at July 31, 2015	$	1,083

NOTE 5 - PROPERTY AND EQUIPMENT

The following table summarizes property and equipment:

	July 31, 2015			
Fixed Asset Type	Estimated Useful Life	Cost	Accumulated Depreciation	Net Book Value
Computers	3 years	$ 240	$ (216)	$ 24
Software	3 years	92	(79)	13
Equipment	7 years	38	(37)	1
Furniture	7 years	13	(13)	-
Leasehold Improvements	3.3 years	52	(52)	-
		$ 435	$ (397)	$ 38

	July 31, 2014			
Fixed Asset Type	Estimated Useful Life	Cost	Accumulated Depreciation	Net Book Value
Computers	3 years	$ 275	$ (226)	$ 49
Software	3 years	110	(89)	21
Equipment	7 years	39	(35)	4
Furniture	7 years	13	(13)	-
Leasehold Improvements	3.3 years	52	(52)	-
		$ 489	$ (415)	$ 74

We depreciate property and equipment using the straight-line method over the assets' estimated useful lives. Depreciation expense for property and equipment was $36 and $29 for the years ended July 31, 2015 and 2014, respectively.

We amortize leasehold improvements using the straight-line method over the term of the lease. There was no amortization expense for leasehold improvements for the years ended July 31, 2015 or 2014.

NOTE 6 – INTANGIBLE ASSETS

Changes in the carrying amount of the intangible assets are summarized as follows:

	Membership Lists	Non-Compete Agreements	Trade Name Amortization	Total Intangible Assets
Balance as of July 31, 2013	$ 231	$ 7	$ 10	$ 248
Amortization	(82)	(7)	(2)	(91)
Balance as of July 31, 2014	$ 149	$ -	$ 8	$ 157
Amortization	(53)	-	(2)	(55)
Balance as of July 31, 2015	$ 96	$ -	$ 6	$ 102

The Company recorded goodwill in connection with business combinations completed in fiscal years from 2005 to 2009.

In September 2012, ITEX sold assets originally acquired in the 2011 Oregon acquisition. As part of the sales, ITEX allocated a pro rata portion of the membership list to the sale in the amount of $42. The pro rata percentage amount of unamortized membership list to apply as basis was calculated using the amount of the sold corporate-owned office members over the retained members acquired in the original purchase transaction.

The following schedule outlines the expected intangible related amortization expense over the respective lives:

Year ending July 31,	Membership List Amortization	Trade Name Amortization	Total Amortization
2016	53	2	55
2017	35	2	37
2018	8	2	10
Total	$ 96	$ 6	$ 102

NOTE 7 - NOTES PAYABLE AND LINE OF CREDIT

The Company has a revolving credit agreement to establish a $1,000 line of credit facility with its primary banking institution, US Bank, effective through November 30, 2015. The interest rate of the facility is one-month LIBOR + 2% and the annual commitment fee for the current line of credit was $2. The Company does not anticipate renewing the line of credit for another year. The line of credit facility was originally established on December 2, 2004. There were no borrowings made under this line of credit in the years ended July 31, 2015 and 2014 and there was no outstanding balance as of July 31, 2015 and 2014.

NOTE 8 - COMMITMENTS

The Company leases office space under operating leases. Lease commitments include a lease for the Company's corporate headquarters in Bellevue, Washington. The lease expired in April 2015 and now the Company operates on this leases under a month-to-month basis.

As of July 31, 2015, there are no future minimum commitments under these operating leases.

The lease expense for our executive office space for the years ended July 31, 2015 and 2014 was $149 and $169, respectively.

NOTE 9 – ITEX DOLLAR ACTIVITY

Primarily, we receive ITEX dollars from members' transaction and association fees. ITEX dollars earned from members are later used by the Company as a method of payment in revenue sharing and incentive arrangements with its Broker Network, co-op advertising with Marketplace members, as well as for certain general corporate expenses.

We record transactions at the fair value of products or services received when those values are readily determinable. Most of our ITEX dollar transactions during the periods presented in these financial statements lacked readily determinable fair values and were recorded at the cost basis of the trade dollars surrendered, which we have determined to be zero.

As discussed in Note 1 to our consolidated financial statements, we record ITEX dollar revenue in the amounts ultimately equal to expenses we incurred and paid for in ITEX dollars, resulting in an overall net effect of $0 on the operating and net income lines. We recorded $217 and $333 as ITEX dollar revenue for the years ended July 31, 2015 and 2014, respectively.

NOTE 10 — ACQUISITIONS

The expected lives of the membership list and noncompetition agreement purchased as part of previous acquisitions are six years and three years, respectively.

NOTE 11 — LEGAL PROCEEDINGS AND LITIGATION CONTINGENCIES

From time to time we are subject to a variety of claims and litigation incurred in the ordinary course of business. In our opinion, the outcome of our pending legal proceedings, individually or in the aggregate, will not have a material adverse effect on our business operations, results of operations, cash flows or financial condition.

Management has regular litigation reviews, including updates from outside counsel, to assess the need for accounting recognition or disclosure of contingencies relating to pending lawsuits. The Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable, and the amount can be reasonably estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our litigation contingency disclosures, “significant” includes material matters as well as other items which management believes should be disclosed.

Management judgment is required related to contingent liabilities and the outcome of litigation because both are difficult to predict. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. Although management currently does not believe resolving any pending proceeding will have a material adverse impact on our financial statements, management’s view of these matters may change in the future. A material adverse impact on our financial statements could occur in the future if the effect of an unfavorable final outcome becomes probable and reasonably estimable.

