

FRANCHISE DISCLOSURE DOCUMENT



ITEX CORPORATION

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As a franchisee, you will own and operate a business that promotes transactional activity in the ITEX marketplace using the ITEX System. The ITEX marketplace allows thousands of member businesses ("Members" or "ITEX Members") to acquire products and services utilizing ITEX dollars rather than exchanging cash.

The total investment necessary to begin operation of a ITEX franchise ranges from \$10,500 to \$37,500. The low side of this range excludes the Initial Franchisee Fee of \$10,000, which can be reduced to as low as \$0 if you satisfy certain specified criteria as described in Item 5.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Vice President of the Marketplace, Brian Argetsinger, at 13555 SE 36th Street, Suite 210, Bellevue, Washington 98006, (425) 463-4000.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

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How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| QUESTION | WHERE TO FIND INFORMATION |
|--|---|
| How much can I earn? | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit B. |
| How much will I need to invest? | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| Does the franchisor have the financial ability to provide support to my business? | Item 21 or Exhibit C includes financial statements. Review these statements carefully. |
| Is the franchise system stable, growing, or shrinking? | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| Will my business be the only ITEX business in my area? | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| What's it like to be an ITEX franchisee? | Item 20 or Exhibit B lists current and former franchisees. You can contact them to ask about their experiences. |
| What else should I know? | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, or litigation only in Washington. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with franchisor in Washington than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Turnover Rate.** In the last year, a large number of franchised outlets (8 of 43 total and 5 of 9 in California) were reacquired by franchisor or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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Exhibits:

- A: List of State Franchise Administrators and Agents for Service of Process
- B: List of Franchisees and Former Franchisees
- C: Audited Financial Statements
- D: Franchise Agreement
- E: Conditional Assignment of Phone Number
- F: Abandonment, Relinquishment and Termination of Assumed Business Name
- G: State-Specific Disclosures and Addendums to Agreements
- H: Trade Name Filing Information
- I: Transfer, Termination, Renewal (Incorporation) and Release Agreements
- J: Application for Franchise Appointment
- K: Promissory Note
- L: Operations Manual Table of Contents
- M: Receipt (2 copies)

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We are ITEX Corporation, a Nevada corporation. We operate the ITEX Marketplace, in which products and services are exchanged by ITEX Marketplace members utilizing ITEX Dollars. ITEX Dollars are only usable within the Marketplace and allow thousands of member businesses (“Members” or “ITEX Members”) to acquire products and services without exchanging cash. We service our member businesses through our Franchise Network in the United States and our independent licensed broker in 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. The majority of members are businesses with fewer than 10 employees. We do business under the names “*ITEX*®,” “*ITEX Corporation*”, and the name of our wholly owned subsidiary “*BXI Exchange, Inc.*” We do not do business under any other names. In this Franchise Disclosure Document we are called “we” or “us” or “franchisor.” We have no parent. We have no predecessors or affiliates that offer franchises or provide products or services to franchisees.

The address and telephone number of our franchise office is 13555 SE 36th Street, Suite 210, Bellevue, Washington 98006, (425) 463-4000. Information concerning our agents for service of process in various states that require the registration of franchise offerings, and a list of the relevant state franchise administrators, may be found in Exhibit A to this Franchise Disclosure Document.

In this Franchise Disclosure Document, “You” means the person who buys an ITEX franchise (“franchisee”) and includes your owners, partners, and LLC members when you are a business entity. We license our franchisees to offer and promote the ITEX Marketplace under the “ITEX” Marks (see Item 13, below) to individuals and businesses for commissions that are paid primarily in cash and partly in ITEX Dollars. You will be paid a percentage of the revenue collected from those Members assigned to your franchise code.

We grant you the right to establish and operate a franchise office using the ITEX Marks, and our business method and record keeping software (collectively these are called the “ITEX System”). The ITEX System utilizes the ITEX Marketplace which consists of businesses and to a limited extent, consumers, who buy and sell goods and services among themselves. Transactions occur through an organized system regulated by our record keeping and administrative services denominated in ITEX Dollars (“ITEX Dollars”). We manage the ITEX Marketplace and act as a third-party record-keeper of the transactions entered into by the Members. We also track transactions for tax reporting purposes. We administer the clearinghouse function of the ITEX Marketplace for Members according to the terms and conditions found in the ITEX Member Application, the Member Agreement and the ITEX Marketplace Rules (collectively these are referred to as the “Member Agreement”).

The ITEX Marketplace utilizes ITEX Dollars to enable our Members to purchase from and sell their products or services to other Members using ITEX Dollars instead of cash. An ITEX Dollar is an accounting unit used by the ITEX Marketplace to record the value of transactions as determined by the parties to the transaction. ITEX Dollars may be used only in the manner and for the purposes set forth in the Member Agreement and the rules of the ITEX Marketplace. ITEX Dollars are not intended to constitute legal tender, securities or commodities, are not redeemable for or convertible into US cash dollars, and have no readily determinable correlation to US cash dollars (referred to as “US\$” or “cash”). The Marketplace Rules are adopted and disseminated by us to govern transactions and relationships associated with the ITEX Marketplace.

We have offered franchises in the United States since September 2002. We have not offered franchises in any other line of business. We refer to all of our franchisees collectively as our “Franchise Network.” Our franchisees are typically owned by independent third parties, however from time to time we complement our Franchise Network with corporate-owned locations acquired either as a result of business acquisitions or as a result of ensuring the orderly transition of franchise locations.

Our franchisees provide Members with information about products and services that are available locally, nationally and in Canada. You will be responsible for enrolling new members, instructing them in our policies and procedures, facilitating their transactions and assuring payment in cash of transaction fees, association fees and other fees to us. Members of the ITEX Marketplace have a direct contractual relationship with us.

The trade exchange industry is fragmented with several hundred independently owned trade exchange marketplaces in the United States and Canada. Our competitors include internet distribution channels, aggregators, ecommerce platforms and local Exchanges. Internet online marketplace competitors include well-known companies such as eBay, Amazon, Etsy, and Overstock, and hospitality sites such as Airbnb, Booking.com, Hotels.com, Expedia, Priceline, Google and others. Similar to our Marketplace, these companies provide distribution channels to move excess or surplus inventory or to sell available lodging capacity, albeit for cash. As a franchisee, you will be competing with these companies as well as internet and mobile networks which provide rapidly evolving and intensely competitive channels for the sale of all types of products and services. Generally, the greater the number of avenues to move excess inventory or products and services, the more difficult it is to attract businesses to sell their inventory in our Marketplace. You will also compete with these companies with respect to price, ease of use and brand name awareness.

As an independent business owner, you will be required to comply with all federal, state and local laws and regulations that apply to your business. These include requirements to obtain business licenses, make filings, meet federal and local tax obligations, follow employee and labor laws, and other such legal requirements, regulations and administrative practices required of businesses in general.

For tax purposes, the Internal Revenue Service (“IRS”) considers ITEX Dollar sales to be equivalent to US\$ sales and ITEX Dollar expenses to be equivalent to US\$ expenses. We are obliged under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) to 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.

You are expected to start franchise operations within 120 days after you sign the Franchise Agreement. If you fail to start operations within this 120-day deadline without our express, written consent, we may terminate the Franchise Agreement. (Franchise Agreement, Section 4.1).

This Franchise Disclosure Document contains a summary of some material provisions of the franchise agreement between you and us (the “Franchise Agreement”). However, the Franchise Agreement itself expresses and governs the actual legal relationship between you and us. The terms of the franchise agreements between us and our other franchisees may vary significantly from the terms of your Franchise Agreement.

ITEM 2

BUSINESS EXPERIENCE

Rob Benson, Chief Executive Officer

Rob Benson has served as our Chief Executive Officer since May 2021. Mr. Benson served as our Vice President of Operations from February 2004 to May 2021.

Steven White, Director, Chairman of the Board and President

Steven White has been a director and our Chairman since February 2003. Mr. White served as our CEO from June 2003 to May 2021, and has served as President since June 2003.

Eric Best, Director

Eric Best has been a member of our board of directors since February 2003. Mr. Best has served as Chief Executive Officer at Sound Commerce in Seattle, Washington, since April 2018.

John Wade, Director, Chief Financial Officer

John A. Wade has been a member of our board of directors since February 2003. Mr. Wade has served as our CFO since January 2013. He has served as our Secretary and Treasurer since 2003. Mr. Wade is currently a principal of Wade Consulting located in Morganton, North Carolina.

Brian Argetsinger, Vice President of the Marketplace

Brian Argetsinger has been on our staff since March 2000, and since 2003 has served as our Vice President of the Marketplace.

ITEM 3

LITIGATION

During the period from 1992 to 2017, we were a reporting company with the Securities and Exchange Commission (“SEC”). In February 2000, as a result of an action brought by the SEC for misstated financial statements in the 1990’s, a Final Judgment of Permanent Injunction was entered against several former employees and us (SEC v. ITEX Corporation, Terry L. Neal, Michael T. Baer, Graham H. Norris, Cynthia Pfaltzgraff and Joseph M. Morris, US District Court for the District of Oregon, Case Number CV 99-1361 BR). The named individuals have not been employed by us for over two decades. The injunction permanently restrains and enjoins the named individuals and us from violating Sections 5 and 17(a) of the Securities Act of 1933, Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934 (“Exchange Act”), and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-13.

Other than the above, no litigation matters are required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEE

Except as otherwise provided below, the Initial Franchise Fee is \$10,000. This Initial Franchise Fee is not payable using ITEX Dollars, trade credits, or any other barter currency. In this disclosure document the term “cash” includes all forms of legal tender and does not include trade or barter exchange currencies.

You pay 25% (\$2,500) of the Initial Franchise Fee at the time the Franchise Agreement is signed. If you qualify for one of the reduced Franchise Fees disclosed below you pay 100% of the Initial Franchise Fee at the time the Franchise Agreement is signed. The remaining balance, if any, will be paid before you attend the mandatory training course described in Item 11, below. The Initial Franchise Fee is non-refundable unless you fail to successfully complete the training program described in Item 11, below. As provided in Section 3 of the Franchise Agreement, 50% of the Initial Franchise Fee is refundable if you do not pass the mandatory training program as described in Item 11. If you fail to open the franchise within the time limits expressed in the Franchise Agreement as outlined in Item 11, below, we may terminate the Franchise Agreement and retain the Initial Franchise Fee.

Reduced Initial Franchise Fee

If you meet any of the following criteria, you will pay the amount listed below as your Initial Franchise Fee. You will make full payment of the reduced Initial Franchise Fee at the time the Franchise Agreement is signed. The following reduced Initial Franchise Fees are refundable in the same manner as the standard Initial Franchise Fee described above.

| | |
|---|---------------|
| You are a current franchisee with at least 250 assigned members and are establishing a new franchise location. | \$5,000 |
| Pursuant to the Mentor Program explained below you have been mentored through the Mentor Program, have personally enrolled at least 50 Members, and have a Net Member Count of 50 or more members that will continue with you upon completion of the franchise approval and initial training. Net Member Count excludes accounts with no transaction fees, employee accounts, and accounts in cancellation status (internal status code 8) and accounts transferred from another franchise. | \$5,000 |
| You currently own an independent trade exchange of 50 or more members and convert into our franchise. | \$0 - \$5,000 |
| You are acquired by us as part of an asset purchase, merger, consolidation, or other business combination and sign the Franchise Agreement within 12 months. | \$0 |

The Initial Franchise Fee is paid in consideration of our sales and training expenses, administrative overhead and start-up costs related to the execution of the Franchise Agreement and the opening of your franchise.

There are no other fees or payments made to us for goods or services prior to the opening of your franchise.

Mentor Program

Under the Mentor program a sales agent can become a franchisee paying the reduced franchise fee of \$5,000.

The Operations Manual contains the details of the Mentor Program.

ITEM 6 OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|---|--|---|---|
| Set-Up Fee (1) | \$50 cash per Member, payable to us only if the Member is not enrolled on Autopay by the close of the third cycle. (2) | Payable no later than the 21st day after the close of the third cycle after enrollment. | Deducted from your commissions. (3) |
| Conventions (1) | We may charge a fee to attend a convention. | The fee, if any, to attend a convention may be due several months prior to the start of the convention. | Attendance is strongly encouraged, but not required. In addition to the cost of the convention (if any), you are also responsible for all costs and expenses of travel, lodging, meals and entertainment, which are payable to third-party vendors. |
| Renewal Fee (1) | \$5,000 for offices not meeting the minimum performance standards outlined in Section 12. There is no Renewal Fee for offices meeting performance standards. | At the time the renewed Franchise Agreement is signed. | Applies to renewal of the franchise at the end of the term. |
| Transfer Fee (1) | \$2,000 per transfer. | At the time the Transfer and Release Agreement is signed. | Applies to authorized transfers of the franchise. There is no transfer fee to change the form of ownership of an entity. |
| ITEX Dollar Credit Line Fee (1) | 0.5% of negative ITEX Dollar balance at the end of any cycle. | Payable no later than the close of the applicable cycle. | Payable in ITEX Dollars on your operating and scrip accounts. This is not a cash fee. |
| Assistance with Customer Complaints or Payment Disputes (1) | Reasonable rates we may require from time to time as outlined in the Operations Manual. For payment disputes, reimbursement of the | Deducted from your commissions or payable upon demand, as we elect. If deducted from commissions, | Deducted from your commissions. (3) If we use our personnel or other resources to respond to or attempt to resolve any complaint or payment dispute by any Member assigned to you (based on your failure to live up to your contractual |

| Type of Fee | Amount | Due Date | Remarks |
|-----------------------------|---|---|--|
| | fees assessed by our banks for credit card and EFT chargebacks. | payable no later than the 21st day after the close of the cycle during which fee is incurred. | obligations or enforceable promises, which complaints we find in the exercise of our good faith judgment to be reasonable), then you will be responsible for our costs and expenses. |
| Indemnification (1) | Our actual costs (no estimates available). | Immediately upon billing us. | Applies to costs of defending actions against us because of your operations. |
| Costs and Attorney Fees (1) | Our actual costs and fees. | Immediately upon billing. | Payable if we must enforce contract provisions against you. |

- (1) The above table shows all other applicable fees, including all recurring and isolated fees, at their current rates. Except where otherwise specified, we impose all the fees in this table, they are collected by us, you pay them only to us, and we do not refund them. These fees are uniform to all franchisees.
- (2) As used in this Franchise Disclosure Document and the Franchise Agreement, a “cycle” is a 4-week period used for accounting purposes. There are thirteen cycles in a calendar year.
- (3) We pay you commissions on all cash and ITEX Dollars we collect in the form of Member Purchase/Sale Transaction Fees and on all Association Fees we collect from Members assigned to you (see Item 11). Your commissions, both on cash and ITEX Dollar amounts, are paid by us to you no later than the 21st day after the close of the standard 4-week operating cycle in which we receive the Member cash or ITEX Dollar fees upon which the commissions are payable.
- (4) Collections Assistance.
 1. We will bill and collect fees due from Members, as outlined in the Marketplace Rules. You may not refer any accounts of Members to a collection agency or initiate an action against them without our written consent and a written assignment of the claims.
 2. Negative ITEX account balances collected in cash are not commissionable and are designated “Negative Trade Paid in Cash” (NTPIC).
 3. We recommend you make collection calls on each Member whose cash fees remain unpaid and past due for a period of time longer than 28 days from the date of billing consistent with our collections policies. To the extent permitted by applicable law, you may make personal visits to a Member’s business, as necessary to attempt collections. If attempts by both you and our internal collections are unsuccessful in collecting past due fees, accounts may be assigned to a collection agency. There will be no commission payable on accounts sent to a collection agency.
 4. All Fees you collect must be remitted immediately to us for deposit.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|---|--|--|---|--------------------------------------|
| Initial Franchise Fee | \$0 to \$10,000 (the reduced rate is described in Note G below) (See also Note E & J). | 25% down, the remaining 75% paid before commencement of formal training. | Down payment upon execution of Franchise Agreement; remainder before formal training. | Us. |
| Travel, lodging and meals for Training | \$1,000 to \$3,000 (Note B). | As incurred. | During training. | Airlines, hotels and restaurants. |
| Office and computer equipment, software, and supplies | \$1,000 to \$3,000. | As incurred. | Prior to opening. | Vendors. |
| Office Rent | \$0 to \$3,000 (Note A) | As incurred. | Prior to opening | Landlord |
| Team Member Training (optional) | \$0 to \$3,000 (Note B) | As incurred. | Prior to opening | Airlines, hotels and restaurants |
| Telephone service, broadband internet service and utilities | \$150 to \$500 | As incurred. | Prior to opening. | Utilities and suppliers. |
| Stationery and promotional materials | \$250 to \$500 (Note C) | As incurred. | Prior to opening. | Suppliers. |
| Insurance | \$300 to \$500 (Note D) | As incurred. | Prior to opening. | Insurers. |
| Miscellaneous opening costs | \$1,300 to \$2,500 | As incurred. | As incurred. | Suppliers, utilities, etc. |

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|-----------------------------|--------------------------------------|--------------------------|-------------------|---------------------------------------|
| Automobile | \$500 to \$2,500 (Note I) | As incurred. | Prior to opening. | Supplier |
| Additional Funds – 3 Months | \$6,000 to \$9,000 (Note H) | As incurred. | As incurred. | Employees, suppliers, utilities, etc. |
| TOTAL | \$10,500 to \$37,500 (Note F) | | | |

- A. You may operate your office out of your home or an office facility. The low estimate in this table is based on a home office. The high estimate is based on rent for a commercial office for the first 3 months of operation plus security deposits.
- B. You may incur expenses for any team members attending the initial training we provide. For this training program, we will provide instructors and instructional materials, and will provide the training at our headquarters, resulting in travel and lodging expenses which vary due to the distance you and your team must travel. You are responsible for all costs and expenses of travel, lodging, meals and entertainment, which are paid to third-party vendors. These estimated expenses do not include the salary and payroll expenses for your management and staff or franchise owners.
- C. You may conduct, at your own expense, advertising and marketing activities relating to your franchise. We will not direct or participate in your advertising and promotional efforts except to approve or disapprove advertising and promotions.
- D. The Franchise Agreement requires you to have in force insurance policies prior to commencing business, acquired at your sole expense, protecting both you and us (including our officers and employees), against losses and within the limits described. The figures in the table are estimated annual premiums for the minimum amount of insurance we require.
- E. We require no other payments to begin operations. Neither we nor an affiliate offer direct or indirect financing for the Initial Franchise Fee or any part of your initial investment.
- F. This table estimates your initial start-up expenses. These figures represent our estimates based upon our experience and the experience of our franchisees. We do not guarantee that you will not have additional and different expenses than those we have identified in this table.
- G. Our standard Initial Franchisee Fee is \$10,000. We offer prospective franchisees satisfying certain specified criteria a reduced initial franchise fee as described in Item 5 of this disclosure document.
- H. Additional Funds – 3 Months. This represents working capital and living expenses needed to open and operate your franchise during your start-up phase. The estimate may not be adequate as the amount will depend greatly upon the salary structure for your any team members, your variable costs, and other commitments made by you. Additional funds may be required to finance operations until a positive cash flow is produced. We have relied on our experience and the ongoing reports and communications we receive from our franchisees in preparing these estimates. These amounts do not include any estimates for debt service on loans that you obtain to finance your business, payroll, inventory expenses or additional working capital. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

- I. Although you are not required to have an automobile, this table estimates your range of costs to lease or finance an automobile for the first 3 months of operation only.
- J. The Initial Franchise Fee paid to us is partly refundable under the conditions described in Item 5. The other expenses described in this chart are payable to third parties and are not refundable by us. Unless permitted by suppliers of above-mentioned services or products, none of the other expenses described in this chart is refundable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

We do not require that you purchase or lease goods, services, supplies, fixtures, equipment, inventory, or computer hardware and software from us or our designees in the establishment or operation of your business. We do not derive any revenue or other consideration from any goods and services required to be purchased from us, or from any required leases (Franchise Agreement, Section 6.1).