NOTE 12 – STOCK-BASED PAYMENTS

In March 2004 the Company adopted and stockholders approved the ITEX Corporation 2004 Equity Incentive Plan (the “2004 Plan”), which authorized 400 shares of common stock for issuance pursuant to awards under the plan. The 2004 Plan provided for the grant of incentive and nonqualified stock options, restricted stock, and stock bonuses to our employees, directors, officers and consultants. In February 2011, the Board of Directors amended and restated the 2004 Plan to increase the aggregate number of shares available for issuance by 400 shares. No shares remained available for future grants under the 2004 Plan after July 31, 2013, and the 2004 Plan expired on March 14, 2014.

In December 2013, stockholders approved the adoption of the ITEX Corporation 2014 Equity Incentive Plan (the “2014 Plan”), pursuant to which 400 shares of common stock were authorized for issuance. The 2014 Plan provides for the awards of restricted stock, restricted stock units, and other awards including unrestricted stock awards, stock bonuses, or the payment of cash for bonuses or in settlement of restricted stock unit awards to the Company's employees, directors, officers or consultants. 318 shares remained available for future grants under the 2014 Plan as of July 31, 2015.

During the year ended July 31, 2015, the Company issued 29 shares to employees and 15 restricted shares to non-employee board members. The fair value of these shares as of the grant date was $120. The grants are to be amortized to compensation expense over the respective vesting periods.

At July 31, 2015, 180 shares of common stock granted under the 2004 Plan remained unvested and 15 shares under the 2014 Plan remained unvested. In addition during the period ending July 31, 2015, 2 shares were forfeited and place back into the plan pool. At July 31, 2015, the Company had $602 of unrecognized compensation expense, expected to be recognized over a weighted-average period of approximately six years.

We account for stock-based compensation in accordance with the related guidance. Under the fair value recognition provisions, we estimate stock-based compensation cost at the grant date based on the fair value of the award. We recognize that expense ratably over the requisite service period of the award.

The following table summarizes the components of stock based compensation:

	Year ended July 31, 2015	Year ended July 31, 2014
Employee Compensation	$ 273	$ 328
Board Compensation	52	49
Totals	$ 325	$ 377

The following table summarizes the granted, forfeited and vested shares of the 2004 Plan:

	Number of Shares/Options		
	Expired	Restricted Shares	Stock Options
Balance, July 31, 2013	-	400	-
Granted	-	-	-
Forfeited	-	-	-
Balance, July 31, 2014	-	400	-
Granted	-	-	-
Forfeited	10	(10)	-
Balance, July 31, 2015	10	390	-
Vesting as of July 31, 2015:			
Shares Vested		210	-
Shares Unvested		180	-
Balance at July 31, 2015		390	-

The following table summarizes the granted, forfeited and vested shares of the 2014 Plan:

	Number of Shares/Options		
	Available	Restricted Shares	Stock Options
Balance, July 31, 2013	-	-	-
Approved	400	-	
Granted	(40)	40	-
Forfeited	-	-	-
Balance, July 31, 2014	360	40	-
Granted	(44)	44	-
Forfeited	2	(2)	-
Balance, July 31, 2015	318	82	-
Vesting as of July 31, 2015:			
Shares Vested		67	-
Shares Unvested		15	-
Balance at July 31, 2015		82	-

The stock-based compensation expense charged against the results of operations was as follows:

	Year ended July 31,	
	2015	2014
Stock-based compensation expense included in:		
Corporate salaries, wages and employee benefits	$ 273	$ 328
Selling, general and administrative	52	49
Total stock-based compensation expense	$ 325	$ 377

NOTE 13 - STOCKHOLDERS' EQUITY

On March 16, 2015, the Company commenced a partial tender offer to purchase up to 750 shares of its common stock, at a price of $4.00 per share. The tender offer closed on April 15, 2015, after which the Company purchased and canceled a total of 750 shares of its common stock at an aggregate cost of $3,000, excluding fees and expenses relating to the tender offer. The shares purchased in the tender offer represented approximately 26% of ITEX's outstanding common shares (including shares of unvested restricted stock).

On March 11, 2011, the Board of Directors of the Company declared a dividend, payable to stockholders of record on March 25, 2011 of one right (a "Right") per each share of outstanding Common Stock of the Company, par value $0.01 per share ("Common Stock"), to purchase 1/1000th of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of the Company (the "Preferred Stock"), at a price of $15.00 per share (such amount, as may be adjusted from time to time as provided in the Rights Agreement described below, the "Purchase Price"). In connection therewith, on March 11, 2011, the Company entered into a Rights Agreement (the "Rights Agreement") with OTR, Inc, as Rights Agent. The Rights will be exercisable upon the earlier of (i) such date the Company learns that a person or group, without Board approval, acquires or obtains the right to acquire beneficial ownership of 15% or more of ITEX's outstanding common stock or a person or group that already beneficially owns 15% or more of the Company's outstanding common stock at the time the Rights Agreement was entered into, without Board approval, acquires any additional shares (other than pursuant to the Company's compensation or benefit plans) (any person or group specified in this sentence, an "Acquiring Person") and (ii) such date a person or group announces an intention to commence or following the commencement of (as designated by the Board) a tender or exchange offer which could result in the beneficial ownership of 15% or more of ITEX's outstanding common stock. If a person or group becomes an Acquiring Person, each Rights holder (other than the Acquiring Person) will be entitled to receive, upon exercise of the Right and payment of the Purchase Price, that number of 1/1000ths of a share of Preferred Stock equal to the number of shares of Common Stock which at the time of the applicable triggering transaction would have a market value of twice the Purchase Price. In the event the Company is acquired in a merger or other business combination by an Acquiring Person, or 50% or more of the Company's assets are sold to an Acquiring Person, each Right will entitle its holder (other than an Acquiring Person) to purchase common shares in the surviving entity at 50% of the market price. The Rights Agreement was originally scheduled to expire on March 11, 2014, unless earlier redeemed or exchanged by the Company. At the annual meeting on December 13, 2013, stockholders approved an extension of the Rights Agreement to December 13, 2016.

On March 9, 2010, the Company announced a $2,000 stock repurchase program, authorized by the Board of Directors. The program authorizes the repurchase of shares in open market purchases or privately negotiated transactions, has no expiration date and may be modified or discontinued by the Board of Directors at any time. In addition to our common stock activity described in Note 12 – Share-Based Payments, as part of our stock repurchase program, we repurchased a total of 23 and 86 shares of ITEX common stock for $76 and $364 in 2015 and 2014, respectively.

The Company has 5,000 shares of preferred stock authorized at $0.01 par value. No shares were issued or outstanding as of July 31, 2015 or 2014.

NOTE 14 - INCOME TAXES

Deferred tax assets on our balance sheet primarily include Federal and State net operating loss carry forwards (collectively "NOLs") which are expected to result in future tax benefits. Realization of these NOLs assumes that we will be able to generate sufficient future taxable income to realize these assets. Deferred tax assets also include temporary differences between the financial reporting basis and the income tax basis of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled.

In assessing the recoverability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to be deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and projections for future taxable income over the periods in which the deferred tax assets are expected to be deductible.

On July 31, 2015, we had NOLs of approximately $9,117 available to offset future taxable income. These are composed of approximately $7,212 from ITEX operating losses and approximately $1,905 from BXI operating losses. The future utilization is recorded as a deferred tax asset given that management believes it is more likely than not that we will generate sufficient future taxable income. We periodically assess the realizability of our available NOLs to determine whether we believe we will generate enough future taxable income to utilize some portion or all of the available NOLs. We determined that there is no allowance required on our Federal NOL. We determined that we will not be able to utilize the California NOL. As of July 31, 2015 and 2014, we have a $99 and $109 valuation allowance on state of California NOLs, respectively.

The deferred tax assets recorded represent our estimate of all deferred tax benefits to be utilized in the current year and future periods beyond 2015. The following table reflects the reconciliation of the company's income tax expense:

	Year Ended July 31, 2015	2014
Pre-tax financial income	$1,047	$958
Federal tax expense computed at the statutory rate of 34%	356	326
State tax expense	17	63
State ASC 740 adjustment	(16)	(45)
Change in valuation allowance	(10)	(55)
Permanent and other differences	10	8
Net tax expense	$ 357	$ 297

Our income tax expense is composed of the following:

	Year Ended July 31, 2015	2014
Current federal tax expense	$ 8	$ 1
Current state tax expense	9	8
	17	9
Deferred federal tax expense	355	330
Deferred state tax benefit	(15)	(42)
	340	288

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at July 31, 2015 and 2014 are presented below:

		As of July 31,	
		2015	2014
Deferred Tax Assets			
	Net operating loss carryforwards	$ 3,100	$ 3,387
	Goodwill and other intangible assets	21	109
	Non-compete covenants	55	62
	Reserve for uncollectible receivables	151	124
	Federal tax credits	205	196
	Other temporary differences	245	265
		3,777	4,143
	Less: Valuation allowance	(99)	(109)
	Net deferred tax asset	$ 3,678	$ 4,034
The following components are included in the net deferred tax assets in the			
Current Deferred Tax Assets			
	Current deferred tax asset	569	557
	Valuation allowance	(15)	(15)
	Net Current deferred tax asset	554	542
Non-Current Deferred Tax Assets			
	Non-current deferred tax asset	3,208	3,587
	Valuation allowance	(84)	(95)
	Net non-current deferred tax asset	3,124	3,492

ITEX Federal NOLs of approximately $9,117 expire, if unused, from calendar years 2019 to 2024. BXI Federal NOLs of approximately $1,905 expire, if unused, from 2020 to 2026 and are subject to an annual limitation of approximately $172. This limitation is equal to the long-term federal tax exempt rate multiplied by the total purchase price of BXI. Additionally, ITEX has state NOLs for California totaling approximately $1,697 which, if unused, expire in calendar year 2015.

The Company has AMT credits of $200 and research and development credits of $5 available to offset future taxes payable.

In accordance with the accounting guidance surrounding the uncertainty in Income Taxes we have recorded unrecognized tax liabilities of $37 as follows:

		Year Ended July 31, 2015
Balance at July 31, 2014		$ 53
Increases as a result of tax positions taken in the current year		3
Increases as a result of tax positions taken in the prior year		13
Decreases resulting from settlements, payments and changes in estimates of probability tax positions will be sustained		(32)
Balance at July 31, 2015		$ 37

We file income tax returns in the United States as well as various United States state jurisdictions. The tax years that remain subject to examination are 2010 through 2014 in the United States. We also have available NOLs dating from 1999 which, when used, could be subject to examination by taxing authorities. We do not believe there will be any material changes in our unrecognized tax positions over the next twelve months.