We have no required specifications, designated suppliers, or approved suppliers for goods, services or real estate relating to your franchise business, but we do maintain minimum specifications for computer technology which are compatible with the ITEX System. You are required to have a computer system that conforms to our computer system minimum standards (see Item 11, below) and maintain a broadband internet service. You are responsible to purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software. We estimate that the cost of your required computer system will range from 5% to 7% of your estimated initial investment (see Item 7, above). Our proprietary member management and accounting system is available online at our Internet web site. There are no other obligations for you to purchase or lease in accordance with specifications or from approved suppliers. Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business.

There are no approved suppliers in which any of our officers owns an interest.

We currently negotiate no purchase arrangements with suppliers for the benefit of franchisees. There currently are no purchasing or distribution cooperatives related to our franchise system.

See Item 10 for disclosure on financing fees that might be received by us.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

| <u>Obligation</u> | <u>Section in Agreement</u> | <u>Disclosure Document Item</u> |
|--|------------------------------------|--|
| a. Site selection and acquisition or lease | Sections 2.1, 2.2, 2.3, 2.4 & 2.5 | Items 11 & 12 |

| <u>Obligation</u> | <u>Section in Agreement</u> | <u>Disclosure Document Item</u> |
|--|---|--|
| b. Pre-opening purchases and leases | Sections 2.4, 3.9, & 5 | Items 7, 8 & 11 |
| c. Site development and pre-opening | Sections 2.4, 3.9, 4, 5, 6.1 & 6.8 | Items 7, 11 & 12 |
| d. Initial and ongoing training | Section 3.10, 4 & 5.1 | Items 6, 7 & 11 |
| e. Opening | Sections 3.9, 4, 5.1 & 6.1 | Item 11 |
| f. Fees | Sections 3, 6.1 & 8.1 | Items 5 & 6 |
| g. Compliance with standards & policies/ Operations Manual | Sections 6 & 7.5 | Items 8, 11 & 16 |
| h. Trademarks and proprietary information | Recitals & Sections 2.1, 2.6, 3.4, 3.9, 4.3, 6.1, 6.3, 6.4, 6.5, 6.6, 7.5, 10.2 & 10.7; Abandonment of Name form | Items 13 & 14 |
| i. Restrictions on products and services offered | Sections 2.2, 2.6, 2.9, 3.4, 6.1, 6.2, 6.5, 6.6, 6.7, 6.8, 6.9, 7.3 & 7.5 | Items 8, 12, 13, 16 & 17 |
| j. Warranty and customer service | Sections 6.1 & 6.2 | Item 11 |
| k. Territorial development and sales quotas | Sections 2, 6 & 7.3 | Item 12 |
| l. Ongoing product & service purchases | Sections 6.1, 6.2, 6.9 & 9.2 | Items 7 & 8 |
| m. Maintenance, appearance and remodeling | Sections 2.4, 2.5, 6.2, 6.5 & 7.5 | Item 11 |
| n. Insurance | Section 6.2 & 9.2 | Item 7 |
| o. Advertising | Sections 2.6, 3.4, 6.2, 6.3, 6.4, 6.5 & 7.5 | Items 11 & 13 |
| p. Indemnification | Section 7.5, 7.6, 8.1 & 9.1 | Item 6, 13 & 14 |
| q. Owner's participation/ management/ staffing | Sections 4, 5.1, 6.2, 6.7, 6.8, 8.2, 10.10, 10.11, 10.13, 10.14 & 10.16 | Items 11 12 and 15 |
| r. Records and reports | Sections 3.7, 6.1 & 6.2 | Items 6 & 11 |
| s. Inspections and audits | Sections 3.8, 6.1 & 6.2 | Items 6 & 11 |
| t. Transfer | Section 8 | Item 17 |
| u. Renewal | Section 7.1 | Item 17 |
| v. Post-termination obligations | Sections 6.6, 6.7, 6.8, 7.5, 10.7 & 10.9 | Item 17 |
| w. Non-competition covenants | Sections 6.6, 6.7, 6.8, 7.5 & 10.7 | Item 17 |
| x. Dispute resolution | Sections 10.9 | Item 17 |

ITEM 10

FINANCING

We do not offer direct or indirect financing for the Initial Franchise Fee, start-up costs or any part of your initial investment. We do not guarantee your notes, leases, or obligations.

Occasionally, we may at our discretion make loans to our franchisees to finance certain operational or expansion activities. These loans are repaid in installments by regular deductions from the franchisee commissions' payable by us each cycle. The loan amount will vary depending on the purpose for which the loan is to be used, and we may finance up to 100% of the amount required. The loan term varies depending on the amount financed and generally ranges from three to seven years. Interest rates have been typically 6% per annum but may be higher in the current economic environment. The debt is generally unsecured and may be prepaid at any time without penalty. A personal guarantee from the franchise owners is required. Potential liabilities upon default include an accelerated obligation to pay the entire amount due, the payment of our costs and expenses incurred in collecting or enforcing payment including attorney fees, and our ability to exercise step-in rights to operate the franchise until the obligation is paid. The financing document typically consists of a Promissory Note similar to the document in Exhibit K.

We reserve the right to require a security interest depending on the nature of the financing arrangement. We do not have any practice or intent to sell, assign or discount to a third party all or part of the financing arrangement and will not receive any payments or other consideration from any other party for the placement of financing. Our financing arrangement will not require you to waive defenses or other legal rights and will not bar you from asserting any defenses against us.

Pursuant to the Franchise Agreement, we provide you a credit line of 5,000 ITEX Dollars for your Operating account, which can be changed or removed at any time for any reason in our sole discretion. These ITEX Dollars may be used in the ITEX Marketplace and this credit line is subject to our standard member account billing programs and Marketplace Rules and, if utilized, generates interest charges payable in ITEX Dollars at a rate of 0.5% per Cycle for a maximum rate of 6.5% annually (13 Cycles per year).

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your franchise, we will:

1. Evaluate your franchise location if needed. (Franchise Agreement, Sections 2.1 and 2.3). We typically do not require prior approval of your franchise location.

2. Provide an initial training course for you and others on your team as more fully described in this Item, below. (Franchise Agreement, Section 4.1)
3. Provide a comprehensive Operations Manual with suggested specifications, processing and accounting standards, enrollment programs, sales agent recruitment and training suggestions, and sample promotional and sales aids. (Franchise Agreement, Section 6.1). The Table of Contents of the Operations Manual is attached as Exhibit K.

Obligations After Opening

During the operation of your franchise business, we will:

1. Periodically attempt to develop new products and programs and provide ongoing supervision for the ITEX System. (Franchise Agreement, Section 6.5).
2. Provide ongoing assistance, by telephone, email, Internet, video, or any other means appropriate for training, Member enrollment and form use, advertising and sales assistance and use of the Operations Manual. We will bear our expenses for this assistance. (Franchise Agreement, Section 6.1).
3. Provide refresher training programs or seminars. We may suggest that you or others on your team attend and complete them.
4. Record, track and account for all transactions among ITEX Members and franchises through our computerized system of record keeping and provide a clearinghouse function for international transactions involving a seller or buyer outside of the U.S. (Franchise Agreement, Section 3.7 and 6.8).
5. Review and approve or disapprove all promotional material and advertising to be used by you in the operation of your franchise. (Franchise Agreement, Section 3.4).
6. Use commercially reasonable efforts to enforce the Marketplace Rules through the ITEX System's network of franchises and to defend the ITEX Marks. (Franchise Agreement, Sections 6.1 and 6.3).
7. We will periodically update the Operations Manual and will specify changes and improvements in our computer and communications technology. (Franchise Agreement, Sections 6.1, 6.5 and 6.8).
8. We will bill and collect fees due from Members, as outlined in the ITEX Marketplace Rules (Franchise Agreement, Section 3.2).
9. We will pay you commissions based on the fees we collect as follows (Franchise Agreement, Section 3.2):

Commissions Paid to Franchisee from Association and Transaction Fees

We will pay you a commission of 75% of all cash and 50% of all ITEX Dollars we collect in the form of Transaction Fees for purchases and sales of members assigned to you. "Transaction Fees" are fees payable by Members in cash or ITEX Dollars each four-week operating cycle ("Cycle"), based on the ITEX Dollar value of that Member's transactional activity during the Cycle.

We also pay you a commission on all Association Fees we collect from Members assigned to you. We currently assess each ITEX Member an Association Fee of \$25 cash per each four-week operating Cycle (\$325 annually) and 10 ITEX Dollars each four-week operating Cycle (130 ITEX Dollars annually). "Association Fees" are fixed fees payable by Members in cash and in ITEX Dollars each Cycle, irrespective of transactional activity during the Cycle. We will pay you a commission on all Association Fees we collect at the rate of 35% of the cash and 30% of the ITEX Dollars. As an example, the commission payable on an Association Fee of \$25 cash and 10 ITEX Dollars would be \$8.75 cash and 3 ITEX Dollars. Association fee commissions are not paid on association fees assessed after an account is entered into cancellation status. On occasion, a franchisee with our approval may elect to have a selected member account assessed ITEX Dollar transaction fees and a 35 ITEX Dollar Association fee on a one-off individual basis. You receive 50% of the ITEX Dollar Transaction fees and 30% of the 35 ITEX Dollar Association fee.

Your commissions, both on cash and ITEX Dollar amounts, are paid by us to you no later than the 21st day after the close of the standard four (4) week operating cycle in which we receive the Member cash or ITEX Dollar fees on which the commissions are payable. We may pay advance commission payments seven days after the close of each cycle, in our sole discretion. An ITEX Dollar is equivalent in value to one U.S. cash dollar for tax purposes but is not convertible into cash. Our ITEX Dollar payments to you are made by our crediting ITEX Dollars to your operating account; however, if other accounts controlled by you are negative, we can elect to credit the negative account first.

All fees paid by Members, including Association Fees and Purchase/Sales Transaction Fees, are imposed and collected by us. All Member refunds are decided at our sole discretion.

10. Pursuant to our Mentor Program, we will pay a one-time success fee to the referrer once a mentored sales agent has become our franchisee as described in Item 5 above. The amount of the fee is disclosed in the Mentor Program overview each year.

Operations Manual

The Operations Manual is confidential and remains our property. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the Franchise Agreement. The Table of Contents of the Operations Manual is attached as Exhibit K. It indicates the number of pages devoted to each subject and the total number of pages of the current version of the Operations Manual.

Initial Training

We will provide a training course for you and the other members of your team you wish to bring with you. This training usually will last up to five days and will be held at our corporate training facilities in Bellevue, Washington or at other locations we will designate. You must complete this mandatory course before you open your franchise for business; *provided however*, you may complete this mandatory course *within 120* days of opening your franchise for business if you qualify for a franchise under one of the following scenarios:

- You have been employed by one of our franchises, have personally enrolled at least 50 Members, and have a Net Member Count of 50 or more members that will transfer to you upon completion of the franchise approval and initial training.
- You own an operating independent exchange not affiliated with us and have a Net Member Count of 50 or more members converting to the ITEX System, and have, in our opinion, the knowledge and experience to conduct business with minimal assistance from us.

Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8) and accounts transferred from another franchise.

Training sessions are held on an as needed basis. You must complete our training programs satisfactorily in our sole discretion or we may terminate the Franchise Agreement upon refunding 50% of the Initial Franchise Fee charged and collected. (Franchise Agreement, Section 4.1). Our trainers use the Operations Manual for instructional material. The training will consist of:

TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|------------------------------|------------------------------------|-------------------------------------|--|
| ITEX Business Development | 8 | 0 | Our corporate training facilities in Bellevue, Washington or other locations we designate. |
| Member Enrollment | 8 | 0 | |
| ITEX Accounting & Operations | 8 | 0 | |
| Trade Directing Practices | 8 | 0 | |

Currently, our training instructor is Brian Argetsinger, Vice President of the Marketplace. He has been responsible for our franchise development and franchisee training since 2003. Mr. Argetsinger may use our franchisees and other members of our corporate staff to provide information for areas over which they are responsible. These may include staff members from Marketplace Support, Finance and/or Information Technology.

The training program consists of training materials, enrollment programs, selling aids, and professional consultation. Training will cover the ITEX System and related programs, franchise office management, and relationships with Members. You will complete the training program in a satisfactory manner if you attend all the training classes and complete a Marketplace Rules test with at least a 70% passing score.

The training program is included in the Initial Franchise Fee. The training program must be completed by all franchisees unless, at our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary. You will pay the transportation, lodging and food-related expenses you (and any other members of your team) incur related to this training. (Franchise Agreement, Section 4.1).

Attendance at Conventions

We hold annual conventions that include programs on sales, marketing techniques, performance specifications and training, among other things. Your attendance at each convention is strongly encouraged. You will bear the expense of attending, including travel, lodging, meals and entertainment.

Supplemental Training

We may encourage you to attend and complete refresher training programs or seminars. These programs and seminars will be held at locations we designate and are provided without charge to you. You will be responsible for paying travel, accommodation, and other expenses for attending these programs and seminars.

Computer Systems

You are responsible to purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (our proprietary member management and accounting system is available online at our Internet web site) compatible with and conforming to the minimum standards and specifications we establish (Franchise Agreement, Section 6.9). You should have these systems in operation before opening for business. We have no obligation to maintain, repair, upgrade or update your computer hardware or software.

The cost of this computer software and hardware is \$1,000 to \$3,000 (see Item 7, above). Your system must meet the following minimum standards:

Hardware

- Computer: IBM compatible PC (Dell recommended)
- Processor: Intel (13th generation or newer)
- Memory: 8 GB or more
- Hard Drive: 256 GB or larger
- Monitor: 24" display capable of 1280x1024 resolution.
- Printer: Black and white Laser printer.
- High speed internet access such as fiber-optic, cable, wireless, satellite or other commercially available technology

Software

- Operating System: Microsoft Windows 11 Professional or newer:
 - Microsoft 365 Business Standard or newer - Includes Outlook, Word, and Excel
 - Antivirus, Firewall, and Spyware (Microsoft Defender recommended)
 - Adobe Reader DC or Acrobat, or newer.
 - QuickBooks Accounting Software (recommended over other accounting software)
(Franchise Agreement, Section 6.9).
- *The TEAM online software system enables Members to execute and track transactions in the ITEX Marketplace.* We have internally developed an industry exclusive, comprehensive, customer relationship management and payment processing software called Trade Exchange Account Manager "TEAM." This web- based software solution provides members, franchisees and our management team with enhanced information systems and marketing tools. We continue to upgrade and enhance our technologically advanced multi-channel payment system that provides efficient internet access to our members and our franchisees.
- You will need to upgrade the computer systems to keep pace with technological advances, as expressed in updates to the Operations Manual. There are no contractual limits on the frequency or cost of these upgrades. We estimate the annual cost for the obligation will be from \$0 to \$1,000.

Computer hardware and software will be used to integrate Members' accounts by using the computer accounting system software and procedures we provide and establish. We do not access the personal information and data stored in your computer. You will have independent access to the TEAM online software system, its information, tools and reports, and the Member billing and transactional history stored in our computer system. You will communicate with us and with other franchises and Members

within the ITEX Marketplace using our established communication guidelines and forms. (Franchise Agreement, Section 6.8).

We take a number of measures to ensure the security of our hardware and software systems and member information. We continue to enhance our systems for data management and protection, intrusion detection and prevention, our network architecture, and to expand our disaster recovery processing capacity. We continue to improve the speed and reliability of our information systems and transaction tools for all of TEAM's users by continually updating hardware and enhancing our software with new, internally developed programs and functionalities.

Advertising

We must approve all advertising. We have not established a separate or independent advertising fund and you are not required to participate in such a fund. We may pay for and place advertising in geographic areas, in media, at times and using products and services as we deem appropriate in our discretion. (Franchise Agreement, Section 3.4). We reserve the right to use our trademarks, service marks, names, logos and products at any location and in connection with other product and service distribution methods, including Internet, social media, wholesale and mail order channels, mobile applications and the metaverse ("alternative distribution channels"). We are not required to spend any amount on advertising, including advertising in the area where a franchisee is located.

There is no advertising council made up of our franchisees that advises us on advertising policies. You are not required to participate in any local or regional advertising, marketing or promotional program or cooperative (Franchise Agreement, Section 3.4).

You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it (Franchise Agreement, Section 3.4). You specifically acknowledge and agree that any web site related to your franchise will be considered advertising material, subject to our approval. (Franchise Agreement, Section 3.4). In connection to any web site, you agree to the following:

We will establish web pages for you as part of our web site. You will be required to meet or exceed our Continuing Performance Standards, defined in Item 12, to maintain your web pages.

You will not establish or use any other web site without our prior written consent. You may establish an online presence or profile for the Franchise through social media pages, provided any content posted to such page or profile complies with our System standards. You agree to immediately remove any content that we, in our business judgment, deem to be in violation of our System standards. (Franchise Agreement, Section 3.4)

If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written consent, except when using materials and media previously approved by us. (Franchise Agreement, Section 3.4).

Although not required by the Franchise Agreement or any other related agreement, we may provide you promotional materials and updates to our programs.

Time to Open

You are expected to start franchise operations within 120 days after you sign the Franchise Agreement. If you fail to start operations within this 120-day deadline without our express, written consent, we may terminate the Franchise Agreement and retain the Initial Franchise Fee. (Franchise Agreement, Section 4.1).

Staffing

You are solely responsible for determining whether or not you hire staff to operate under your supervision. If you do add staff they will be under your sole control. You have sole responsibility and authority for their terms and conditions of employment, and all policies and decisions regarding your staff.

We do not exercise control, direct or indirect, of your staff's working conditions, and do not participate in matters relating to the employment relationship between you and your staff, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints, or working conditions.

ITEM 12 TERRITORY

The Franchise Agreement does not contain any exclusive grant, exclusive area, exclusive territorial rights, protected territory, or any right to exclude, control, or impose conditions on the location or development of future franchises at any time. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution that we control.

The location for your business operations is selected by you. We typically do not require prior approval of your franchise location by us, except when another franchisee operates in an adjacent area. However, we may institute reasonable pre-approval requirements. You will generally lease your office space from a third-party lessor or work from your home office. (Franchise Agreement, Section 5.3). We have not developed other location approval criteria. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed sites for your business operations.