As of July 31, 2015, accrued expenses are included on our consolidated balance sheet for uncertain tax positions related primarily to state jurisdictions in the amount of $37 which includes $11 for interest and penalties associated with unrecognized tax benefits. Interest and penalties are included in income tax expense.

NOTE 15 – RELATED PARTY TRANSACTIONS

ITEX and its subsidiaries had no transactions during our last fiscal year, nor are there any currently proposed transactions, in which ITEX or its subsidiaries was or is to be a participant, where the amount involved exceeded $120,000, and any director or director nominee, executive officer, holder of more than 5% of our common stock or any of their immediate family members, or any promoter or control person, had a material direct or indirect interest.

NOTE 16 – SUBSEQUENT EVENTS

On August 20, 2015, the Board of Directors of ITEX Corporation declared a semi-annual cash dividend in the amount of $0.10 per share, payable on December 10, 2015 to stockholders of record as of the close of business on December 1, 2015.

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

None.

Item 9A. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures.

Under the supervision and with the participation of our management, including the Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective.

(b) Management's Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use, or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the 1992 framework published by the Committee of Sponsoring Organizations of the Treadway Commission, referred to as the Internal Control—Integrated Framework. Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of July 31, 2015.

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that exempt non-accelerated filers from including auditor attestation reports.

(c) Changes in internal control over financial reporting.

There were no changes in our internal controls over financial reporting during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable.

PART III

The information included in Part III is reflected in USD and units, whereas the information in the balance of the document is in '000's for both units and USD.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The following table sets forth certain information about our directors as of September 30, 2015:

Name	Age	Current Principal Occupation or Employment and Five-Year Employment History	Director Since
Steven White	57	Chief Executive Officer and Chairman of the Board of Directors of ITEX Corporation (2003-present); Chief Executive Officer and Founder of Ubarter.com (1996-2000); President and Founder of Cascade Trade Association (1983-1996)	2003
Eric Best	44	Director of ITEX Corporation (2003-present); Chief Marketing Officer of CommerceHub since January 2015; Chief Executive Officer of Mercent Corporation (2005-January 2015). Member of Seattle Pacific University Entrepreneurial Studies Council	2003
John A. Wade, CPA	53	Chief Financial Officer of ITEX Corporation (2013-present) Director, Secretary and Treasurer of ITEX Corporation (2003-present); Principal of Wade Consulting (2007-present); Chief Financial Officer of Aptimus, Inc. (1998-2007)	2003
Timothy R. Morones	49	Director of ITEX Corporation (2012-present); Vice President of Customer Operations for DataSphere Technologies Inc. (2011-present); Director of Operations of Getty Images (2010-2011); Senior Financial and Operations Consultant for RealNetworks (2008-2010)	2012
Kevin Callan	59	Director of ITEX Corporation (2013-present); Executive Director of the Washington State Major League Baseball Stadium Public Facilities District (2000-present); Chief Financial Officer of a collection of companies owned by PT Foley (2001-present)	2013

Director Qualifications and Skills

Key experience, qualifications and skills our Directors bring to the Board are identified and described below.

Steven White is the Chairman and Chief Executive Officer of the Company, positions he has held since 2003. Prior to joining the Company, from 1996 to 2000 Mr. White was the President and Chief Executive Officer of Ubarter.com, a web-based cashless trading community originally founded by Mr. White in 1983 as Cascade Trade Association. During this time he supervised and managed the affairs of a public company. In June 2000, Mr. White directed the sale of Ubarter.com to Network Commerce, an Internet-based technology infrastructure and services company. He served as Sr. Vice President of Network Commerce from 2000 to 2001, and as President of Lakemont Capital from 2002 to 2003.

Mr. White has more than 30 years of entrepreneurial and executive and board-level experience in the barter industry, including principal executive officer positions. This extensive experience allows Mr. White to bring to the Board a deep insight into the operations, relationships, competitive and financial positioning, and strategic opportunities and challenges facing ITEX and the barter industry. As the Chief Executive Officer of ITEX, Mr. White developed and led a strategy designed to achieve sustainable, profitable operations, resulting in eleven consecutive years of profitable operations.

John A. Wade has served as Chief Financial Officer since January 2013. He has served as Secretary and Treasurer of ITEX since 2003, and from 2010 to 2012 served as a financial consultant to assist with certain internal audit matters, including SEC reporting and financial statement preparation. Mr. Wade is currently a principal of Wade Consulting. From 1998 to 2007, Mr. Wade served as Chief Financial Officer of Aptimus, Inc., a public online direct marketing company, responsible for leadership of financial operations, including strategic and financing transactions. Prior to joining Aptimus, from 1994 to 1998 Mr. Wade served as Chief Financial Officer and Chief Operating Officer for the Buzz Oates Group of Companies, a real estate development company.

Mr. Wade is a Certified Public Accountant, and has more than 30 years of financial and accounting expertise, including strategic and financing transactions, and developing disclosure and internal controls for public corporations. This experience allows Mr. Wade to bring to the Board substantial financial and accounting knowledge, process controls, and a valuable perspective in making strategic decisions and planning for our future. Mr. Wade has demonstrated skills in in areas that are relevant to the oversight of our business, including strategic initiatives, risk management, finance, financial reporting and treasury functions.

Eric Best has served as Chief Marketing Officer of CommerceHub since January 2015. Mr. Best founded and served as Chief Executive Officer of Mercent Corporation from 2005 to January 2015. Mercent Corporation, a SaaS company that enables retailers to sell through online merchandising channels, was acquired by CommerceHub in January 2015. Mr. Best founded MindCorps, an e-commerce systems integrator acquired by Amazon.com in 1999, and Emercis, an e-commerce tools provider acquired by Impressa in 2000. Mr. Best served as Chief Executive Officer of Emercis from 1998 to 2000, and as Chief Executive Officer of MindCorps from 1996 to 1999. Mr. Best founded and was Chairman of the Board of Directors of Morse Best Innovation from 2000 to 2010, a technical marketing agency serving clients such as Microsoft, Lexmark, and WRQ. In 2009 he co-founded Impresys, a software product company that helps customers create more effective software marketing programs, presentations, and online tutorials.

Mr. Best has more than 19 years of entrepreneurial, executive, finance and board-level experience in the technology sector. Mr. Best's executive experience allows him to bring to the Board substantial knowledge of the technology sector and meaningful insight into the branding, commercialization, software development, financial and capital-related issues technology companies face. He has acquired skills in financial management, operations, marketing, corporate development and strategic planning. He is a member of the Seattle Pacific University Entrepreneurial Studies Council and Society of Fellows.

Timothy R. Morones has been the Vice President of Customer Operations for DataSphere Technologies Inc., a Seattle-based technology company, since June of 2011. From March 2010 to June 2011, he served as Director of Operations for Getty Images. From May 2008 to March 2010, Mr. Morones served as a Senior Financial and Operations Consultant for RealNetworks, Inc., a provider of digital media applications and services. From July 2005 to April 2008, Mr. Morones served as Vice President of Treasury and Administration for InfoSpace, Inc.

Mr. Morones brings to our Board more than 15 years of executive experience in financial management, operations, and corporate development in various traditional, high-tech and growth-oriented companies. He has demonstrated skills in in areas that are relevant to the oversight of our business, including strategic initiatives, risk management, finance, financial reporting and treasury functions.

Kevin Callan has been the Executive Director of the Washington State Major League Baseball Stadium Public Facilities District since 2000, and served as the Director of Finance and Administration during the construction phase of Safeco Field. Since 2001 he has served as the Chief Financial Officer of a collection of light manufacturing and distribution companies owned by PT Foley and located in Washington, Oregon and Nevada, responsible for accounting, financial reporting, real estate management and treasury functions. Portfolio companies include Dynamic Isolation Systems, Inc., Scougal Rubber Corp and Blaser Die Casting Co. From 1990 to 1996 Mr. Callan was Chief Financial Officer of the Robison Construction Group.

Mr. Callan brings to our Board more than 25 years of executive experience in financial management, operations, and corporate development in various companies. He has demonstrated skills in key management disciplines that are relevant to the oversight of our business, including risk management, finance and financial reporting. Mr. Callan is a Certified Public Accountant, and the Board has determined that he is qualified as an "audit committee financial expert" as defined by applicable SEC rules.

Each of our Directors served in key management positions in a range of companies, including businesses through which they have developed, as a group, expertise and experience in core business skills such as strategy and business development, innovation, operations, brand management, finance, compensation and leadership development, compliance and risk management. We also believe each of our Directors has other attributes necessary to create an effective board: the willingness to engage management and each other in a constructive and collaborative fashion; high personal and professional ethics, integrity and values; good judgment; analytical minds; the willingness to offer a diverse perspective; the ability to devote significant time to serve on our Board and its committees; and a commitment to representing the long-term interests of all our stockholders. As a collective, we believe our Board has a broad set of competencies and experiences making it well suited to further the interests of ITEX, its stockholders and other stakeholders.

Executive Officers

Steven White has served as Chief Executive Officer of the Company since June 2003, and John Wade as Chief Financial Officer since January 2013. See background information above for Messrs. White and Wade under the heading "Director Qualifications and Skills."

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, including members of any 13(d) group, 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 stockholders 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. Based solely on our review of such forms in our possession and on written representations from reporting persons, we believe that there has been compliance with all Section 16(a) filing requirements applicable to our officers, directors and ten-percent beneficial owners.

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 requires that all employees engage in honest and ethical conduct in performing their duties, provide guidelines for the ethical handling of actual or apparent conflicts of interest and provide mechanisms to report unethical conduct. The Code of Ethics is available on the Governance page of the Investor Relations section of our website at www.itex.com under the tab entitled "Our Story." Our Board did not grant any waivers of any ethics policies in fiscal 2014 to our executive officers. If we make any substantive amendments to the Code of Ethics or grant any waiver, from a provision of the code to our executive officers, we will post required disclosure about any such waiver or amendment on our website within four business days.

Audit Committee Information

The Audit Committee of our Board of Directors currently consists of Messrs. Morones, Callan and Best. The Board has determined that Mr. Callan is an "audit committee financial expert" as defined by Securities and Exchange Commission rules. Mr. Morones serves as Chairman of the Audit Committee.

Item 11. EXECUTIVE COMPENSATION

The following table provides summary information about compensation received by our Chief Executive Officer and Chief Financial Officer (the "named executive officers") for the fiscal years ended July 31, 2015 and July 31, 2014. The table reflects total compensation paid or earned beginning in the later of the fiscal year ended July 31, 2013 or the year the individual first became a named executive officer.