Franchisees may enroll Members anywhere in the USA but they must be serviced from their office locations and are subject to standards outlined in the Operations Manual. As a general rule, Members for which you open an ITEX account within 150 miles of your Franchise Premises will be deemed to have been assigned to you by us. Members for which you open an ITEX account that are more than 150 miles from your Franchise Premises will first be reviewed by us to determine the most suitable Franchise for them to be assigned, as determined by us. We reserve the right to establish franchise offices at any location regardless of the population densities, geographical configuration and economic structure of a given market area.

All issues that relate to more than one franchisee and joint programs and promotional efforts will be addressed and resolved by our franchisees in the involved local areas, subject to our right to give reasonable direction and oversight.

While we are not restricted from doing so, we have not and do not intend to establish other franchises or company-owned operations selling similar products or services under a different trade name or trademark.

We or our affiliates reserve the right to use alternative channels of distribution to make sales of products or services under trademarks or service marks different from the ones you will use under the Franchise Agreement, including through the internet and other forms of electronic commerce (such as social media, mobile applications and the metaverse), but we or our affiliates have not yet made any sales of this type.

We have owned and operated company-owned offices (as disclosed in Item 20) and we reserve the right to own and operate additional company-owned offices in the future.

You are expected to meet certain minimal performance standards in order to retain your franchise as outlined in the section of your Franchise Agreement entitled “Termination By Us.” If these performance requirements are not met, we may terminate the Franchise Agreement:

Initial Performance. You must either (1) have a Net Member Count of 75 or more members and maintain cash CTV of \$25,000 per cycle or (2) achieve and maintain \$75,000 in cash CTV per Cycle in the ITEX System within twelve months (13 of our operating cycles) of the date you commence operations under the Franchise Agreement. Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8) and accounts transferred from another franchise.

- **Performance Standard One — 75 or more Net Member Count:** If you do not have a Net Member Count of at least 75 members and achieve and maintain cash CTV of \$25,000 per cycle within your first twelve months (13 operating cycles) of operation, then you must (i) submit to us a business improvement plan within 28 days (1 operating cycle) of your Notice to Cure, that we approve, which approval will not be unreasonably withheld or delayed, (ii) implement the business improvement plan, and (iii) have an aggregate total Net Member Count of 75 or more members by the end of the fifteenth month (16 operating cycles) of the date you commence operations under the Franchise Agreement.
- **Performance Standard Two — \$75,000 cash CTV:** As an alternative, you can have a Net Member Count of fewer than 75 members if you achieve and maintain cash CTV of \$75,000 per Cycle in the ITEX System within your first twelve months (13 operating cycles) of the date you commence operations under the Franchise Agreement. The same Notice to Cure procedure (described in the previous paragraph) will apply to this alternative performance standard.

If you do not satisfy one of these two Initial Performance Standards, we may, in our discretion, terminate the Franchise Agreement for cause by written notice to you after the fifteenth month (16 operating cycles).

Continuing Performance. After the first twelve months, at all times for the term of the Franchise Agreement you must continue to have either (1) a Net Member Count of 75 or more members assigned to your franchise at the end of each billing cycle while also maintaining a minimum average of \$25,000 in cash CTV per Cycle for the preceding 13 Cycles, or (2) achieve and maintain a minimum average of \$75,000 cash CTV per Cycle for the preceding 13 Cycles regardless of the number of members. Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8) and accounts transferred from another franchise.

If you fail to meet either of the two Continuing Performance Standards available to you for a trailing 13 Cycle review, you will be deemed to be in Default of the Franchise Agreement, and the following actions will be applied as described to all future Cycles until you do meet one of the Continuing Performance Standards.

First Cycle in Default

Accounts in your name or controlled by you will have their credit lines removed and each account will be charged a \$25 + 10 ITEX association fee. The fee of \$25 per account will be deducted from your Franchise reconciliation each cycle. You will be paid commissions on the association fees you pay, unless Association fee commissions are suspended.

Second and all subsequent Cycles in Default

Your operating and scrip accounts will be assessed transaction fees of 5% cash. You will be paid commissions on the transaction fees you pay. All cash fees assessed will be deducted from your Franchise reconciliation each cycle.

Third and all subsequent Cycles in Default

Association fee commissions, both cash and ITEX dollar, will be suspended.

All such default actions will be removed as soon as you comply with one of the two minimum Continuing Performance Standards available. However, these actions will be reapplied if you fail to maintain minimum Continuing Performance Standards during any future trailing 13-Cycle review. All association fee commissions lost will not be restored for the period you are not in compliance with the minimum standards.

In addition, you must (i) submit to us a business improvement plan within 28 days (1 operating Cycle) following a Notice to Cure sent to you, that we approve, which approval will not be unreasonably withheld or delayed, (ii) implement the business improvement plan, and (iii) have satisfied one of these two performance standards within 3 full Cycles of our approval of your business improvement plan. If you do not deliver a business improvement plan within the 28-day period we may, in our discretion, immediately terminate the Franchise Agreement upon written notice to you. If you do not satisfy either of these performance standards, we may, in our discretion, terminate the Franchise Agreement for cause by written notice to you after the end of the 3rd full Cycle after approval of your business improvement plan.

You do not receive the right to acquire additional franchises or to grant sub-franchises.

If you desire to relocate your franchise, you must satisfy the conditions set forth in the Franchise Agreement (Franchise Agreement, Section 2.5) and notify us before executing the move.

ITEM 13

TRADEMARKS

We give you the right to operate your franchise under the name “*ITEX*®” and display our names, logos, service marks and trademarks (our “Marks”) on checks, letterhead, envelopes, signs and other forms we approve in advance. Our Marks include all other trade names, trademarks, service marks, and logos we now own or may in the future develop for the ITEX System.

We have registered the following marks on the Principal Register of the United States Patent and Trademark Office. All required affidavits of use have been filed and accepted. Those marks which have been registered for more than 6 years have become incontestable.

Service Mark: "ITEX" and design
Registration Number: 4,670,309
Registration Date: January 13, 2015



Service Mark: ITEX
Registration Number: 4,666,303
Registration Date: January 6, 2015

Service Mark: Connect, Trade, Save
Registration Number: 4,665,609
Registration Date: January 6, 2015

Service Mark: Barter Matters
Registration Number: 4,665,611
Registration Date: January 6, 2015

Service Mark: ITEX Advantage
Registration Number: 4,665,610
Registration Date: January 6, 2015

None of our other names and logos are registered. We have no state registrations for these or any other marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding nor any pending material litigation involving our Marks or other commercial symbols which are relevant to their use in your state or in any other state.

There are currently no superior prior rights or infringing uses actually known to us that could materially affect your use of our Marks in the United States. To use our Marks, you must follow our corporate identity standards. You are prohibited from including "ITEX[®]" or any other of our Marks or names in your business or other entity name or in any website URL, e-mail address, domain name or website meta-tags or with modifying words, designs or symbols except as we authorize. You may not alter any of our names or marks, indicia or trade dress as to form, color, size, proportion, or in any other way. The name you select to operate your franchise must be approved by us in writing and in advance. You must indicate that you are operating an independently owned franchise by using an identification tag line such as "an independent franchisee of ITEX Corporation" on all advertising materials, signs, business cards, financial and contractual documents and business letterhead.

We know of no agreements currently in effect that significantly limit our right to use or license the use of our Marks listed in this section in a manner material to the franchise.

We will, but are not obligated by the franchise agreement or otherwise to, take reasonable efforts to protect your rights to use our Marks. If any infringement of, or challenge to, your use of our Marks should occur, you are obligated to immediately provide us with written notice. We will then have the sole discretion to take such action as we deem appropriate, but we are not obligated by the franchise agreement to protect you against, participate in your defense of, or to reimburse you for, any damages which you are held liable for in any proceeding arising out of your use of our Marks. You agree to indemnify us for any expenses or damages relating to your franchise business activities, which includes any improper or unauthorized use of any of our Marks.

Any goodwill associated with our Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law.

You may not use or give others permission to use our Marks, or any colorable imitation of them, combined with any other words or phrases.

Pursuant to the Franchise Agreement, we may change or modify any part of our Marks at our sole discretion. You will accept, use and protect, for the purposes of the franchise, all changes and modifications as if they were a part of our Marks at the time the Franchise Agreement is signed. You will bear all costs and expenses that may be reasonably necessary as a result of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to any of these changes or modifications.

ITEM 14

PATENTS, COPYRIGHT & PROPRIETARY INFORMATION

We claim copyrights in the Operations Manual and related materials, our software, printed advertising, brand identity and promotional materials, training materials and similar items used in operating your franchise. These copyrighted materials have not been registered with the United States Registrar of Copyrights.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of our copyrighted materials. There are no agreements in effect which materially limit our right to use or authorize our franchisees to use the copyrighted materials. We do not know of any infringing uses which could materially affect your use of the copyrighted materials in any state. We have no obligation under the Franchise Agreement to protect or defend any copyright, or to protect you against, participate in your defense of, or to reimburse you for, any damages that you are held liable for in any proceeding arising out of your use of any copyrighted works.

We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We may modify or discontinue using any copyrighted works, and/or use additional or substitute copyrighted works, and you must comply with our directions for any modification or discontinuance after receiving notice from us. We are not obligated under the Franchise Agreement to reimburse you for any costs incurred due to any modification or discontinuance of any copyrighted works.

The Operations Manual and other materials contain trade secrets and confidential and proprietary information. This information includes our Marketplace Rules, a description of the ITEX System, site selection criteria, training materials, other programs, systems and guidelines for franchisees, and any other information we may designate as confidential or proprietary. .

The Operations Manual is described in Item 11. Item 11 describes limits on use of the copyrighted materials and other proprietary information by you. You must follow our rules when you use the Operations Manual and any other confidential and proprietary information. You must keep this information absolutely confidential at all times, and you must take all reasonable steps to prevent improper disclosure to others. You must contact us immediately if you learn of any unauthorized use of our proprietary information.

We have no patents or pending patent applications that are material to your franchise.

ITEM 15

**OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISE BUSINESS**

You, or one of your owners, partners or LLC members (if you are a corporation, partnership or limited liability company), must participate fully in the actual day-to-day operation of the franchise business or you must hire a general manager to run the day-to-day operations. If you own multiple franchises we recommend there be a unique manager located within the market where the franchise office is located. Your on-premises manager is not required to own any equity or ownership interest in your business entity. The initial training course is required only for you (or one of your owners, partners or LLC members involved in day-to-day operations). You are welcome to bring other members of your team to the initial training, but that is your determination in your sole discretion. (See Item 11, above). You and all of your owners must agree to be bound by the confidentiality and non-compete provisions of the Franchise Agreement, subject to state law. You and your other owners cannot have an interest in any of our business competitors.

Each of your owners, partners or LLC members must assume and agree to discharge all of your obligations under the Franchise Agreement. Your spouse is not required to sign as a personal guarantor.

You are expected to start franchise operations within 120 days after you sign the Franchise Agreement. If you fail to start operations within this 120-day deadline without our express, written consent, we may terminate the Franchise Agreement and retain the Initial Franchise Fee. (Franchise Agreement, Section 4.1).

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You will offer and sell only programs and services that we, in our sole discretion, determine to be appropriate for the ITEX Marketplace. We reserve the right, without limitation, to change, modify and add to the authorized programs, products, goods and services, to prohibit and restrict certain goods or services, or to require that certain services only be sold by Members holding the appropriate license under federal, state, provincial, or local law.

You must assist Members assigned to you who desire to make transactions in the Marketplace. You must assist Members assigned to our other franchisees per the guidelines outlined in the Operations Manual. You may not solicit Members assigned to our other franchisees to transfer their account to you or open a second account with you. We will not restrict you from soliciting any other businesses to be Members, so long as the Members can comply with our established Marketplace Rules.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

| Provision | Section in Franchise Agreement | Summary |
|--|--------------------------------|---|
| a. Length of the franchise term | Section 2.1 | 5 years |
| b. Renewal or extension of the term | Section 7.1 | If you are in good standing, you may renew for periods of 5 years under the terms of our then-current franchise agreement forms. |
| c. Requirements for you to renew or extend | Section 7.1 | You must: a. Be in full compliance. b. Meet one of the Continuing Performance Standards set forth in Section 7.3(B) c. Have satisfied all monetary obligations. d. Give notice at least 3 and not more than 6 months before expiration of the initial term. e. Sign a general release. f. Sign a new franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract. g. Reimburse us for our reasonable out-of-pocket costs concerning the renewal. |
| d. Termination by You | Section 7.2 | Subject to state law, you can terminate at any time upon 28 days prior written notice (1 Cycle). |
| e. Termination by Us without cause | None | Not Applicable. |
| f. Termination by Us with cause | Section 7.3 | We can terminate you for uncured default under the franchise agreement, for failure to meet performance standards, or for an event of non-curable default (see h). |
| g. "Cause" defined – curable defaults | Section 7.3(A) | You have 30 days to cure any default other than performance standard defaults or the non-curable defaults listed in Section 7.3(C). We may terminate you if you fail to meet initial or continuing performance standards outlined in Section 7.3(B) after 13 cycles (1 year) or 4 cycles (approx. 4 months) opportunity to cure, respectively. |
| h. "Cause" defined – non-curable defaults | Section 7.3(B) | Bankruptcy and insolvency; abandonment; repeated violations; material misrepresentations; levy of execution; conviction of felony or moral turpitude; operate in a manner that creates imminent danger; fraudulently post transactions; attempt to unilaterally repudiate the franchise agreement; solicit members in |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| | | violation of our rules; disclose confidential information or engage in a competing business activity. |
| i. Your obligations on termination or non-renewal. | Section 7.5 | Remove all of our Marks, return business manuals and other confidential material, release of phone numbers, payment of sums owed, confidentiality, and non-competition. |
| j. Assignment of contract by us | Section 8.1 | There are no restrictions on our right to transfer. |
| k. "Transfer" by you - defined | Section 8.1 | Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or control of you. |
| l. Our approval of your transfer | Section 8.1 | Any transfer by you requires our approval, which will not be unreasonably withheld. |
| m. Conditions for our approval of transfer | Section 8.1 | The transferee must qualify as a franchisee, assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, the transfer fee is \$2,000, the transferee must sign a then-current franchise agreement, and you must release us (see Exhibit I for sample release). |
| n. Our right of first refusal to acquire your business | Section 8.4 | We have the right to match any offer for your business you receive from a third party. We have 30 days to decide whether to purchase after you notify us of the proposed sale. |
| o. Our option to purchase your business | Section 8.3 | You give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. |
| p. Your death or disability | Section 8.2 | Within 60 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer your franchise interest. Heirs or transferees must meet our transfer conditions (see m). |
| q. Non-competition covenants during the term of the franchise | Sections 6.6 and 6.8 | Subject to state law, you may not be involved in a competing or similar business. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 6.8 | Subject to state law, neither you nor your owners, partners, and LLC members, for a period of two years after expiration or termination of the Agreement, may divert or attempt to divert any of our business or any of our members to any competing system, or for a period of two years and within 150 miles of any franchisee or franchisor office be involved in a competing business. |
| s. Modification of the agreement | Sections 6.5 and 10.8 | Modifications require the signed written agreement of the parties. We may modify the Operations Manual. |
| t. Integration/merger clause | Sections 6.1, 6.5 and 10.8 | Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, nothing in the Franchise Agreement is intended to disclaim the representations we make in this disclosure document. |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| u. Dispute resolution by arbitration or mediation | Section 10.9 | Subject to state law, you and we agree to submit any disputes or claims first to mediation at shared expense, and then, if needed, to binding arbitration in accordance to the rules of the American Arbitration Association. |
| v. Choice of forum | Section 10.9 | Subject to state law, venue for mediation, arbitration and any litigation is King County, Washington (subject to state law). See State Law Addendum. |
| w. Choice of law | Section 10.9 | Subject to applicable state law, Washington law applies except to the extent governed by the United States Trademark Act and except in those states whose franchise laws require exclusive application of state choice of law rules. See State Law Addendum. |

ITEM 18

PUBLIC FIGURES

We do not currently use any public figure to promote our franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

MATERIAL ASSUMPTIONS FOR TABLES

The following Tables 1 and 2 reflect the historical financial performance of our existing franchisees for the fiscal year ended July 31, 2023. These tables are based upon and illustrate the commission calculation structure reflected in Item 11, above, and in Section 3.2 of the Franchise Agreement. They show the actual experience of all of our franchisees in operation during our fiscal year ending July 31, 2023.

The tables do not reflect any costs or expenses that must be deducted from gross revenue figures to obtain net income or profit. The franchisees and former franchisees, listed in Item 20, below, may be one source of information about costs and expenses they incur and the earnings and profit they generate in operating their franchised businesses.

The figures in the tables 1 and 2 reflect “Cycle” averages which is the average of 13 Cycles over our most recent fiscal accounting year ending July 31, 2023 (“Cycle” is defined in Item 1 and Item 6, above). Cycle averages were determined by taking each franchisee’s yearly totals and then dividing by 13.

We collected the confirming data for the tables below from our online Trade Exchange Account Manager “TEAM” computer software and database that tracks each franchisee’s business activities.

The data in Table 1 is presented to demonstrate cash commissions results. The calculations are based upon a combination of factors, including number of Members assigned to a franchisee; cash Association Fees paid by those Members; and cash Transaction Fees paid by those Members. Table 1 excludes non-cash commissions such as ITEX Dollar Association Fees or ITEX Dollar Transaction Fees paid by Members and corresponding ITEX Dollar commissions paid to franchisees (See Item 11).

The data presented in Table 1 is based upon the following increments:

1. 100 member increments from under 100 to over 500 members
2. 500 ITEX Dollar ACTV increments from 0 to 2,000

Table 1 illustrates the cash commissions our franchisees have received on the Association Fees and Transaction Fees we collect in cash from Members assigned to that franchisee, as described in Item 11, above, and in Section 3.2 of the Franchise Agreement, using the following formulas:

Franchisee’s Commissions on Association Fees Paid in Cash:

Commissions on cash Association Fees we collect are paid at the rate of 35%. As an example, the commission payable on an Association Fee of \$25 cash would be \$8.75 cash. No cash commission will be paid on cash Association Fees collected while an account is in cancellation status.

| | | | | | | | | |
|-----------|---|-----------------------------|---|--------------------------------------|---|------------|---|--------------------------------------|
| # Members | X | Member Cash Association Fee | = | Total Cash Association Fee Collected | X | 0.35 (35%) | = | Cash Commissions on Association Fees |
|-----------|---|-----------------------------|---|--------------------------------------|---|------------|---|--------------------------------------|

Franchisee’s Commissions on Transaction Fees Paid in Cash:

| | | | | | | | | | | | | |
|-----------|---|----------|---|---------|---|-----------------------------------|---|--|---|------------|---|--------------------------------------|
| # Members | X | ACTV (1) | = | CTV (1) | X | 0.06 (6%) cash fee paid by Member | = | Member Cash Transaction Fees Collected | X | 0.75 (75%) | = | Cash Commissions on Transaction Fees |
|-----------|---|----------|---|---------|---|-----------------------------------|---|--|---|------------|---|--------------------------------------|

- (1) “ACTV” means Average Combined Transaction Volume and is the average sales + purchase transactional volume generated by all Members during a Cycle using ITEX Dollars as their medium of exchange. “CTV” means Combined Transaction Volume and is the aggregate of all sales + purchase transactional volume generated by each Member during a Cycle using ITEX Dollars as their medium of exchange.