Summary Compensation Table*

Name and Principal Position	Year	Salary	Stock Awards (1)	All Other Compen-sation	Total
Steven White, CEO	2015	$ 250,000	$ 67,500	$ 31,350 (2)	$ 348,850
	2014	$ 250,000	$ 98,750	$ 86,400 (3)	$ 435,150
John Wade, CFO	2015	$ 106,672	$ 0	$ 0	$ 106,672
	2014	$ 106,672	$ 0	$ 0	$ 106,672

(*) Columns in the Summary Compensation Table that were not relevant to the compensation paid to the named executive officer were omitted.

(1) The amount represents the grant date fair value of stock awards, based on the closing price of the Company's common stock on the date of grant.

(2) Represents dividends paid on unvested restricted stock.

(3) Includes $35,150 in dividends paid on unvested restricted stock, and $51,250 paid as partial tax gross-up as reimbursement for tax liability incurred in connection with stock awards.

Equity Incentive Plan

In December 2013, stockholders approved the adoption of the ITEX Corporation 2014 Equity Incentive Plan (the "2014 Plan"), pursuant to which 400,000 shares of common stock were authorized for issuance. The 2014 Plan provides for the awards of restricted stock, restricted stock units, and other awards including unrestricted stock awards, stock bonuses, or the payment of cash for bonuses or in settlement of restricted stock unit awards to the employees, directors, officers and consultants of ITEX or any of its subsidiaries. The 2014 Plan will remain in effect until its termination by the Compensation Committee, provided, however, that, all awards must be granted, if at all, within ten (10) years from the date the 2014 Plan was approved by stockholders. During the 2015 fiscal year, we issued 25,000 shares to our CEO as bonus compensation, 2,000 shares to employees and 15,000 restricted shares to non-employee directors. 318,000 shares remained available for future grants under the 2014 Plan as of July 31, 2015.

The 2014 Plan replaced the ITEX Corporation 2004 Equity Incentive Plan (the "2004 Plan"), which expired on March 14, 2014. At July 31, 2015, 180,000 shares of common stock granted under the 2004 Plan remained unvested. These unvested shares include 152,000 shares of restricted common stock issued to our CEO with a service-based vesting period extending through October 2022, of which 19,000 vest annually.

Employment and Change-in-Control Agreements

Our named executive officers are employed at will and do not have employment agreements. The terms of our restricted stock awards to the named executive officer provide that each share of restricted stock issued under the 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.

On February 28, 2008, we entered into a Change in Control Agreement with our CEO. The Change in Control Agreement defines the benefits Mr. White would receive in connection with a "change in control," (as defined below), or change in control events coupled with the loss of his employment. Upon a change in control Mr. White would receive a lump sum payment equal to one times his base salary and immediate vesting of all equity-based compensation.

If Mr. White were terminated as CEO, either by the Company without "cause," or by Mr. White for "good reason" (as defined below) after a change in control occurs, Mr. White would receive a severance payment equal to two times his base salary. He would also receive a continuation of health and insurance benefits if the severance payment is made over a severance period rather than as a lump sum payment. The severance payment may be reduced if it would otherwise be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code or any similar tax. Under the agreement, Mr. White is subject to certain non-competition and non-solicitation provisions for one year after termination, and payment of severance benefits is conditioned upon his execution of a release of claims in favor of the Company.

A "change in control" generally is defined as of any of the following events: the incumbent directors cease to constitute a majority of the members of the board; the consummation of a consolidation or merger of ITEX with another business entity; any person becomes a beneficial owner, directly or indirectly, of 30 percent or more of the combined voting power of ITEX; the disposition of all or substantially all of the assets of ITEX: the closure and winding up of ITEX's business and related affairs or the approval by stockholders of a plan of complete liquidation or dissolution of ITEX. "Good reason" for termination by the executive of his employment generally means the occurrence (without the executive's consent) of any one of the following acts: the assignment to Mr. White of diminished duties or responsibilities; a reduction in his annual base compensation; a failure of the board to nominate him as a director of the Company; the relocation of his principal place of employment to a location outside of a 25-mile radius; the failure by the Company to pay him any portion of his current compensation or provide him substantially similar benefits; or any purported termination of his employment without specified notice.

In addition to vesting by reason of death or disability or in the event of a "change in control" of ITEX, the restricted stock award agreement for Mr. White provides that any shares of restricted stock outstanding as of the date of his termination by the Company other than for "good cause" will become fully vested. For purposes of the award agreement, the term "good cause" means that the participant is terminated by majority vote of (excluding participant) the board of directors as a result of (1) the occurrence of one of the following: (i) serious misconduct, dishonesty or disloyalty, directly related to the performance of duties for the Company, which results from a willful act or omission or from gross negligence, and which is materially or potentially materially injurious to the operations, financial condition or business reputation of the Company or any significant subsidiary thereof; (ii) participant being convicted (or entering into a plea bargain admitting criminal guilt) in any criminal proceeding that may have a material adverse impact on the Company's reputation and standing in the community; (iii) drug or alcohol abuse, but only to the extent that such abuse has an obvious and material effect on the Company's reputation and/or on the performance of Participant's duties and responsibilities; or (iv) willful and continued failure to substantially perform Participant's duties; and (2) such event, conduct or condition that may result in termination for good cause is not cured within thirty days after written notice is delivered to participant from the Company. For these purposes, no act or failure to act shall be considered "willful" unless it is done, or omitted to be done, in bad faith without reasonable belief that the action or omission was in the best interest of the Company.