Franchisee’s Total Cash Commissions:

| | | | | |
|--------------------------------------|---|--------------------------------------|---|-------------------------------------|
| Cash Commissions on Association Fees | + | Cash Commissions on Transaction Fees | = | Franchisee’s Total Cash Commissions |
|--------------------------------------|---|--------------------------------------|---|-------------------------------------|

Table 1 – Additional Explanations:

Following is the first line from Table 1, below, followed by an explanation to help you understand the information presented in that table.

| | | Association Fees | | | Transaction Fees | | | | Total Cash Commissions | | | | Units | |
|------|---|------------------|--------------|----------|------------------|---|----------|---------|------------------------|----------|-----------|-----------|----------|---|
| Mbrs | | Assn Fee | Ttl Assn Fee | 35% Comm | ACTV | | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | |
| 100 | < | \$25 | \$2,500 | \$875 | \$250 | < | \$25,000 | \$1,500 | \$1,125 | \$875 | \$1,125 | \$2,000 | \$26,000 | 0 |

This shows the commissions earned for a franchise with 100 members with each member producing an average transaction volume of 250 ITEX dollars per 4-week cycle – there are 13 such cycles per year. We charge two commissionable cash fees to members:

- (1) the Association Fee of \$25 cash per cycle, and
- (2) a Transaction Fee of 6% cash for each transaction posted.

Association Fee Commissions. In this example, the franchisee would be paid 35% of the Association Fee we collect, so \$8.75 per member per cycle (35% of \$25 is \$8.75). So, with 100 Members this franchisee would earn a commission of \$875 per cycle on Association Fee collections in the amount of \$2,500 (100 Members x \$25 = \$2,500, and 35% of \$2,500 is \$875).

Transaction Fee Commissions. In this example, with a total transaction volume of \$25,000 (100 Members x \$250 ACTV per member) we would collect \$1,500 in Transaction Fees from Members. The franchisee would be paid a commission of 75% on these collected Transaction Fees, so would earn \$1,125 in commissions.

Total Cash Commissions. For this particular franchisee, cash commissions would total \$2,000 per cycle in commissions (\$875 Association Fee plus \$1,125 Transaction Fee) and \$26,000 per year if they produced this same volume each of the 13 cycles that year.

As of July 31, 2023, there were 2 franchisees that during the 2023 fiscal year had Net Member counts and ACTV within the specified range. (See Table 2 below).

| 2023 FDD Table 1 | | | | | | | | | | | | | | |
|---------------------------------|------------------|--------------|----------|---------|------------------|-----|-----------|----------|------------------------|-----------|-----------|----------|-----------|---|
| | Association Fees | | | | Transaction Fees | | | | Total Cash Commissions | | | | Units | |
| Mbrs | Assn Fee | Ttl Assn Fee | 35% Comm | | ACTV | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | | |
| 100 | < | \$25 | \$2,500 | \$875 | \$250 | < | \$25,000 | \$1,500 | \$1,125 | \$875 | \$1,125 | \$2,000 | \$26,000 | 0 |
| 100 | < | \$25 | \$2,500 | \$875 | \$500 | < | \$50,000 | \$3,000 | \$2,250 | \$875 | \$2,250 | \$3,125 | \$40,625 | 1 |
| 100 | < | \$25 | \$2,500 | \$875 | \$750 | < | \$75,000 | \$4,500 | \$3,375 | \$875 | \$3,375 | \$4,250 | \$55,250 | 2 |
| 100 | < | \$25 | \$2,500 | \$875 | \$1,000 | < | \$100,000 | \$6,000 | \$4,500 | \$875 | \$4,500 | \$5,375 | \$69,875 | 0 |
| Mbrs | Assn Fee | Ttl Assn Fee | 35% Comm | | ACTV | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | | |
| 200 | < | \$25 | \$5,000 | \$1,750 | \$250 | < | \$50,000 | \$3,000 | \$2,250 | \$1,750 | \$2,250 | \$4,000 | \$52,000 | 3 |
| 200 | < | \$25 | \$5,000 | \$1,750 | \$500 | < | \$100,000 | \$6,000 | \$4,500 | \$1,750 | \$4,500 | \$6,250 | \$81,250 | 2 |
| 200 | < | \$25 | \$5,000 | \$1,750 | \$750 | < | \$150,000 | \$9,000 | \$6,750 | \$1,750 | \$6,750 | \$8,500 | \$110,500 | 5 |
| 200 | < | \$25 | \$5,000 | \$1,750 | \$1,000 | < | \$200,000 | \$12,000 | \$9,000 | \$1,750 | \$9,000 | \$10,750 | \$139,750 | 0 |
| Mbrs | Assn Fee | Ttl Assn Fee | 35% Comm | | ACTV | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | | |
| 300 | < | \$25 | \$7,500 | \$2,625 | \$250 | < | \$75,000 | \$4,500 | \$3,375 | \$2,625 | \$3,375 | \$6,000 | \$78,000 | 1 |
| 300 | < | \$25 | \$7,500 | \$2,625 | \$500 | < | \$150,000 | \$9,000 | \$6,750 | \$2,625 | \$6,750 | \$9,375 | \$121,875 | 3 |
| 300 | < | \$25 | \$7,500 | \$2,625 | \$750 | < | \$225,000 | \$13,500 | \$10,125 | \$2,625 | \$10,125 | \$12,750 | \$165,750 | 2 |
| 300 | < | \$25 | \$7,500 | \$2,625 | \$1,000 | < | \$300,000 | \$18,000 | \$13,500 | \$2,625 | \$13,500 | \$16,125 | \$209,625 | 2 |
| Mbrs | Assn Fee | Ttl Assn Fee | 35% Comm | | ACTV | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | | |
| 400 | < | \$25 | \$10,000 | \$3,500 | \$250 | < | \$100,000 | \$6,000 | \$4,500 | \$3,500 | \$4,500 | \$8,000 | \$104,000 | 0 |
| 400 | < | \$25 | \$10,000 | \$3,500 | \$500 | < | \$200,000 | \$12,000 | \$9,000 | \$3,500 | \$9,000 | \$12,500 | \$162,500 | 4 |
| 400 | < | \$25 | \$10,000 | \$3,500 | \$750 | < | \$300,000 | \$18,000 | \$13,500 | \$3,500 | \$13,500 | \$17,000 | \$221,000 | 4 |
| 400 | < | \$25 | \$10,000 | \$3,500 | \$1,000 | < | \$400,000 | \$24,000 | \$18,000 | \$3,500 | \$18,000 | \$21,500 | \$279,500 | 0 |
| Mbrs | Assn Fee | Ttl Assn Fee | 35% Comm | | ACTV | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | | |
| 500 | < | \$25 | \$12,500 | \$4,375 | \$250 | < | \$125,000 | \$7,500 | \$5,625 | \$4,375 | \$5,625 | \$10,000 | \$130,000 | 0 |
| 500 | < | \$25 | \$12,500 | \$4,375 | \$500 | < | \$250,000 | \$15,000 | \$11,250 | \$4,375 | \$11,250 | \$15,625 | \$203,125 | 3 |
| 500 | < | \$25 | \$12,500 | \$4,375 | \$750 | < | \$375,000 | \$22,500 | \$16,875 | \$4,375 | \$16,875 | \$21,250 | \$276,250 | 1 |
| 500 | < | \$25 | \$12,500 | \$4,375 | \$1,000 | < | \$500,000 | \$30,000 | \$22,500 | \$4,375 | \$22,500 | \$26,875 | \$349,375 | 0 |
| Mbrs | Assn Fee | Ttl Assn Fee | 35% Comm | | ACTV | CTV | 6% Fees | 75% Comm | Assn Fee | Trans Fee | Per Cycle | Per Year | | |
| 501 | > | \$25 | \$12,525 | \$4,384 | \$250 | < | \$125,250 | \$7,515 | \$5,636 | \$4,384 | \$5,636 | \$10,020 | \$130,260 | 1 |
| 501 | > | \$25 | \$12,525 | \$4,384 | \$500 | < | \$250,500 | \$15,030 | \$11,273 | \$4,384 | \$11,273 | \$15,656 | \$203,531 | 2 |
| 501 | > | \$25 | \$12,525 | \$4,384 | \$750 | < | \$375,750 | \$22,545 | \$16,909 | \$4,384 | \$16,909 | \$21,293 | \$276,803 | 0 |
| 501 | > | \$25 | \$12,525 | \$4,384 | \$1,000 | < | \$501,000 | \$30,060 | \$22,545 | \$4,384 | \$22,545 | \$26,929 | \$350,074 | 0 |
| Total Franchisees as of 7.31.23 | | | | | | | | | | | | | 36 | |

Table 2 below outlines the number of franchisees that had Net Member counts and ACTV within the specified ranges in Table 1. These tables reflect only franchisees in operation as of July 31, 2023. The figures for Table 2 reflect “Cycle” averages during our fiscal year ending July 31, 2023, and includes both cash and ITEX Dollar commissions paid. As stated above, ACTV is the average sales + purchase transactional volume generated by all of a franchisee’s assigned Members during a four-week Cycle. “MCTV” is the median sales + purchase transactional volume generated by all of a franchisee’s assigned Members during a four-week Cycle.

TABLE 2

| Members | ACTV \$0 to \$249 | MCTV | ACTV \$250 to \$499 | MCTV | ACTV \$500 to \$749 | MCTV | ACTV \$750 to \$999 | MCTV | ACTV \$1000 to \$1249 | MCTV | Total Franchisees |
|-----------|-------------------------|-------|---------------------------|-------|---------------------------|-------|---------------------------|------|--------------------------------|------|----------------------|
| 0-99 | 0 | | 1 | \$481 | 2 | \$509 | 0 | | 0 | | 3 |
| 100 - 199 | 3 | \$163 | 2 | \$390 | 5 | \$590 | 0 | | 0 | | 10 |

| | | | | | | | | | | | |
|---------------|----------|-------|-----------|-------|-----------|-------|----------|-----|----------|---------|-----------|
| 200 - 299 | 1 | \$159 | 3 | \$425 | 2 | \$623 | 1 | 900 | 1 | \$1,100 | 8 |
| 300 - 399 | 0 | | 4 | \$385 | 4 | \$582 | 0 | | 0 | | 8 |
| 400 - 499 | 0 | | 3 | \$354 | 1 | \$683 | 0 | | 0 | | 4 |
| 500+ | 1 | \$232 | 2 | \$293 | 0 | | 0 | | 0 | | 3 |
| Totals | 5 | | 15 | | 14 | | 1 | | 1 | | 36 |

The above tables include information for franchisees from small, medium and large markets. Our experience shows that the size of a franchisee's market does not directly correlate to the number of members enrolled or the volume of member transactions.

Some franchisees have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brian Argetsinger, 13555 SE 36th Street, Suite 210, Bellevue, Washington 98006, (425) 463-4000, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
FOR FISCAL YEARS ENDING JULY 31, 2021, 2022 AND 2023

| Outlet Type | Fiscal Year End | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|----------------------|-----------------|----------------------------------|--------------------------------|------------|
| Franchised | 2021 | 56 | 49 | -7 |
| | 2022 | 49 | 43 | -6 |
| | 2023 | 43 | 36 | -7 |
| Company-Owned | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 4 | 4 |
| Total Outlets | 2021 | 56 | 49 | -7 |
| | 2022 | 49 | 43 | -6 |
| | 2023 | 43 | 40 | -3 |

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES
TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR FISCAL YEARS ENDING JULY 31, 2021, 2022 AND 2023

| State | Year | # of Transfers |
|--------------|-------------|----------------|
| Alabama | 2021 | 2 |
| | 2022 | 0 |
| | 2023 | 0 |
| California | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 3 |
| Florida | 2021 | 1 |
| | 2022 | 1 |
| | 2023 | 1 |
| Idaho | 2021 | 2 |
| | 2022 | 0 |
| | 2023 | 0 |
| Kentucky | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 0 |
| Michigan | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| Minnesota | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 0 |
| Pennsylvania | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 1 |
| Tennessee | 2021 | 1 |
| | 2022 | 0 |
| | 2023 | 0 |
| Texas | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| Washington | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| Total | 2021 | 8 |
| | 2022 | 4 |
| | 2023 | 5 |

Table No. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS ENDING JULY 31, 2021, 2022 AND 2023

| State | Fiscal Year End | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|--------------------|-----------------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| Alabama | 2021 | 3 | 2 | 0 | 0 | 0 | 2 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| California | 2021 | 11 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2022 | 11 | 0 | 1 | 0 | 0 | 1 | 9 |
| | 2023 | 9 | 1 | 0 | 0 | 2 | 3 | 5 |
| Colorado | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Connecticut | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2021 | 7 | 1 | 0 | 0 | 0 | 2 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2023 | 6 | 0 | 0 | 0 | 0 | 1 | 5 |
| Idaho | 2021 | 3 | 0 | 0 | 0 | 0 | 2 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Illinois | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Kentucky | 2021 | 2 | 1 | 0 | 0 | 0 | 1 | 2 |
| | 2022 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minnesota | 2021 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Missouri | 2021 | 2 | 0 | 1 | 0 | 0 | 1 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nevada | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |

| | | | | | | | | |
|-----------------------|-------------|-----------|----------|----------|----------|----------|-----------|-----------|
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| New Jersey | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| North Carolina | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Ohio | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Oklahoma | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Pennsylvania | 2021 | 3 | 0 | 1 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 1 | 1 | 0 |
| Tennessee | 2021 | 1 | 1 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 1 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Washington | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Totals | 2021 | 56 | 5 | 2 | 0 | 0 | 10 | 49 |
| | 2022 | 49 | 0 | 2 | 0 | 0 | 4 | 43 |
| | 2023 | 43 | 1 | 0 | 0 | 3 | 5 | 36 |

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS ENDING JULY 31, 2021, 2022 AND 2023

| State | Fiscal Year End | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|--------------|-----------------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 2 | 2 | 0 | 0 | 4 |
| Total | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 2 | 2 | 0 | 0 | 4 |

Table No. 5
PROJECTED OPENINGS
AS OF JULY 31, 2023

| <u>State</u> | <u>Franchise Agreements Signed but Business Not Yet Opened as of July 31, 2023</u> | <u>Projected New Franchised Businesses Through July 31, 2024</u> | <u>Projected New Company-Owned Operations Through July 31, 2024</u> |
|---------------------|---|---|--|
| California | 0 | 1 | 0 |
| South Carolina | 0 | 1 | 0 |
| TOTALS | 0 | 2 | 0 |

A list of all of our operating franchisees as of July 31, 2023, including their addresses and telephone numbers are listed on Exhibit B.

A list of the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone numbers) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document is also included on Exhibit B. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system:

During the last three fiscal years, we have not signed confidentiality clauses with any of our current or former franchisees, which restrict their ability to speak openly about their experience in the franchise system. However, we sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

We have not created, nor do we sponsor or endorse any trademark-specific franchisee organization associated with the franchise system being offered.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C are our audited financial statements (consolidated balance sheets and consolidated statements of operations, stockholders' equity and cash flows) for the fiscal years ended July 31, 2023, 2022, and 2021. Our fiscal year end is July 31.

ITEM 22
CONTRACTS

Attached are copies of the following franchise agreement and all other related agreements you may have to sign when you purchase your franchise:

- Exhibit D – Sample Franchise Agreement
- Exhibit E – Conditional Assignment of Phone Number
- Exhibit F – Abandonment Relinquishment Termination of Assumed Business Name
- Exhibit G – State-Specific Disclosures and Addendums to Agreement
- Exhibit I – Sample Transfer, Termination, Renewal (Incorporation) and Release Agreements
- Exhibit J – Application for Franchise Appointment

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt for this disclosure document appear as the last pages of the disclosure document (Exhibit M). Please date and sign each of them as of the date you received this disclosure document, return one copy to us and keep the other with this disclosure document for your records.

EXHIBIT A

NAMES AND ADDRESSES OF STATE FRANCHISE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

| STATE | STATE AGENTS FOR SERVICE OF PROCESS | FRANCHISE ADMINISTRATORS |
|-------------|---|--|
| CALIFORNIA | Department of Financial Protection and Innovation: 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 | website www.dfpi.ca.gov ; phone number Toll Free (866) 275-2677; email Ask.DFPI@dfpi.ca.gov DFPI Main Office – Sacramento 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 DFPI Office - Los Angeles 300 S. Spring Street, Suite 15513 Los Angeles, CA 90013-1259 (213) 897-2085 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 DFPI Office - San Francisco One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 DFPI Office - San Diego 1455 Frazee Road, Suite 315 San Diego, CA 94108 (619) 610-2093 |
| CONNECTICUT | Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232 | Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232 |
| FLORIDA | [Not Applicable] | Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Room 121 Tallahassee, Florida 32399-0800 (850) 922-2770 |
| HAWAII | Dept. of Commerce & Consumer Affairs Business Registration Division | Department of Commerce and Consumer Affairs |

| STATE | STATE AGENTS FOR SERVICE OF PROCESS | FRANCHISE ADMINISTRATORS |
|------------------|---|--|
| | 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 | Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 |
| ILLINOIS | Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62701 (217) 782-4465 | Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62701 (217) 782-4465 |
| INDIANA | Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681 | Securities Division Secretary of State Room E111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681 |
| IOWA | [Not Applicable] | Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441 |
| MARYLAND | Maryland Securities Commissioner 200 Saint Paul Place Baltimore, MD 21202-2020 (410) 576-6360 | Office of the Attorney General Division of Securities 200 Saint Paul Place Baltimore, MD 21202-2020 (410) 576-6360 |
| MICHIGAN | Michigan Department of Commerce, Corporations and Securities Bureau 2501 Woodlake Circle Okemos, MI 48864-5995 (517) 335-7567 | Franchise Section Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 W. Ottawa St. Lansing, MI 48909 (517) 335-7567 |
| MINNESOTA | Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500 | Deputy Commissioner Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500 |
| NEBRASKA | [Not Applicable] | Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, Nebraska 68508 (402) 471-4943 |

| STATE | STATE AGENTS FOR SERVICE OF PROCESS | FRANCHISE ADMINISTRATORS |
|--------------|--|--|
| NEW YORK | New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 (518) 473-2492 | Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21 st Floor New York, NY 10005-1495 (212) 416-8285 |
| NORTH DAKOTA | North Dakota Securities Department Fifth Floor 600 East Boulevard Ave Bismarck, ND 58505 (701) 328-4712 | Franchise Examiner North Dakota Securities Department 600 East Boulevard Ave Bismarck, ND 58505 (701) 328-4712 |
| OREGON | Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387 | Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387 |
| RHODE ISLAND | Director of Department of Business Regulation Division of Securities 1511 Pontiac Ave Cranston, RI 02920-4407 (401) 602-3646 | Associate Director and Superintendent of Securities Division of Securities 1511 Pontiac Ave Building 68-2 Cranston, RI 02920 (401) 602-3646 |
| SOUTH DAKOTA | Director of South Dakota Division of Securities 445 E. Capitol Ave. Pierre, SD 57501 (605) 773-4823 | Franchise Administrator Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 |
| TEXAS | [Not Applicable] | Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 463-0872 |
| UTAH | [Not Applicable] | Department of Commerce Division of Consumer Protection 160 East 300 South SM Box 146704 Salt Lake City, Utah 84114-6704 (801) 530-6631 |

| | | |
|------------|---|---|
| VIRGINIA | <p>Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9672</p> | <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9883</p> |
| WASHINGTON | <p>Director of Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760</p> | <p>Administrator Dept. of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760</p> |
| WISCONSIN | <p>Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555</p> | <p>Division of Securities Dept. of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 261-9555</p> |

EXHIBIT B

LISTS OF CURRENT AND FORMER FRANCHISEES

Franchisees as of July 31, 2023

ALABAMA

David Mroz
4000 Eagle Point Dr., Birmingham, AL 35242; (Tel) 205.314.5703

John Padgett
600 Blvd South WA, Suite 10, Huntsville, AL 36802; (Tel): 727.376.7370

John Padgett
PO Box 3047, Orange Beach, AL 36561; (Tel): 251.980.1023

CALIFORNIA

Jeffery & Dottie Sherley
2507 F St., Bakersfield, CA 93301; (Tel): 661.325.2929

Timothy Knifton
3308 El Camino Ave. Suite #300 – Box 409, Sacramento, CA 95821; (Tel): 916.927.7600

Neita Brooks
1173 North Dixie Dr, #104, San Dimas, CA 91773; (Tel): 909.592.7727

Hemant Desai
1172 Murphy Ave, #221, San Jose, CA 95131; (Tel): 408.840.4400

John Jussen
1108 Allston Way, San Jose, CA 95120; (Tel): 408.504.8405

COLORADO

David Mroz
6785 S. Field St, #202, Littleton, CO 80128; (Tel): 720.922.8010, 719.486.2199

CONNECTICUT

Roger Boroway
1559 Post Rd., Fairfield, CT 06824; (Tel): 203.256.9001, 888.294.6393

FLORIDA

Cathy Ebberbach
8192 White Rock Circle, Boynton Beach, FL 33436; (Tel): 561.731.3434

John Padgett
300 N Ronald Reagan Blvd, Suite 214, Longwood, FL 32750; (Tel): 407.251.0980

James & Carolyn Young
531 Peninsula Key, Plant City, FL 33565; (Tel): 813.759.9122

Carl Garofalo
43 S. Powerline Road, Ste 321, Pompano Beach, FL 33069; (Tel): 954.876.9758

Elizabeth Bowler
4710 Stephanie Lane SW, Vero Beach, FL 32968; (Tel): 772.532.1881

IDAHO

Arthur & Kim Shaw
1869 E Seltice Way #374, Post Falls, ID 83854; (Tel): 208.699.9692

ILLINOIS

Karen Kelly
PO Box 59099, Schaumburg, IL 60159; (Tel): 847.755.3000

KENTUCKY

John Padgett
3900 Shelbyville Road, Suite 13, Louisville, KY 40207; (Tel): 502.716.5888

MINNESOTA

Phil Domek
5701 Kentucky Ave North, #104, Crystal, MN 55428; (Tel): 763.432.0812

Mark Mitchell
4813 Grand Ave, Suite A-1-A, Duluth, MN 55807; (Tel): 218.624.4431

NEBRASKA

Terri Smieja
7631 Main St., Ralston, NE 68127; (Tel): 402.592.2918

NEVADA

David Heller
2880 Meade Ave., Suite #204, Las Vegas, NV 89102; (Tel): 702.796.5777

Linda Rubendall
136 Vesta Street, Reno, NV 89502; (Tel): 775.829.2990

NEW JERSEY

John Castoro
522 US Hwy 9 N, Unit 220, Manalapan, NJ 07726; (Tel): 732.495.4839

NORTH CAROLINA

Warren Stone, Maria Stone
9716-B Rea Road #153, Charlotte, NC 28277; (Tel): 704.243.5515

Ronald Graham
148 Wind Chime Court, Raleigh, NC 27615; (Tel): 919.870.9226

OHIO

Kris Calfee
14949 Trappers Trail, Novelty, OH 44072; (Tel): 216.644.5300

OKLAHOMA

David Fling
114 S. 3rd St., Jenks, OK 74037; (Tel): 918.749.2266

TENNESSEE

John Padgett
321 54th Ave, Building C, Nashville, TN 37209; (Tel): 615.933.4590

TEXAS

Timothy Knifton
9122 Rio Sedona Dam, Helotes, TX 78023; (Tel): 210.888.9050

David Fleming
4630 50th St. Suite #618, Lubbock, TX 79414; (Tel): 806.799.9600, 866.434.0124

Chris Christensen, Philis Santello
2727 Fountain View St., New Caney, TX 77357; (Tel): 866.582.2778

Nate Kalt,
703 E. Quincy St., San Antonio, TX 78215; (Tel): 210.686.2825

Barron Perales
703 E. Quincy St., San Antonio, TX 78215; (Tel): 210.281.1111

WASHINGTON

Mark Ashburn
1004 East Mission Ave., Spokane, WA 99202; (Tel): 509.482.2700

Katy Azar
8215 N. Antietam Drive, Spokane, WA 99208; (Tel): 509.768.7977

Franchisees who left the ITEX System after July 31, 2022

Transfers to New Owners (Other than the Franchisor):

| Name | City and State | Phone |
|-------------------|-----------------------|--------------|
| George De La Rosa | Tarzana, CA | 818.324.1224 |
| Frazier, Melodie | Fresno, CA | 559.435.9758 |
| Hammer, Fred | Fair Oaks, CA | 916.648.7111 |
| Mangini, Scott | Pompano Beach, FL | 954.882.2335 |
| Arnold, Donna | Dunmore, PA | 570.3468686 |

Reacquired by Franchisor:

| Name | City and State | Phone |
|---------------|-----------------------|--------------|
| Smith, Amanda | Rancho Mirage, CA | 760.416.3766 |
| Thiede, Nancy | Moreno Valley, CA | 562.866.3226 |
| Hueber, Frank | Harleyville, PA 19438 | 215.517.7879 |

Franchisees who have not communicated with the Franchisor within 10 weeks of issuance date:
None

EXHIBIT C

AUDITED FINANCIAL STATEMENTS JULY 31, 2023, 2022, and 2021

Independent Auditor's Report

To the Board of Directors and Stockholders
ITEX Corporation

Opinion

We have audited the consolidated financial statements of ITEX Corporation and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of July 31, 2023 and 2022 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors and Stockholders ITEX Corporation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 12, 2023

ITEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

| | July 31, 2023 | July 31, 2022 |
|---|------------------------|------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,769 | \$ 6,370 |
| Accounts receivable, net of allowance of \$290 and \$282 | 367 | 373 |
| Prepaid expenses | 51 | 44 |
| Loans and advances | 5 | 8 |
| Notes receivable | 75 | 36 |
| Other current assets | - | 1 |
| Total current assets | <u>7,267</u> | <u>6,832</u> |
| Property and equipment, net of accumulated depreciation of \$149 and \$159 | 6 | 3 |
| Right of use asset | 102 | 151 |
| Goodwill | 1,441 | 1,441 |
| Deferred tax asset, net of allowance of \$11 and \$58 | 149 | 316 |
| Intangible assets, net of accumulated amortization of \$3,473 and \$3,467 | 16 | 5 |
| Notes receivable, net of current portion | 55 | 58 |
| Other long-term assets | 12 | 18 |
| Total assets | <u><u>\$ 9,048</u></u> | <u><u>\$ 8,824</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts and other expenses payable | 37 | 35 |
| Commissions payable to brokers | 129 | 134 |
| Accrued commissions to brokers | 439 | 466 |
| Accrued expenses | 272 | 284 |
| Advance payments | 58 | 76 |
| Total current liabilities | <u>935</u> | <u>995</u> |
| Long-term liabilities: | | |
| Other long-term liabilities - lease liability | 55 | 106 |
| Total liabilities | <u>990</u> | <u>1,101</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value; 9,000 shares authorized; 1,552 shares and 1,565 shares issued and outstanding, respectively | 18 | 18 |
| Additional paid-in capital | 20,580 | 20,737 |
| Accumulated deficit | (12,540) | (13,032) |
| Total stockholders' equity | <u>8,058</u> | <u>7,723</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 9,048</u></u> | <u><u>\$ 8,824</u></u> |

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

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

| | Year ended July 31, | |
|---|---------------------|---------------|
| | 2023 | 2022 |
| Revenue: | | |
| Marketplace and other revenue | \$ 6,641 | \$ 6,679 |
| Costs and expenses: | | |
| Cost of Marketplace revenue | 3,881 | 3,890 |
| Corporate salaries, wages and employee benefits | 1,240 | 1,283 |
| Selling, general and administrative | 678 | 717 |
| Depreciation and amortization | 9 | 16 |
| | <u>5,808</u> | <u>5,906</u> |
| Income from operations | <u>833</u> | <u>773</u> |
| Interest income | 178 | 9 |
| Income before income taxes | <u>1,011</u> | <u>782</u> |
| Income tax expense | <u>177</u> | <u>231</u> |
| Net income | <u>\$ 834</u> | <u>\$ 551</u> |
| Net income per common share: | | |
| Basic | \$ 0.53 | \$ 0.36 |
| Fully Diluted | \$ 0.53 | \$ 0.35 |
| Weighted average shares outstanding: | | |
| Basic | 1,575 | 1,535 |
| Fully Diluted | 1,577 | 1,558 |

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

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

| | Common Stock Shares | Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|----------------------------------|------------------------|-----------|----------------------------------|------------------------|--------------|
| Balance at July 31, 2021 | 1,496 | 16 | 20,449 | (13,239) | 7,226 |
| Stock based compensation expense | 69 | 2 | 288 | - | 290 |
| Dividend payment | | | | (344) | (344) |
| Net income | - | - | - | 551 | 551 |
| Balance at July 31, 2022 | 1,565 | 18 | 20,737 | (13,032) | 7,723 |
| Reverse Split Share Buyback | (77) | (1) | (348) | - | (349) |
| Stock based compensation expense | 64 | 1 | 191 | - | 192 |
| Dividend payment | - | - | - | (342) | (342) |
| Net income | - | - | - | 834 | 834 |
| Balance at July 31, 2023 | 1,552 | 18 | 20,580 | (12,540) | 8,058 |

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, 2023 | 2022 |
|--|-----------------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 834 | \$ 551 |
| Items to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 9 | 16 |
| Stock-based compensation | 191 | 290 |
| Bad debt expense | 167 | 149 |
| Decrease in deferred income taxes | 167 | 208 |
| Non-cash lease expense | 4 | (5) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (161) | (181) |
| Prepaid expenses | (7) | 44 |
| Loans and advances | 3 | 5 |
| Other assets | 1 | 105 |
| Accounts and other expenses payable | 2 | (4) |
| Commissions payable to brokers | (5) | 8 |
| Accrued commissions to brokers | (27) | 22 |
| Accrued expenses | (12) | 8 |
| Deferred revenue | - | (10) |
| Advance payments | (18) | (8) |
| Net cash provided by operating activities | <u>1,148</u> | <u>1,198</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments received from notes receivable | 54 | 39 |
| Membership list purchase | (18) | - |
| Purchase of equipment | (5) | (1) |
| Notes receivable - advances | (90) | (85) |
| Net cash provided by investing activities | <u>(59)</u> | <u>(47)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repurchase of Common stock | (348) | - |
| Cash dividend paid to Common Stockholders | (342) | (344) |
| Net cash used in financing activities | <u>(690)</u> | <u>(344)</u> |
| Net increase in cash and cash equivalents | 399 | 807 |
| Cash and cash equivalents at beginning of period | 6,370 | 5,563 |
| Cash and cash equivalents at end of period | <u>\$ 6,769</u> | <u>\$ 6,370</u> |
| Supplemental cash flow information: | | |
| Income Taxes | 17 | 19 |
| ASC 842 adoption ROU asset and lease liability | - | (168) |

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 franchise network (individually, “franchisee,” and together the “Franchise Network”) in the United States and Canada, we operate a marketplace in which products and services are exchanged by our members utilizing ITEX dollars “ITEX dollars.” ITEX dollars are only usable by 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 significant estimates and assumptions include estimating:

- certain provisions such as allowances for accounts receivable and notes receivable
- any impairment of goodwill
- tax provisions and valuation allowances
- accrued commissions and other accrual expenses
- litigation matters and loss contingencies
- 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”, “2023” for August 1, 2022 to July 31, 2023, and “2022” for August 1, 2021 to July 31, 2022). We report our results as of the last day of each calendar month (“accounting cycle”).

Concentrations of Credit Risk

On July 31, 2023, we maintained our cash balances in both short-term treasury bills and banking institutions in the United States and Canada. The table below reflects the detail, as of July 31, 2023, of cash balances that exceed amounts insured by the Federal Deposit Insurance Corporation and the Canadian Deposit Insurance Corporation.

| Location/Type | Balance at 7/31/2023 | Uninsured amounts at 7/31/2023 |
|---------------------------|-----------------------------|---------------------------------------|
| United States Banks | \$1,770 | \$1,269 |
| Canadian Banks | \$ 176 | \$ 100 |
| Short-term Treasury Bills | \$4,823 | \$ 0 |
| Totals | \$6,769 | \$1,369 |

Risks and Uncertainties

We are subject to certain risks and uncertainties, including those associated with fluctuations in operating results; regulatory issues; competition; technology trends; and managing human capital.

Cash Equivalents

We consider all investments, including money market accounts, with an original maturity of three months or less when purchased to be cash equivalents.

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.

From time to time we finance the operational and expansion activities of our franchisees. We loan franchisees 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 franchisee commissions. The amount of loans to franchisees as of July 31, 2023, was \$130. Interest rates are 6% on the outstanding balances. The loans mature at various dates through fiscal year 2025.

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 responsible for the note.

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 may also include internally developed software (refer to "Software for Internal Use" below). 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. Depreciation expense for property and equipment was \$2 and \$10, respectfully for the years ended July 31, 2023 and 2022.

Right of Use Asset and Lease Liability

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 (ASC 842), which requires lessees to recognize leases on-balance sheet and disclose key information

about leasing arrangements. ASC 842 establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. ASC 842 was effective for us on August 1, 2019. During the year ended July 31, 2022, we recorded an additional ROU asset and lease liability of \$168.

Software for Internal Use

We have developed extensive software to manage and track the ITEX dollar activity in the Marketplace, and to calculate USD and ITEX dollar fees, member payments, and franchisees commissions 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 of our 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 estimated fair value.

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 Company. As of July 31, 2023, we had no contracts to issue common stock. The Company had 10 and 133 unvested restricted stock units that were dilutive as of July 31, 2023, and July 31, 2022, respectively.

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 Company recorded \$6 of amortization expense in each of the years ended July 31, 2023, and July 31, 2022.

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 estimated 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 Franchisees and Accrued Commissions to Franchisees

We compute commissions to franchisees as a percentage of cash collections of revenues from association fees and transactions 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 franchisees on our balance sheet as of July 31, 2023, represents commissions payable from the operating cycle ended July 13, 2023. In 2022, the closest operating cycle ended July 14, 2022. Accrued commissions to franchisees on our balance sheets are the estimated commissions on the net accounts receivable balance and unpaid commissions on cash already collected in the current uncompleted accounting cycle (stub period) as of the financial statement date.

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, 2023, 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.

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”).

In the normal course of our core business, we act as administrator and provide record-keeping and transaction processing services for Marketplace members. We pay commissions to our franchisees after the close of each operating cycle based on member transaction and association fees collected in USD.

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 typically 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 statement fees, late fees, finance charges, insufficient fund fees, and chargeback fees. The total fees we charge to members are in USD and partially in ITEX dollars. 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. 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 8% 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 \$25 USD (\$325 USD annually) and 10 ITEX dollars (130 ITEX dollars annually).

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 our members, current economic conditions and other factors that may affect members' ability to pay to determine the level of allowance required.

Revenue Recognition Policies

Our contracts with our members consist of an ongoing member services agreement in which we provide services to our members during each operating cycle, with the agreement being cancelable by a member or ITEX at any time upon proper advance notice. We have determined we have one performance obligation with our members which consists of member services during each operating cycle which includes access to our marketplace platform. We recognize revenue over time ratably based on the gross amount of revenue we ultimately expect to collect from our members which includes any adjustments for variable consideration such as discounts, allowances and amounts which we ultimately do not expect to collect in addition to transaction fees we are entitled to based upon each respective member's transaction activity during each operating cycle. See Note 3 for additional information.

Share-based Payments

We account for share-based compensation to our employees, and directors and measure the amount of compensation expense for all stock-based awards at fair value on the date of grant using quoted prices with 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. Share based expense was \$191 and \$290 for the years ended July 31, 2023, and 2022, respectively.

Operating Leases

We account for our only operating lease of our corporate headquarters under ASC 842. The present value of the total fixed rental payments of the office lease is treated as an operating lease and a right of use asset and lease liability are recorded on our balance sheet. Lease and non-lease components were separated. Lease expense is recorded ratably over the remaining lease term. We used a rate of 5.25% for our discount rate.

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 and net operating loss carryforwards. 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.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, an ASU amending the impairment model for most financial assets and certain other instruments. The ASU is effective for reporting periods beginning after December 15, 2022, with early adoption permitted after December 15, 2018. The ASU must be adopted using a modified-retrospective approach. The primary impact this pronouncement will have is on our accounts and notes receivable. At the time of adoption, we will have a small balance of notes receivable that we expect to collect in full and are currently assessing the impact on our accounts receivable, and we expect any impact to be immaterial. Therefore, the Company does not expect adoption to have a material impact on its consolidated financial statements.

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Our member customers are billed based on fee schedules that are agreed upon in each member's contract. The contracts with our members consist of an ongoing member services agreement in which we provide operating cycle services to our members, with the agreement being cancelable by a member or ITEX at any time upon proper advance notice.

Receivables, net of allowance from customers were \$367 at July 31, 2023, \$373 at July 31, 2022, and \$341 as of August 1, 2021. An allowance is maintained for accounts receivables which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in selling, general and administrative expense in the consolidated income statement.

Contract liabilities represent payments received in advance of providing services and were \$0 at July 31, 2023, and 2022, and \$10 as of August 1, 2021. Contract liabilities are included as Deferred Revenue on the consolidated balance sheet. We have no contract assets due to the short-term nature of our performance obligations with all commissions being paid to our franchisees after completion of each operating cycle performance obligation and not in advance of satisfaction of such performance obligations.

We have determined we have one performance obligation with our members which consists of operating cycle member services that includes access to our marketplace platform. The benefits provided to our members are considered a set of highly interrelated activities associated with access to our marketplace and the ability to conduct transactions within the marketplace and are not deemed to be distinct within the context of our member agreements.

We have elected the practical expedient to recognize revenue associated with transaction fees we are entitled to in which we have a right to invoice as such consideration from our members corresponds directly with the value received based upon our performance completed to date.