On February 28, 2008, the Compensation Committee approved a form of change in control agreement to be utilized for certain key employees of ITEX that becomes applicable if there is a "change of control," as defined in the agreement. The agreement provides that if an eligible employee's employment is terminated by ITEX without "cause" or by the employee for "good reason" (as these terms are defined in the agreement) within one year after a change in control occurs, the employee will generally be entitled to receive a continuation of the employee's annual base salary, as severance pay, over a designated period following the severance date up to a maximum of twelve months. In addition, the employee will receive accelerated vesting of any equity-based compensation and continued medical group health and dental plan coverage for the period the employee receives severance pay. Payment of severance benefits is conditioned upon the employee's execution of a release of claims in favor of the Company. On March 1, 2013, we entered into this change-in-control agreement with our CFO.

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, 2015.

	Option Awards	Stock Awards	
Name		**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	152,000 [(1)]	$456,000

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(1) Represents shares of restricted common stock granted in 2011, of which 19,000 vest annually over a service-based period ending October 2022.

(2) Market values have been calculated using a stock price of $3.00 (closing price of common stock on July 31, 2015, the last trading day of fiscal 2015).

Director Compensation

The Company uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the Board, as described below. Members of the Board who are employees of the Company are not compensated for service on the Board or any of its committees.

Annual Fees

During 2015, non-employee directors each received an annual cash fee of $10,000 plus an annual equity grant of 5,000 shares of restricted common stock pursuant to ITEX's 2014 Equity Incentive Plan. No additional payments were made for committee service. No reimbursements were paid in fiscal 2014 for travel or other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors or its committees.

Director Compensation Table

The following table sets forth information concerning the compensation of the Company's non-employee directors for fiscal 2015. Steven White and John Wade, employee directors, are excluded from the following table since we fully describe their compensation above under "Executive Compensation."

Name	Fees Earned Or Paid in Cash	Stock Awards [(1)]	Option Awards	All Other Compensation	Total
Eric Best	$ 10,000	$ 15,000	$ --	$ --	$ 25,000
Kevin Callan	$ 10,000	$ 15,000	$ --	$ --	$ 25,000
Tim Morones	$ 10,000	$ 15,000	$ --	$ --	$ 25,000

(*) Columns in the Director Compensation Table that were not relevant to the compensation paid to directors were omitted.

(1) The amount represents the grant date fair value of restricted stock awards. The value is based on the closing price of the Company's common stock on the date of grant, as reported on the OTC Marketplace as of the date of the award.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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 July 31, 2015 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 [1] Of Beneficial Owner	Shares [2] Beneficially Owned	Percent [3] of Voting Shares
Current Directors and Executive Officers:		
Steven White [4]	565,487	27.1%
Eric Best	17,025	*
Kevin Callan	15,000	*
Tim Morones	15,000	*
John Wade	27,731	1.3%
All current directors and executive as a group (5 persons)	640,243	30.7%
Other Beneficial Owners:		
The Lion Fund, L.P. [5]	340,840	16.3%
Pagidipati Family, L.P. [6]	183,478	8.8%

* Less than one percent.

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

(2) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned and the percentage ownership of an individual or group, any shares that the individual or group may acquire within 60 days, including through the exercise of stock options or vesting of restricted stock units, 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 subject 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.

(3) Percentage of beneficial ownership is based upon 2,085,786 voting shares outstanding as of July 31, 2015 (including shares of unvested restricted stock).

(4) Mr. White has 152,000 unvested restricted stock awards outstanding.

(5) The latest Schedule 13D filed by the beneficial owners indicated that 340,840 shares are held by The Lion Fund, L.P., Biglari Capital Corp. and Sardar Biglari. The principal business address of each of the Lion Fund, Biglari Capital Corp. and Sardar Biglari is 17802 IH 10 West, Suite 400, San Antonio, Texas 78257.

(6) Based on beneficial ownership information dated as of March 5, 2015. Includes shares beneficially owned by Rahul Pagidipati and Dr. Devaiah Pagidipati, who have voting and investment power with respect to the Pagidipati Family, L.P..

Securities authorized for issuance under equity compensation plans

The following table gives information about equity awards under the Company's 2014 Equity Incentive Plan and individual equity arrangements as of July 31, 2015.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(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	—	—	318,000
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	318,000

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

Other than compensation arising from the employment relationship or transactions involving our Chief Executive Officer described above, ITEX and its subsidiaries had no transactions during our last fiscal year, nor are there any currently proposed transactions, in which ITEX or its subsidiaries was or is to be a participant, the amount involved exceeded $120,000, and any director or director nominee, executive officer, holder of more than 5% of our common stock or any of their immediate family members, or any promoter or control person, had a material direct or indirect interest.

Indemnification Agreements of Officers and Directors. Our bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by Nevada law. Our directors and officers also may be indemnified against liability they may incur for serving in that capacity pursuant to a liability insurance policy maintained by ITEX for such purpose. ITEX maintains directors' and officers' insurance to cover its directors and officers for specific liabilities, including coverage for public securities matters. Further, ITEX has entered into separate indemnification agreements with its current executive officers and directors which include provisions providing for mandatory indemnification and for advancement of expenses by ITEX in the event of actions or proceedings against them.

Director Independence

The Board, through its Nominating and Governance Committee, evaluates the independence of each director in accordance with the standards of independence prescribed by the NASDAQ Marketplace Rules, and other applicable legal rules. As a result of its review, the Board affirmatively determined that, apart from Steven White, our Chief Executive Officer, and John Wade, our Chief Financial Officer, the Company's directors are all independent. As a result, a majority of our board members are independent. In making these determinations, the Board considered, among other things, whether any director had any direct or indirect material relationship with the Company or its management.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the fees billed or to be billed to ITEX for audit and other services rendered by EKS&H, LLLP (formerly, Ehrhardt Keefe Steiner & Hottman PC) for the audit of our annual financial statements for the years ended July 31, 2015 and 2014.