Our main source of revenue consists of variable transaction and fixed association fees. We bill members for all fees at the end of each four-week operating cycle. Members that pay through our Autopay System will generally be charged a variable transaction fee equal to 6.0% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members a fixed association fee of \$25 per cycle.

We recognize revenue over time ratably based on the gross amount of revenue we ultimately expect to collect from our members which includes any adjustments for variable consideration such as discounts, allowances and amounts which we ultimately do not expect to collect. There are no unsatisfied performance obligations as of July 31, 2023.

The table below presents our disaggregated revenue for the years ended July 31:

| | Year Ended July 31, | | | | | |
|------------------|---------------------|---------------|-----------------|-----------------|---------------|-----------------|
| | 2023 | | | 2022 | | |
| | US | Canada | Total | US | Canada | Total |
| Association fees | \$ 3,106 | \$ 138 | \$ 3,244 | \$ 2,861 | \$ 142 | \$ 3,003 |
| Transaction fees | 3,028 | 194 | \$ 3,222 | 3,274 | 211 | \$ 3,485 |
| Other revenue | 163 | 12 | \$ 175 | 178 | 13 | \$ 191 |
| Total Revenue | <u>\$ 6,297</u> | <u>\$ 344</u> | <u>\$ 6,641</u> | <u>\$ 6,313</u> | <u>\$ 366</u> | <u>\$ 6,679</u> |

NOTE 4 – CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, COMMISSIONS PAYABLE TO FRANCHISEES AND ACCRUED COMMISSIONS TO FRANCHISEES

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 franchisees and accrued commissions to franchisees 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, 2023, was twelve business days as our cycle end date was on July 13, 2023. In 2022, our operating cycle ending date was on July 14, 2022, or eleven business days from the accounting cycle end date of July 31, 2022.

We compute commissions to franchisees as a percentage of USD collections of our revenues from association fees and transactions fees. Commissions payable to franchisees 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 franchisees.

NOTE 5 – NOTES RECEIVABLE

Notes receivables have been originated primarily to franchisees for acquiring other franchisees and independent exchanges. In 2023, we originated \$90 in new loans to franchisees.

The aggregate total owed to us on July 31, 2023 and 2022 is \$130 and \$94, respectively. The loans mature at various dates through the fiscal year 2025.

The activity for Notes receivables was as follows:

| | | |
|--|----|-----------|
| Balance at July 31, 2021 | \$ | 48 |
| Principal additions | | 85 |
| Interest income at stated rates | | 9 |
| Payments received | | (48) |
| | | <hr/> 94 |
| Less current portion | | (36) |
| Long-term balance at July 31, 2022 | \$ | <hr/> 58 |
| | | |
| Balance at July 31, 2022 | \$ | 94 |
| Principal additions | | 90 |
| Interest income at stated rates | | 8 |
| Payments received | | (62) |
| | | <hr/> 130 |
| Less current portion | | (75) |
| Long-term portion balance at July 31, 2023 | \$ | <hr/> 55 |

NOTE 6 - GOODWILL

We analyzed goodwill as of July 31, 2023 and 2022 using a market capitalization approach and a discounted cash flow methodology with a risk-adjusted weighted average 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 estimated 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 there was no impairment of goodwill at July 31, 2023 and 2022.

NOTE 7 – COMMITMENTS AND OPERATING LEASE ACCOUNTING

We lease office space for our corporate headquarters in Bellevue, Washington. In July 2016, we signed a 5-year lease for a location in Bellevue, Washington, with a lease commencement date of September 15, 2016, and the lease expiration date was on March 31, 2022. In February 2022, we signed a 39-month lease for a new location within Bellevue, Washington, with a lease commencement date of April 1, 2022, and a lease expiration date of June 30, 2025.

| Lease commitments for the year ending July 31, | |
|---|---------------|
| 2024 | 56 |
| 2025 | 56 |
| 2026 | - |
| Thereafter | - |
| SubTotal | \$ 112 |
| Less amount representing interest | (10) |
| Total | <u>\$ 102</u> |

The lease expense for our executive office space for the years ended July 31, 2023 and 2022 was \$56 and \$102, respectively.

We have one remaining operating lease, as described above. We capitalized the remaining lease commitment on our balance sheet with a related current and long-term liability recorded. The ROU current lease liability is a component of Accrued expenses, and the long-term portion is listed on our balance sheet as other long-term liabilities. We used a discount rate of the Prime interest rate at the time of adoption of 5.25%. The amount of the Right of Use asset at July 31, 2023 is \$102. The current and long-term liability, reflected as part of accrued expenses on our Balance Sheet, at July 31, 2023, is \$52 and \$55, respectively.

The activity and balances for the lease liability are as follows:

| | Year ended July 31, ROU Liability Balance |
|--------------------------------------|---|
| August 1, 2021 beginning Balance | 53 |
| New lease liability recorded in 2022 | 168 |
| Rents Paid | (70) |
| Imputed Interest | 3 |
| July 31, 2022 Balance | <u>154</u> |
| 7/31/2022 ROU liability balance | \$ 154 |
| Rents paid | (55) |
| Imputed interest | 8 |
| 7/31/2023 ROU liability balance | <u>\$ 107</u> |
| Current ROU liability | \$ 52 |
| Long-term ROU liability | 55 |
| | <u>\$ 107</u> |

NOTE 8 – STOCK-BASED PAYMENTS

In January 2022, stockholders approved the adoption of the ITEX Corporation 2022 Equity Incentive Plan (the “2022 Plan”), pursuant to which 300 shares of common stock were authorized for issuance. The 2022 Plan replaced the previous ITEX Corporation Equity Incentive Plans, consisting of the 2004 Plan and the 2014 Plan.

The 2022 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. During the year ended July 31, 2023, 275 shares remained available for future grants under the 2022 Plan.

During the year ended July 31, 2023, we issued 25 shares under the 2022 Plan to a member of the management team. The fair value of these shares as of the grant date of \$94. In November 2021, the Company issued 25 shares under the 2014 Plan to an officer. The fair value of these shares as of the grant date was \$111. The issuances were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder.

The number of restricted shares that vested under the above plans was 64 during the year ended July 31, 2023 and 70 for the year ended July 31, 2022. At July 31, 2023, 0 and 111 shares of common stock granted under the 2004 Plan and 2014 Plan, respectively remained unvested. As of July 31, 2023, 25 shares were issued to an officer under the 2022 Plan. At July 31, 2023, the Company had \$474 of unrecognized compensation expense, which is expected to be recognized over the next 5 years.

The following table summarizes the components of stock-based compensation:

| | Year ended July 31, | |
|---------------------------|---------------------|---------------|
| | 2023 | 2022 |
| Employee Compensation | \$ 191 | \$ 290 |
| Non-Employee Compensation | \$ - | \$ - |
| Totals | <u>\$ 191</u> | <u>\$ 290</u> |

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, 2021 | - | 390 | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2022 | - | 390 | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2023 | - | 390 | - |
| Vesting as of July 31, 2023: | | | |
| Shares Vested | | 390 | - |
| Shares Unvested | | - | - |
| Balance at July 31, 2023 | | <u>390</u> | <u>-</u> |

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, 2021 | 26 | 374 | - |
| Granted | (25) | 25 | - |
| Forfeited | - | - | - |
| Balance, July 31, 2022 | 1 | 399 | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2023 | 1 | 399 | - |
| Vesting as of July 31, 2023: | | | |
| Shares Vested | | 288 | - |
| Shares Unvested | | 111 | - |
| Balance at July 31, 2023 | | 399 | - |

The following table summarizes the granted, forfeited and vested shares of the **2022 Plan**:

| | Number of Shares/Options | | |
|------------------------------|--------------------------|-------------------|---------------|
| | Available | Restricted Shares | Stock Options |
| Balance, July 31, 2021 | - # | - | - |
| Authorized | 300 | - | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2022 | 300 | - | - |
| Granted | (25) | 25 | - |
| Forfeited | - | - | - |
| Balance, July 31, 2023 | 275 | 25 | - |
| Vesting as of July 31, 2023: | | | |
| Shares Vested | | 19 | - |
| Shares Unvested | | 6 | - |
| Balance at July 31, 2023 | | 25 | - |

NOTE 9 - STOCKHOLDERS' EQUITY

On May 9, 2023, we completed a 2,000-for-1 reverse stock split of common stock, which was immediately followed by a forward split of common stock at a ratio of 2,000-for-1. Fractional shares were canceled and a cash payment of \$4.50 per share, on a pre-split basis, was paid out to shareholders who held less than 2,000 shares prior to the reverse stock split. The Reverse/Forward split resulted in a net reduction of 77 shares of our common stock, or approximately 4.4% of our outstanding shares. The simultaneous forward and reverse splits had no retrospective effect on prior periods, and accordingly, no retroactive adjustment to outstanding shares and per share amounts were necessary.

On December 15, 2021, we paid a semi-annual cash dividend in the amount of \$0.10 per share to stockholders of record as of December 1, 2021. On June 8, 2022, we paid a semi-annual cash dividend \$0.10 per share to stockholders of record as of June 1, 2022.

On December 9, 2022, we paid a semi-annual cash dividend in the amount of \$0.10 per share to stockholders of record as of December 1, 2022. On June 8, 2023, we paid a semi-annual cash dividend \$0.10 per share to stockholders of record as of June 1, 2023.

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, 2023 or 2022.

NOTE 10 - INCOME TAXES

Deferred tax assets on our balance sheet primarily include Federal 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, 2023, we had NOLs of approximately \$684 available to offset future taxable income. These are composed of approximately \$198 from ITEX operating losses and approximately \$486 from BXI operating losses. The future utilization is recorded as a deferred tax asset to the extent 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 we will not be able to utilize all of our Federal NOLs as of July 31, 2023. As of July 31, 2023 and 2022, we have a \$11 and \$58 valuation on Federal 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 2023. The following table reflects the reconciliation of the company's income tax expense:

| | Year Ended July 31, | |
|--|---------------------|--------|
| | 2023 | 2022 |
| Pre-Tax financial income | \$ 1,011 | \$ 782 |
| Federal tax expense computed at the statutory rate | 212 | 164 |
| State tax expense | 28 | 19 |
| State ASC 740 adjustment | (2) | 2 |
| Change in valuation allowance | (47) | (257) |
| Permanent and other differences | (14) | 303 |
| Net tax expense | 177 | 231 |

Our income tax expense is composed of the following:

| | Year Ended July 31, | |
|------------------------------|---------------------|------------|
| | 2023 | 2022 |
| Current Federal Tax Expense | - | - |
| Current State Tax Expense | 26 | 21 |
| | <u>26</u> | <u>21</u> |
| Deferred Federal Tax Expense | 166 | 201 |
| Deferred State Tax Expense | (15) | 9 |
| | <u>151</u> | <u>210</u> |

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at July 31, 2023 and 2022 are presented below:

| | Year Ended July 31, | |
|---------------------------------------|---------------------|------------|
| | 2023 | 2022 |
| Deferred Tax Assets | | |
| Net operating loss carryforwards | \$ 144 | \$ 335 |
| Goodwill and other intangible assets | (124) | (121) |
| Non-compete covenants | 3 | 4 |
| Reserve for uncollectible receivables | 68 | 66 |
| Federal tax credits | 5 | 5 |
| Other temporary differences | 64 | 85 |
| | <u>160</u> | <u>374</u> |
| Less: Valuation allowance | (11) | (58) |
| Net deferred tax asset | <u>149</u> | <u>316</u> |

ITEX Federal NOLs of approximately \$198 expire, if unused, in tax year 2023. BXI Federal NOLs of approximately \$486 expire, if unused, from 2023 to 2024 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.

The Company has 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 \$60 as follows:

| | Year Ended July 31, 2023 |
|---|-----------------------------|
| Balance at July 31, 2022 | \$ 64 |
| Increase as a result of tax positions taken in the current year | 6 |
| Increase as a result of tax positions taken in the prior year | 3 |
| Decrease resulting from settlements, payments and changes in estimates of probability tax positions will be sustained | (13) |
| Balance at July 31, 2023 | \$ 60 |

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 2018 through 2022 in the United States. We also have available NOLs dating from 2000 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, 2023, accrued expenses are included on our consolidated balance sheet for uncertain tax positions related primarily to state jurisdictions in the amount of \$60 which includes \$13 for interest and penalties associated with unrecognized tax benefits. Interest and penalties are included in income tax expense.

NOTE 11 – RELATED PARTY TRANSACTIONS

Except for employment arrangements and stock-based payments which are summarized in Note 9 above, during the last fiscal year there has not been, nor is there currently proposed, any material transaction in which ITEX or its subsidiaries are a participant and any of our directors, executive officers, holders of more than 10% of our common stock or any immediate family member of any of the foregoing had or will have a direct or indirect material interest.

We have also entered into indemnification agreements with each of our directors and executive officers. In general, these indemnification agreements require the Company to indemnify a director to the fullest extent permitted by law against liabilities that may arise by reason of his or her service for the Company.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 12, 2023. In August 2023, 21 shares of common stock were repurchased for \$94.

Independent Auditor's Report

To the Board of Directors and Stockholders
ITEX Corporation

Opinion

We have audited the consolidated financial statements of ITEX Corporation and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of July 31, 2022 and 2021 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors and Stockholders
ITEX Corporation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 7, 2022

ITEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

| | <u>July 31, 2022</u> | <u>July 31, 2021</u> |
|---|------------------------|------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,370 | \$ 5,563 |
| Accounts receivable, net of allowance of \$282 and \$368 | 373 | 341 |
| Prepaid expenses | 44 | 88 |
| Loans and advances | 8 | 13 |
| Notes receivable | 36 | 27 |
| Other current assets | 1 | 101 |
| Total current assets | <u>6,832</u> | <u>6,133</u> |
| Property and equipment, net of accumulated depreciation of \$159 and \$239 | 3 | 12 |
| Right of use asset | 151 | 45 |
| Goodwill | 1,441 | 1,441 |
| Deferred tax asset, net of allowance of \$58 and \$315 | 316 | 525 |
| Intangible assets, net of accumulated amortization of \$3,467 and \$3,461 | 5 | 11 |
| Notes receivable, net of current portion | 58 | 21 |
| Other long-term assets | 18 | 24 |
| Total assets | <u><u>\$ 8,824</u></u> | <u><u>\$ 8,212</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts and other expenses payable | 35 | 39 |
| Commissions payable to brokers | 134 | 126 |
| Accrued commissions to brokers | 466 | 444 |
| Accrued expenses | 284 | 283 |
| Deferred revenue | - | 10 |
| Advance payments | 76 | 84 |
| Total current liabilities | <u>995</u> | <u>986</u> |
| Long-term liabilities: | | |
| Other long-term liabilities - lease liability | 106 | - |
| Total liabilities | <u>1,101</u> | <u>986</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value; 9,000 shares authorized; 1,565 shares and 1,496 shares issued and outstanding, respectively | 18 | 16 |
| Additional paid-in capital | 20,737 | 20,449 |
| Accumulated deficit | (13,032) | (13,239) |
| Total stockholders' equity | <u>7,723</u> | <u>7,226</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 8,824</u></u> | <u><u>\$ 8,212</u></u> |

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

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

| | Year ended July 31, | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| Revenue: | | |
| Marketplace and other revenue | \$ 6,679 | \$ 6,877 |
| Costs and expenses: | | |
| Cost of Marketplace revenue | 3,890 | 4,108 |
| Corporate salaries, wages and employee benefits | 1,283 | 1,138 |
| Selling, general and administrative | 717 | 601 |
| Depreciation and amortization | 16 | 16 |
| | <u>5,906</u> | <u>5,863</u> |
| Income from operations | <u>773</u> | <u>1,014</u> |
| Other income | 9 | 20 |
| Income before income taxes | <u>782</u> | <u>1,034</u> |
| Income tax expense | <u>231</u> | <u>232</u> |
| Net income | <u>\$ 551</u> | <u>\$ 802</u> |
| Net income per common share: | | |
| Basic | \$ 0.36 | \$ 0.51 |
| Fully Diluted | \$ 0.35 | \$ 0.51 |
| Weighted average shares outstanding: | | |
| Basic | 1,535 | 1,570 |
| Fully Diluted | 1,558 | 1,572 |

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

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

| | Common Stock Shares | Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|--------------------------------------|------------------------|--------------|----------------------------------|------------------------|-----------------|
| Balance at July 31, 2020 | 1,616 | \$ 17 | \$ 21,022 | \$ (13,695) | \$ 7,344 |
| Reverse Split Share Buyback | (109) | (1) | (491) | - | (492) |
| Common stock repurchased and retired | (56) | (1) | (267) | - | (268) |
| Stock based compensation expense | 45 | 1 | 185 | - | 186 |
| Dividend payment | - | - | - | (346) | (346) |
| Net income | - | - | - | 802 | 802 |
| Balance at July 31, 2021 | 1,496 | 16 | 20,449 | (13,239) | 7,226 |
| Stock based compensation expense | 69 | 2 | 288 | - | 290 |
| Dividend payment | | | | (344) | (344) |
| Net income | - | - | - | 551 | 551 |
| Balance at July 31, 2022 | 1,565 | 18 | 20,737 | (13,032) | 7,723 |

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, | |
|--|---------------------|-----------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 551 | \$ 802 |
| Items to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 16 | 16 |
| Stock-based compensation | 290 | 186 |
| Bad debt expense | 149 | 87 |
| Decrease in deferred income taxes | 208 | 211 |
| ASC 842 adoption lease liability and ROU asset | (5) | (15) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (181) | (66) |
| Prepaid expenses | 44 | (42) |
| Loans and advances | 5 | 1 |
| Other assets | 105 | 22 |
| Accounts and other expenses payable | (4) | 3 |
| Commissions payable to brokers | 8 | (13) |
| Accrued commissions to brokers | 22 | (38) |
| Accrued expenses | 8 | 19 |
| Deferred revenue | (10) | (2) |
| Advance payments | (8) | (8) |
| Net cash provided by operating activities | <u>1,198</u> | <u>1,163</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments received from notes receivable | 39 | 200 |
| Purchase of equipment | (1) | (3) |
| Notes receivable - advances | (85) | (30) |
| Net cash provided by investing activities | <u>(47)</u> | <u>167</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repurchase of Common stock | - | (760) |
| Cash dividend paid to Common Stockholders | (344) | (346) |
| Net cash used in financing activities | <u>(344)</u> | <u>(1,106)</u> |
| Net increase in cash and cash equivalents | 807 | 224 |
| Cash and cash equivalents at beginning of period | 5,563 | 5,339 |
| Cash and cash equivalents at end of period | <u>\$ 6,370</u> | <u>\$ 5,563</u> |
| Supplemental cash flow information: | | |
| Taxes / (net refund received) | 19 | (100) |
| ASC 842 adoption ROU asset and lease liability | (168) | - |

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 franchise network (individually, "franchisee," and together the "Franchise Network") in the United States and Canada, we operate a marketplace in which products and services are exchanged by our members utilizing ITEX dollars "ITEX dollars." ITEX dollars are only usable by 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 including goodwill
- useful lives of property and equipment
- the value and expected useful life of intangible assets
- the value of assets and liabilities acquired through business combinations
- tax provisions and valuation allowances
- accrued commissions and other accrual expenses
- litigation matters and loss contingencies
- 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", "2022" for August 1, 2021 to July 31, 2022, and "2021" or August 1, 2020 to July 31, 2021). We report our results as of the last day of each calendar month ("accounting cycle").

Concentrations of Credit Risk

On July 31, 2022, we maintained our cash balances in banking institutions in the United States and Canada that exceed amounts insured by the Federal Deposit Insurance Corporation and the Canadian Deposit Insurance Corporation.

Risks and Uncertainties

We are subject to certain risks and uncertainties, including those associated with fluctuations in operating results; regulatory issues; competition; technology trends; and managing human capital.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak and preventative or protective actions that governments have taken in respect of this coronavirus have resulted in an extended period of business disruption, reduced customer traffic, and has adversely affected workforces, economies, and financial markets. The duration of the disruption, attrition of our Marketplace members, general labor instability, impairment of our Marketplace's ability to deliver products and services, and the related financial impact may materially affect our consolidated results for 2023 and future years. It is not possible for us to predict the duration or magnitude of the adverse results of the pandemic and its effects on our business, results of operations, or financial condition. We may be required to reduce planned activities, incur additional restructuring charges, reduce, suspend or eliminate our cash dividend, or reduce other operating expenses which may impair our ability to achieve our intended business objectives.

Cash Equivalents

We consider all investments, including money market accounts, with an original maturity of three months or less when purchased to be cash equivalents.

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.

From time to time we finance the operational and expansion activities of our franchisees. We loan franchisees 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 franchisee commissions. The amount of loans to franchisees as of July 31, 2022, was \$94. Interest rates are 6% on the outstanding balances. The loans mature at various dates through fiscal year 2025.

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 responsible for the note.

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 may also include internally developed software (refer to "Software for Internal Use" below). 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. Depreciation expense for property and equipment was \$10 for both of the years ended July 31, 2022 and 2021.

Right of Use Asset and Lease Liability

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 (ASC 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. ASC 842 establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. ASC 842 was effective for us on August 1, 2019. During the year ended July 31, 2022, we recorded an additional ROU asset and lease liability of \$168. The balance of the ROU asset as of July 31, 2022 is \$151. The current portion of our lease liability is \$48 and there is \$106 of long-term portion listed as Other long-term liabilities in the accompanying financial statements.

Software for Internal Use

We have developed extensive software to manage and track the ITEX dollar activity in the Marketplace, and to calculate USD and ITEX dollar fees, member payments, and franchisees commissions 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 of our 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 estimated fair value.

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 Company. As of July 31, 2022, we had no contracts to issue common stock. The Company had 133 and 11 unvested restricted stock units that were dilutive as of July 31, 2022, and July 31, 2021, respectively.

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 estimated 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 Franchisees and Accrued Commissions to Franchisees

We compute commissions to franchisees as a percentage of cash collections of revenues from association fees and transactions 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 franchisees on our balance sheet as of July 31, 2022, represents commissions payable from the operating cycle ended July 14, 2022. In 2021, the closest operating cycle ended July 15, 2021. Accrued commissions to franchisees on our balance sheets are the estimated commissions on the net accounts receivable balance and unpaid commissions on cash already collected in the current uncompleted accounting cycle (stub period) as of the financial statement date.

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, 2022, 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.

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”).

In the normal course of our core business, we act as administrator and provide record-keeping and transaction processing services for Marketplace members. We pay commissions to our franchisees after the close of each operating cycle based on member transaction and association fees collected in USD.

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 typically 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 statement fees, late fees, finance charges, insufficient fund fees, and chargeback fees. The total fees we charge to members are in USD and partially in ITEX dollars. 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. 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 8% 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 \$25 USD (\$325 USD annually) and 10 ITEX dollars (130 ITEX dollars annually).

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 our members, current economic conditions and other factors that may affect members’ ability to pay to determine the level of allowance required.

Revenue Recognition Policies

Our contracts with our members consist of an ongoing member services agreement in which we provide services to our members during each operating cycle, with the agreement being cancelable by a member or ITEX at any time upon proper advance notice. We have determined we have one performance obligation with our members which consists of member services during each operating cycle which includes access to our marketplace platform. We recognize revenue over time ratably based on the gross amount of revenue we ultimately expect to collect from our members which includes any adjustments for variable consideration such as discounts, allowances and amounts which we ultimately do not expect to collect in addition to transaction fees we are entitled to based upon each respective member’s transaction activity during each operating cycle.

Share-based Payments

We account for share-based compensation to our employees, 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 and directors are measured based on the fair market values of the underlying stock on the dates of grant. Share based expense was \$290 and \$186 for the years ended July 31, 2022, and 2021, respectively.

Operating Leases

We account for our only operating lease of our corporate headquarters under ASC 842. The office leases are treated as an operating lease and a right of use asset and lease liability are recorded on our balance sheet. Lease expense is recorded ratably over the remaining lease term. We used a rate of 5.25% for our discount rate.

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 and net operating loss carryforwards. 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.

Government Grants

The Company has elected to account for loan funds received under the Paycheck Protection Program (PPP) as an in-substance government grant. Accounting principles generally accepted in the United States of America (US GAAP) do not include guidance on the accounting for government grants by for profit entities. As a result, the Company has elected to analogize to the guidance in International Accounting Standards (IAS) Statement 20 Accounting for Government Grants and Disclosure of Government Assistance (IAS 20). While IAS 20 does not represent authoritative guidance for entities preparing US GAAP financial statements, use of this guidance by analogy is permitted. The forgiven loan amount of \$176 was recorded in the year ended July 31, 2021 as a net expense of the applicable salary, rent or other expense that generated the PPP loan.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, an ASU amending the impairment model for most financial assets and certain other instruments. The ASU is effective for reporting periods beginning after December 15, 2022, with early adoption permitted after December 15, 2018. The ASU must be adopted using a modified-retrospective approach. The primary impact this pronouncement will have is on our accounts and notes receivable. At the time of adoption, we will have a small balance of notes receivable that we expect to collect in full and are currently assessing the impact on our accounts receivable, and we

expect any impact to be immaterial. Therefore, the Company does not expect adoption to have a material impact on its consolidated financial statements.

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Our member customers are billed based on fee schedules that are agreed upon in each member's contract. The contracts with our members consist of an ongoing member services agreement in which we provide operating cycle services to our members, with the agreement being cancelable by a member or ITEX at any time upon proper advance notice.

Receivables, net of allowance from customers were \$373 at July 31, 2022, \$341 at July 31, 2021, and \$406 as of August 1, 2019. An allowance is maintained for accounts receivables which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in selling, general and administrative expense in the consolidated income statement.

Contract liabilities represent payments received in advance of providing services and were \$0 and \$10 at July 31, 2022, and 2021, respectively, and \$13 as of August 1, 2019. Contract liabilities are included as Deferred Revenue on the consolidated balance sheet. We have no contract assets due to the short-term nature of our performance obligations with all commissions being paid to our franchisees after completion of each operating cycle performance obligation and not in advance of satisfaction of such performance obligations.

We have determined we have one performance obligation with our members which consists of operating cycle member services that includes access to our marketplace platform. The benefits provided to our members are considered a set of highly interrelated activities associated with access to our marketplace and the ability to conduct transactions within the marketplace and are not deemed to be distinct within the context of our member agreements.

We have elected the practical expedient to recognize revenue associated with transaction fees we are entitled to in which we have a right to invoice as such consideration from our members corresponds directly with the value received based upon our performance completed to date.

Our main source of revenue consists of variable transaction and fixed association fees. We bill members for all fees at the end of each four-week operating cycle. Members that pay through our Autopay System will generally be charged a variable transaction fee equal to 6.0% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members a fixed association fee of \$25 per cycle.

We recognize revenue over time ratably based on the gross amount of revenue we ultimately expect to collect from our members which includes any adjustments for variable consideration such as discounts, allowances and amounts which we ultimately do not expect to collect. There are no unsatisfied performance obligations as of July 31, 2022.

The table below presents our disaggregated revenue for the years ended July 31:

| | Year Ended July 31, | | | | | |
|------------------|---------------------|---------------|-----------------|-----------------|---------------|-----------------|
| | 2022 | | | 2021 | | |
| | US | Canada | Total | US | Canada | Total |
| Association fees | \$ 2,861 | \$ 142 | \$ 3,003 | \$ 2,744 | \$ 151 | \$ 2,895 |
| Transaction fees | 3,274 | 211 | \$ 3,485 | 3,554 | 235 | \$ 3,789 |
| Other revenue | 178 | 13 | \$ 191 | 180 | 13 | \$ 193 |
| Total Revenue | <u>\$ 6,313</u> | <u>\$ 366</u> | <u>\$ 6,679</u> | <u>\$ 6,478</u> | <u>\$ 399</u> | <u>\$ 6,877</u> |

NOTE 4 – CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, COMMISSIONS PAYABLE TO FRANCHISEES AND ACCRUED COMMISSIONS TO FRANCHISEES

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 franchisees and accrued commissions to franchisees 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, 2022, was eleven business days as our cycle end date was on July 14, 2022. In 2021, our operating cycle ending date was on July 15, 2021, also eleven business days from the accounting cycle end date of July 31, 2021.

We compute commissions to franchisees as a percentage of USD collections of our revenues from association fees and transactions fees. Commissions payable to franchisees 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 franchisees.

NOTE 5 – NOTES RECEIVABLE

Notes receivables have been originated primarily to franchisees for acquiring other franchisees and independent exchanges. In 2022, we originated \$85 in new loans to franchisees.

The aggregate total owed to us on July 31, 2022 and 2021 is \$94 and \$48, respectively. The loans mature at various dates through the fiscal year 2025.

The activity for Notes receivables was as follows:

| | | |
|--|----|-----------|
| Balance at July 31, 2020 | \$ | 218 |
| Principal additions | | 30 |
| Interest income at stated rates | | 6 |
| Payments received | | (206) |
| | | <u>48</u> |
| Less current portion | | (27) |
| Long-term balance at July 31, 2021 | \$ | <u>21</u> |
| Balance at July 31, 2021 | \$ | 48 |
| Principal additions | | 85 |
| Interest income at stated rates | | 9 |
| Payments received | | (48) |
| | | <u>94</u> |
| Less current portion | | (36) |
| Long-term portion balance at July 31, 2022 | \$ | <u>58</u> |

NOTE 6 - GOODWILL

We analyzed goodwill as of July 31, 2022 and 2021 using a market capitalization approach and a discounted cash flow methodology with a risk-adjusted weighted average 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 estimated 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 there was no impairment of goodwill at July 31, 2022 and 2021.

NOTE 7 – COMMITMENTS AND OPERATING LEASE ACCOUNTING

We lease office space for our corporate headquarters in Bellevue, Washington. In July 2016, we signed a 5-year lease for a location in Bellevue, Washington, with a lease commencement date of September 15, 2016, and the lease expiration date was on March 31, 2022. In February 2022, we signed a 39-month lease for a new location within Bellevue, Washington, with a lease commencement date of April 1, 2022, and a lease expiration date of June 30, 2025.

| | |
|--|---------------|
| Lease commitments for the year ending July 31, | |
| 2023 | 55 |
| 2024 | 56 |
| 2025 | 56 |
| Thereafter | - |
| Total | <u>\$ 167</u> |

The lease expense for our executive office space for the years ended July 31, 2022 and 2021 was \$102 and \$116, respectively.

We have one remaining operating lease, as described above. We capitalized the remaining lease commitment on our balance sheet with an offsetting current and long-term liability also recorded. The ROU current lease liability is a component of Accrued expenses, and the long-term portion is listed on our balance sheet as other long-term liabilities. We used a discount rate of the Prime interest rate at the time of adoption of 5.25%. The amount of the Right of Use asset at July 31, 2022 is \$151. The current and long-term liability at July 31, 2022, is \$48 and \$106, respectively.

The activity and balances for the lease liability are as follows:

| | Year ended July 31, ROU Liability Balance |
|--------------------------------------|---|
| August 1, 2020 beginning Balance | 139 |
| Rents Paid | (91) |
| Imputed Interest | 5 |
| July 31, 2021 Balance | <u>53</u> |
| 7/31/2021 ROU liability balance | \$ 53 |
| New lease liability recorded in 2022 | \$ 168 |
| Rents paid | (70) |
| Imputed interest | 3 |
| 7/31/2022 ROU liability balance | <u>\$ 154</u> |
| Current ROU liability | \$ 48 |
| Long-term ROU liability | 106 |
| | <u>\$ 154</u> |

NOTE 8 – LOAN PAYABLE

During April 2020, we received loan proceeds in the amount of approximately \$176 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest were forgivable as long as the borrower used the loan proceeds within twenty-four (24) weeks for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. Under the terms of the loan, the amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the eight-week period.

Consistent with the PPP loan provisions, we maintained our payroll levels and did not terminate or reduce any employee salaries. All loan proceeds were used for payroll, health benefits and rent during the fiscal year 2020 and within the 24-week eligibility requirement. The loan was recorded as an in-substance government grant with the proceeds recorded as an offset to related payroll and rent expenses as such expenditures were incurred during the period ended July 31, 2020. The loan was forgiven in December 2020.

NOTE 9 – STOCK-BASED PAYMENTS

In January 2022, stockholders approved the adoption of the ITEX Corporation 2022 Equity Incentive Plan (the “2022 Plan”), pursuant to which 300 shares of common stock were authorized for issuance. The 2022 Plan replaced the previous ITEX Corporation Equity Incentive Plans, consisting of the 2004 Plan and the 2014 Plan.

The 2022 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. 300 shares remained available for future grants under the 2022 Plan as of July 31, 2022.

In November 2021 and May 2021, the Company issued 25 and 156 shares, respectfully under the 2014 Plan to officers and a consultant. The issuance was deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder. The recipients received restricted securities and transfer agent records and any certificate issued in the transaction carry an appropriate legend. The fair value of these shares as of the grant date was \$111 and \$669.

The number of restricted shares that vested under the above plans was 70 during the year ended July 31, 2022 and 38 for the year ended July 31, 2021. At July 31, 2022, 19 and 137 shares of common stock granted under the 2004 Plan and 2014 Plan, respectively remained unvested. As of July 31, 2022, no shares were issued under the 2022 Plan. At July 31, 2022, the Company had \$571 of unrecognized compensation expense, which is expected to be recognized over the next 6 years.

The following table summarizes the components of stock-based compensation:

| | Year ended July 31, | |
|---------------------------|---------------------|---------------|
| | 2022 | 2021 |
| Employee Compensation | \$ 290 | \$ 158 |
| Non-Employee Compensation | \$ - | \$ 28 |
| Totals | <u>\$ 290</u> | <u>\$ 186</u> |

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, 2020 | - | 390 | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2021 | - | 390 | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2022 | - | 390 | - |
| Vesting as of July 31, 2022: | | | |
| Shares Vested | | 371 | - |
| Shares Unvested | | 19 | - |
| Balance at July 31, 2022 | | 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, 2020 | 182 | 218 | - |
| Granted | (156) | 156 | - |
| Forfeited | - | - | - |
| Balance, July 31, 2021 | 26 | 374 | - |
| Granted | (25) | 25 | - |
| Forfeited | - | - | - |
| Balance, July 31, 2022 | 1 | 399 | - |
| Vesting as of July 31, 2022: | | | |
| Shares Vested | | 262 | - |
| Shares Unvested | | 137 | - |
| Balance at July 31, 2022 | | 399 | - |

The following table summarizes the granted, forfeited and vested shares of the **2022 Plan**:

| | Number of Shares/Options | | |
|------------------------------|--------------------------|-------------------|---------------|
| | Available | Restricted Shares | Stock Options |
| Balance, July 31, 2020 | - | - | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2021 | - | - | - |
| Authorized | 300 | - | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Balance, July 31, 2022 | 300 | - | - |
| Vesting as of July 31, 2022: | | | |
| Shares Vested | | - | - |
| Shares Unvested | | - | - |

NOTE 10 - STOCKHOLDERS' EQUITY

On March 9, 2010, we 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. As part of our stock repurchase program, we repurchased a total of 0 and 165 shares of ITEX common stock for \$0 and \$268 in 2022 and 2021, respectively. There is \$337 remaining in the program for repurchases.

On December 21, 2020, the Company completed a 600-for-1 reverse stock split of common stock, which was immediately followed by a forward split of common stock at a ratio of 600-for-1. Fractional shares were canceled and a cash payment of \$4.50 per share, on a pre-split basis, was paid out to shareholders who held less than six hundred shares prior to the reverse stock split. The Reverse/Forward split resulted in a net reduction in the number of issued and outstanding shares of ITEX's common stock by 109 shares for \$492.

On December 1, 2020, we paid a semi-annual cash dividend in the amount of \$0.10 per share to stockholders of record as of November 13, 2020. On June 15, 2021, we paid a semi-annual cash dividend \$0.10 per share to stockholders of record as of June 1, 2021.

On December 15, 2021, we paid a semi-annual cash dividend in the amount of \$0.10 per share to stockholders of record as of December 1, 2021. On June 8, 2022, we paid a semi-annual cash dividend \$0.10 per share to stockholders of record as of June 1, 2022.

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, 2022 or 2021.

NOTE 11 - INCOME TAXES

Deferred tax assets on our balance sheet primarily include Federal 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, 2022, we had NOLs of approximately \$1,597 available to offset future taxable income. These are composed of approximately \$780 from ITEX operating losses and approximately \$817 from BXI operating losses. The future utilization is recorded as a deferred tax asset to the extent 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 we will not be able to utilize all of our Federal NOLs as of July 31, 2022. As of July 31, 2022 and 2021, we have a \$58 and \$315 valuation on Federal 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 2022. The following table reflects the reconciliation of the company's income tax expense:

| | Year ended July 31, | |
|--|---------------------|----------|
| | 2022 | 2021 |
| Pre-Tax financial income | \$ 782 | \$ 1,034 |
| Federal tax expense - computed at the statutory rate | 164 | 217 |
| State tax expense | 19 | 18 |
| State ASC 740 adjustment | 2 | 7 |
| Change in valuation allowance | (257) | (11) |
| Expiration of NOL's | 295 | 33 |
| Permanent and other differences | 8 | (32) |
| Net tax expense | \$ 231 | \$ 232 |

Our income tax expense is composed of the following:

| | Year Ended July 31, | |
|------------------------------|---------------------|------------|
| | 2022 | 2021 |
| Current Federal Tax Expense | - | - |
| Current State Tax Expense | 21 | 14 |
| | <u>21</u> | <u>14</u> |
| Deferred Federal Tax Expense | 201 | 203 |
| Deferred State Tax Expense | 9 | 15 |
| | <u>210</u> | <u>218</u> |

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at July 31, 2022 and 2021 are presented below:

| | Year Ended July 31, | |
|---------------------------------------|---------------------|--------------|
| | 2022 | 2021 |
| Deferred Tax Assets | | |
| Net operating loss carryforwards | \$ 335 | \$ 728 |
| Goodwill and other intangible assets | (121) | (75) |
| Non-compete covenants | 4 | 9 |
| Reserve for uncollectible receivables | 66 | 85 |
| Federal tax credits | 5 | 5 |
| Other temporary differences | 85 | 89 |
| | <u>374</u> | <u>840</u> |
| Less: Valuation allowance | <u>(58)</u> | <u>(315)</u> |
| Net deferred tax asset | <u>316</u> | <u>525</u> |

ITEX Federal NOLs of approximately \$780 expire, if unused, in tax year 2022. BXI Federal NOLs of approximately \$817, if unused, from 2022 to 2024 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.