Year Ended July 31	**2015**	**2014**
Audit Fees[(1)]	$ 116,000	$ 116,000
Audit Related Fees[(2)]	0	0
Tax Fees[(3)]	--	--
Total	$ 116,000	$ 116,000

(1) Audit Fees include our quarterly reviews and performance of our annual audit.

(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.

Pre-approval Policies and Procedures

In accordance with Audit Committee policy, the Audit Committee pre-approves 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. The Audit Committee has pre-approved all of the services provided by EKS&H referred to above. In some cases, the Audit Committee provides pre-approval for up to a year, related to a particular defined task or scope of work and subject to a specific budget. In other cases, a designated member of the Audit Committee may have the delegated authority from the Audit Committee to pre-approve additional services, and then must communicate such pre-approvals to the full Audit Committee. 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.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
3.1	Amended and Restated Articles of Incorporation of ITEX Corporation	10-KSB	3.1	11/13/03	
3.2	Certificate of Designation of Series A Junior Participating Preferred Stock	8-K	3.1	3/14/11	
3.3	Amended and Restated Bylaws of ITEX Corporation	8-K	3.2	12/19/08	
4.1	Rights Agreement between ITEX Corporation and OTR, Inc., dated December 13, 2013	8-K	4.1	12/13/13	
10.1	Form of Indemnification Agreement	8-K	10.9	3/07/13	
10.2	ITEX Corporation 2004 Equity Incentive Plan	8-K	10.1	2/18/11	
10.3	Form of Executive Restricted Stock Agreement	8-K	10.2	2/18/11	
10.4	Lease dated as of October 21, 2009	8-K	10.1	11/20/09	
10.5	Revolving Credit Agreement and Note, dated as of November 4, 2009	8-K	10.1	11/12/09	
10.6	Amendment to Loan Agreement and Note	8-K	99.1	11/25/13	
10.7	Change in Control Agreement dated as of February 28, 2008 between Steven White and ITEX Corporation	10-Q	10.15	3/03/08	
10.8	Form of Employee Change in Control Agreement	10-Q	10.16	3/03/08	
10.10	ITEX Corporation 2014 Equity Incentive Plan	8-K	10.1	12/13/13	
10.11	Form of Executive Restricted Stock Agreement	8-K	10.2	12/13/13	
10.12	Form of Restricted Stock Agreement	8-K	10.3	12/13/13	
21.1	Subsidiaries of Registrant				✓
23.1	Consent of Independent Registered Public Accounting Firm				✓
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				✓
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				✓

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed Herewith
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				✓
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				✓
101.INS	XBRL Instance Document				✓
101.SCH	XBRL Taxonomy Extension Schema				✓
101.CAL	XBRL Taxonomy Extension Calculation Linkbase				✓
101.DEF	XBRL Taxonomy Extension Definition Linkbase				✓
101.LAB	XBRL Taxonomy Extension Label Linkbase				✓
101.PRE	XBRL Taxonomy Extension Presentation Linkbase				✓

** *Furnished, not filed*

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ITEX CORPORATION

Date: October 13, 2015	By:	/s/ Steven White Steven White, Chief Executive Officer
Date: October 13, 2015	By:	/s/ John Wade John Wade, Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities an on the dates indicated.

Date: October 13, 2015	By:	/s/ Steven White Steven White, Chairman of the Board
Date: October 13, 2015	By:	/s/ John Wade John Wade, Director
Date: October 13, 2015	By:	/s/ Eric Best Eric Best, Director
Date: October 13, 2015	By:	/s/ Timothy Morones Timothy Morones, Director
Date: October 13, 2015	By:	/s/ Kevin Callan Kevin Callan, Director

Exhibit 21.1

SUBSIDIARIES OF ITEX CORPORATION

Name	State of Incorporation
BXI Exchange, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-192818 on Form S-8 of our report dated October 13, 2015, relating to the consolidated financial statements of ITEX Corporation included in the Annual Report on Form 10-K of ITEX Corporation for the fiscal year ended July 31, 2015.

EKS&H LLLP

/s/ EKS&H LLLP

October 13, 2015
Denver, Colorado

CERTIFICATION

I, Steven White, certify that:

1. I have reviewed this annual report on Form 10-K of ITEX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 13, 2015

/s/ Steven White
Steven White
Chief Executive Officer

CERTIFICATION

I, John Wade, certify that:

1. I have reviewed this annual report on Form 10-K of ITEX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 13, 2015

/s/ John Wade
John Wade
Chief Financial Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

by the
Chief Executive Officer

In connection with the Annual Report of ITEX Corporation, a Nevada corporation (the "Company") on Form 10-K for the year ended July 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), Steven White, Chief Executive Officer of the Company, hereby certifies pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHIEF EXECUTIVE OFFICER

/s/ Steven White
Steven White

October 13, 2015

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

by the
Chief Financial Officer

In connection with the Annual Report of ITEX Corporation, a Nevada corporation (the "Company") on Form 10-K for the year ended July 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), John Wade, Chief Financial Officer of the Company, hereby certifies pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

(3) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHIEF FINANCIAL OFFICER

/s/ John Wade
John Wade

October 13, 2015