The Company has 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 \$64 as follows:

| | Year Ended July 31, 2022 |
|---|-----------------------------|
| Balance at July 31, 2021 | \$ 63 |
| Increase as a result of tax positions taken in the current year | 8 |
| Increase as a result of tax positions taken in the prior year | 4 |
| Decrease resulting from settlements, payments and changes in estimates of probability tax positions will be sustained | (11) |
| Balance at July 31, 2022 | \$ 64 |

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 2017 through 2021 in the United States. We also have available NOLs dating from 2000 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, 2022, accrued expenses are included on our consolidated balance sheet for uncertain tax positions related primarily to state jurisdictions in the amount of \$64 which includes \$15 for interest and penalties associated with unrecognized tax benefits. Interest and penalties are included in income tax expense.

NOTE 12 – RELATED PARTY TRANSACTIONS

Except for employment arrangements and stock-based payments which are summarized in Note 9 above, during the last fiscal year there has not been, nor is there currently proposed, any material transaction in which ITEX or its subsidiaries are a participant and any of our directors, executive officers, holders of more than 10% of our common stock or any immediate family member of any of the foregoing had or will have a direct or indirect material interest.

We have also entered into indemnification agreements with each of our directors and executive officers. In general, these indemnification agreements require the Company to indemnify a director to the fullest extent permitted by law against liabilities that may arise by reason of his or her service for the Company.

NOTE 13 – Employee Retention Tax Credit (ERTC)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided an opportunity for employers to generate a refundable tax credit used to offset their employment taxes and apply for a refund for any excess credit generated through December 31, 2020.

The COVID-19-related Tax Relief Act of 2020, as included in the Consolidated Appropriations Act, 2021, which was enacted in December 2020, further extended the Employee Retention Tax Credit (ERTC) through June 30, 2021, and included certain enhancements that apply starting January 1, 2021. In March 2021, the American Rescue Plan Act (ARPA) was signed by President Biden and further extended the ERTC through the end of 2021.

ITEX applied for the tax credit through an amended 941 for the first and second quarter of calendar year 2021 in the amount of \$49 per quarter, \$98 total. We received payments from the IRS for both quarters. This credit was recorded net of corporate salaries expense and included in Corporate salaries, wages, and employee benefits on the consolidated statements of income.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 7, 2022, and there are no events to disclose.

(EXHIBIT D)

FRANCHISE AGREEMENT

ITEX CORPORATION

13555 SE 36th Steet, Suite 210
Bellevue, Washington 98006

(425) 463-4000



North America's Largest Barter Marketplace

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FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this _____ day of _____, 202____. It is by and between **ITEX CORPORATION**, a Nevada corporation, (“We, Us”) and _____, (jointly and severally “You”). For purposes of this Agreement “you” may include an individual, corporation, partnership, limited liability company or other legal entity. “You” includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term “you” will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols and styles. These include, but are not limited to, “**ITEX**,” the **ITEX** logo, “**The ITEX Marketplace**” and “**BXI**,” which are collectively and individually referred to as the “Service Marks”. We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, Marketplace control guidelines, systems, reporting systems, merchandise, and materials. These are connected with the operation, promotion, and advertising of a system of franchises that offer the selling and buying of goods and services using the “ITEX dollar” for payment, a system for computer record keeping of cashless transactions and a framework for principal party and cashless transactions, both in the United States and Canada (collectively called the “ITEX System”).

We offer franchises to qualified persons to own and operate an ITEX Franchise. The franchises are nonexclusive, and we retain the right to own, operate, license or franchise the ITEX System throughout the United States and internationally. You desire to operate an ITEX Franchise using the ITEX System and Service Marks (collectively called the “Method of Operation”). The franchise offered to you pursuant to this Agreement is referred to as the “Franchise.” The persons who obtain such a franchise from us are sometimes referred to as our “franchisees.”

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received 14 calendar days before signing any Franchise Agreement or related agreement or making any payment with the franchisor or an affiliate in connection with the Franchise sale. If we unilaterally or materially altered the terms and conditions of our standard Franchise Agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that we provided you a final copy of the revised agreement at least 7 calendar days before you signed the revised agreement. In addition, you acknowledge receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document. You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all ITEX franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You acknowledge that the terms of our prior franchise offerings may have materially differed from the terms of this Agreement.

You realize that entering into this Agreement will obligate you to operate your Franchise in accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. In addition, there are performance standards that you will be required to meet to remain a franchisee. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your Franchise below the standards we require, Members will be less likely to remain in the ITEX System. This would damage the business of other franchisees and ITEX. It will be difficult for us to obtain new Members for ITEX franchises if a prospective Member observes that you do not maintain the required standards.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. DEFINITIONS

1.1 Association Fees. “Association Fees” are fixed fees payable by Members in cash and in ITEX Dollars each four-week operating Cycle, irrespective of transactional activity during the Cycle.

1.2 Autopay Program. The “Autopay Program” is the payment by Members of Transaction and Association Fees automatically by credit card or electronic funds transfer.

1.3 Confidential Information. “Confidential Information” means all written material provided to you by us, unless otherwise expressly indicated in writing by us. Further, Confidential Information, whether provided to you in writing or orally, includes, but is not limited to, our trade secrets, designs, accumulated technical knowledge and proprietary information, and information regarding our business, technology, manufacturing, products, marketing plans, sales strategies, research and development activities, financial affairs, pricing information and models, data and information systems, vendors, customers and employees, or any other information which we are required to keep confidential as the result of a confidentiality agreement with a third party, or which is treated by us as confidential. All Confidential Information is a protectable interest of ours. Confidential Information includes, but is not limited to: Member identities and trading histories, Member account information, records of communications between Members and ITEX employees, Franchise lists, computer software technologies and procedures, the selling and use of the ITEX System, information about products, services, or procedures that are not public knowledge, and other information disclosed to you through the Method of Operation or Operations Manual. Notwithstanding the foregoing, Confidential Information does not include information (i) which you can demonstrate by documentary evidence was already known to you prior to the date it was received from us; or (ii) which, at the time of disclosure or later, is published or becomes otherwise available to the general public as part of the public domain through no act or failure to act on your part and without breach of this Agreement; or (iii) which you can demonstrate by documentary evidence came into your possession from third parties who have a *bona fide* right to make information available without restriction.

1.4 CTV. “CTV” means Combined Transaction Volume and is the aggregate of all sales + purchase transactional volume generated by Members during any given time frame using ITEX Dollars as their medium of exchange.

1.5 Cycle. “Cycle” means that four-week operating period for which Members are charged Association fees and after which fees for transactions occurring during the four-week period are charged to Members in accordance with the Marketplace Rules. Members are billed at the end of each four-week operating Cycle. Currently, each Cycle begins on a Friday and ends at midnight the fourth Thursday following.

1.6 Dormant Account. An ITEX Account will be considered dormant if Member has not entered into a transaction over any period of twenty (20) consecutive Cycles. We may, in our sole discretion and without notice, transfer a Dormant Account to another franchisee or corporate store, modify the Fees assessed to the Dormant Account or terminate the Account in accordance with the Marketplace Rules.

1.7 Franchise and Franchise Network. The franchise offered to you pursuant to this Agreement is referred to as the “Franchise.” We refer to all of our franchisees collectively as our “Franchise Network.”

1.8 Gross Revenue. “Gross Revenue” means the aggregate total Commission we pay to you on Association Fees and Transaction Fees, in cash or ITEX Dollars, actually collected by us from Members assigned to you.

1.9 ITEX Account. An “ITEX Account” means an account opened within the ITEX TEAM software that tracks the sales and purchases of ITEX Members within the ITEX Marketplace and is where transaction and association fees are assessed at the end of each ITEX Cycle. Each ITEX Account is assigned to an ITEX Franchise to help manage their activity within the ITEX Marketplace, build transaction volume, assist in collecting billed fees and to earn a commission for appropriate fees collected each Cycle.

1.10 ITEX Dollars. “ITEX Dollars” mean the non-cash payment method used to enable our Members to purchase from and sell their products or services to other Members. An “ITEX Dollar” is an accounting unit used by the ITEX Marketplace to record the value of transactions as determined by the parties in the ITEX Marketplace.

1.11 ITEX Marketplace. “ITEX Marketplace” means the aggregate collection of Member businesses wherever located that utilize the ITEX System to conduct business transactions.

1.12 Member or Members. “Member” or “Members” means one or more of the Member businesses or individuals having an ITEX Dollar Account and therefore a contractual relationship with us. All Members have a contractual relationship with us exclusively and your sole right is to service the needs of ITEX Members we assign to you for the purpose of earning commissions from cash and ITEX dollar fees paid to us by such Members. ITEX reserves the right to approve or deny any new member application, for any reason, when it is entered into TEAM by any available means.

1.13 Method of Operation. The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, confer a substantial competitive advantage that we now enjoy.

1.14 Net Member Count. Represents active, fee-paying accounts assigned to your Franchise. Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8), and accounts transferred from another franchise.

1.15 Operations Manual. “Operations Manual” means our Franchise Operations Manual as supplemented and amended from time to time, that we loan to you during the period of your contractual relationship with us.

1.16 Service Marks. “Service Marks” include the names “ITEX”, “The Membership Trading Community” and “Cashless Marketplace” and the ITEX logos, and related U.S. and foreign registrations, as well as various unregistered trademarks and service marks. We may maintain in the Operations Manual a list of all the trademarks, service marks and other designations that you are licensed to use. In our sole discretion, we may supplement your license by adding new marks to the list in the Operations Manual.

1.17 Then-Current Franchise Agreement. The “then-current Franchise Agreement” means the form then currently provided to prospective franchisees, or if no form is then being provided, a form we select in our sole discretion, which previously has been delivered to and executed by a franchisee of ours.

1.18 Marketplace Rules. The “Marketplace Rules” means the Rules of the ITEX Marketplace as may be amended by us from time to time, incorporated within the ITEX Member Agreement

and constituting the contract between our Members and us. The Marketplace Rules describe the terms and conditions applicable to Members' use of the ITEX Marketplace and use of our services under the domain and sub-domains of our website at www.itex.com together with the general principles applicable to the websites of our franchisees.

1.19 Member Agreement. "Member Agreement" means the ITEX Member Agreement together with the following attachments and information available by hyperlink, as amended from time to time, which may be viewed online on the domain and subdomains of www.itex.com (our "Website") and which are incorporated into the Operations Manual by this reference and in their entirety:

- Marketplace Rules.
- Privacy Policy.

1.20 Transaction Fees. "Transaction Fees" are fees payable by Members in cash or ITEX Dollars each four-week operating Cycle, based on the ITEX Dollar value of that Member's transactional activity during the Cycle.

1.21 Web Site. "Web Site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, the Method of Operation or us. The term Web Site includes, but is not limited to, Internet and World Wide Web home pages.

2. GRANT OF FRANCHISE AND FRANCHISE TERRITORY

2.1 Grant of Franchise. Subject to the terms and conditions of this Agreement, we grant to you and you accept from us, the Franchise, license and privilege to use the Service Marks, the Method of Operation, and marketing materials bearing the Service Marks, for **5** years from the date of this Agreement. *This grant is solely for the operation by you of one ITEX Franchise at the location identified in the attached Exhibit A ("the Franchise Premises").*

A. You will have the right to:

1. Participate as a franchisee in the ITEX System (as set forth in the Operations Manual, Member Agreement and our Marketplace Rules) and to indicate to the public that your independent business is part of the ITEX System;
2. Open one Franchise office under a name that is approved in advance and in writing by us with the primary responsibility to open ITEX accounts for businesses or individuals and assisting them to transact within the ITEX Marketplace; and
3. Receive assistance from us in the implementation and operation of the Franchise.

B. Assignment of Members. Members for which you open an ITEX account in the future within 150 miles of your Franchise Premises will be deemed to have been assigned to you by us. Members for which you open an ITEX account in the future that are more than 150 miles from your Franchise Premises will first be reviewed by us to determine the most suitable Franchise for them to be assigned, as determined by us. At our sole discretion, we may assign additional Members to you if a Member requests a reassignment from another franchise or for other reasons. A Member may be reassigned from you to another ITEX franchise if that Member requests reassignment in writing, you request reassignment in writing, if the member is a Dormant Account or we determine reassignment is in

the best interest of the ITEX System or the Member. You may not solicit Members to your Franchise who are already assigned to another franchisee. All reassignments will be governed by the policies and procedures we outline in the Operations Manual.

ITEX reserves the right to approve or deny any new member application, for any reason, when it is entered into TEAM by any available means.

2.2 Location for Franchise Premises. You will operate your Franchise at the location identified the attached Schedule A. Relocation of the Franchise Premises requires prior notice from you to us and may be subject to our approval.

2.3 Assistance in Site Location. You are responsible for finding the location of the Franchise Premises. Your Franchise Premises may be located within your home. We typically do not provide assistance in selecting a site for the Franchise Premises. We do not guarantee success for any location you select. We will not be liable for any consequences of your choice of any site for your Franchise. We typically do not require prior approval of your Franchise location by us. However, we may institute reasonable pre-approval requirements in our Operations Manual. Any site approval we make is not a representation that any particular site is available or legally appropriate for use as a site for your Franchise. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

2.4 Franchise Premises Development. You are responsible for all costs to construct, remodel, furnish, decorate and equip the Franchise Premises. All computer equipment must conform to our minimum equipment specifications as adopted from time to time. You acknowledge and agree that we may update, modify, or otherwise make changes to our equipment specifications and that, in the event of any updates, modification or other changes in or additions to our equipment specifications, you will promptly modify, replace or add to your existing equipment at your sole expense.

2.5 Relocation of the Franchise Premises. If your lease of the Franchise Premises terminates or expires and cannot be renewed during the term of this Agreement, or if you reasonably decide to relocate the Franchise Premises, you may relocate the Franchise Premises to another available site, with our approval, if:

- A. you are not in breach of this Agreement;
- B. your new Franchise Premises are not within 10 miles of another franchise's franchise premises; and
- C. you satisfy our then current franchise placement criteria, as may be expressed in the Operations Manual or obtain our prior written authorization.

2.6 You Will Not Advertise Outside Market Area. Except with our prior written permission, you will not place advertisements using the Service Marks in or originating from any other area other than the market area within 150 miles of the Franchise Premises, as may be outlined in the Operations Manual. All Internet marketing is part of our multi-area marketing programs described in the Operations Manual and defined below, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or Web Site. Unless the context otherwise indicates, any reference to the Internet includes methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

2.7 Existence of Divergent Forms of Franchise Contracts. You acknowledge that our present and future franchisees may operate under a variety of different forms of franchise agreements, and that, consequently, our obligations and rights with respect to our various franchisees may differ materially in certain instances. You further acknowledge and agree that our use of different forms or versions of

franchise agreements does not entitle you to benefit from any differences, nor does it operate to alter or amend this Agreement.

2.8 **Rights We Reserve.** You acknowledge and agree that the licenses granted to you are non-exclusive and that we have and will retain the right to operate franchises using the ITEX System and intend to provide services to Members using the ITEX System throughout the United States and internationally, regardless of where Members or the applicable ITEX franchises are located or where the transactions are taking place. We retain the right to market and provide services to any and all ITEX Members.

2.9 **Nonexclusive.** To (i) encourage the unrestricted and ongoing development and expansion of the ITEX System, (ii) increase market share and presence, (iii) create greater Member awareness, greater convenience to Members, and an increase in brand awareness, (iv) take the lead in establishing new systems, services and markets, and (v) place ITEX System franchises in a superior position with respect to competition in the industry, you are not granted any “exclusive territory” or any “exclusive”, “protected” or “reserved” territorial or other rights. There is no limitation on our right to locate or consent to the location of other ITEX System franchisees, businesses or other forms of distribution for any product or service of any type, regardless of the distance from, impact on or vicinity of, your business operations or the number of ITEX System businesses in an area or market. We will generally require, but are not obligated to require, new franchisees to locate their franchise premises no closer than 10 miles from your Franchise Premise.

Because growth and diversification of the ITEX System is intended to benefit both parties by enhancing the recognition, availability and goodwill of the ITEX System and the Service Marks, you agree that the lack of territorial rights is not unfair to you and does not reflect bad faith by us.

We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of ITEX products and services to any person or customer, including, national accounts, commercial customers, brokers, franchisees, end users and any other person or customer we may select, regardless of where located. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. You acknowledge that we have made no representation concerning exclusivity in any geographic territory or for any customer segment.

3. PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

3.1 **Initial Franchise Fee.** The Initial Franchise Fee is \$10,000. It is paid in consideration of our expenses, administrative overhead, return on investment, start-up costs related to the execution of this Agreement and the opening of the Franchise, and in consideration of the grant of the right to use the Service Marks and the ITEX System. Contemporaneously with the execution of this Agreement, you have paid to us **25%** of the Full Initial Franchise Fee (\$2,500). If you are paying a reduced Initial Franchise Fee as outlined in Item 5 of the FDD you have paid to us the full amount of the Initial Franchise Fee. The remaining balance will be paid when you attend, and before the start of, the mandatory training course described below.

50% of the Initial Franchise Fee is refundable if, in the exercise of our sole discretion, you do not pass the mandatory training program to our exclusive satisfaction.

3.2 **Commission Payment Schedule.** We will pay you a Commission on payments made to us by Members assigned to you as follows:

We will pay you a Commission of **35%** of the cash Association Fees collected by us from Members we assign to you and **30%** in ITEX Dollars of the ITEX Dollar portion of Association Fees collected from

Members we assign to you. No commissions will be paid on Association Fees assessed while an account is in cancellation status.

We will pay you a Commission of **75%** of the cash Transaction Fees that are collected by us from Members we assign to you.

We will pay you a Commission of **50%** of the ITEX Dollar Transaction Fees that are collected by us from Members we assign to you.

If you decide to charge an enrollment fee of any kind in any amount, you must follow the rules, standards and fee structures we may establish in the Operations Manual. Currently, the Operations Manual allows you to set the form and amount of and to retain **100%** of the enrollment fee you charge to Members; subject to the set-up fee you are to pay us as outlined below in Section 3.3. You must list the amount charged on the membership application indicating that ITEX did not receive any portion of the enrollment fee and any refunds are to be collected only from you. ITEX may, in the future, bill, collect and pay commissions on enrollment fees.

We reserve the right to change or add new Member fees from time to time. When adding new Member fees we will determine the definition and subsequent Commissions payable on the new fees. Any change in fees will not affect your Commission schedule, unless you agree in writing.

We will pay you the cash Commissions due, less any cash fees and obligations you then owe to us and less any of the deductions listed in this Agreement, no later than the 21st day after the close of the 4-week Cycle in which we receive the relevant Member cash fees. We may pay advance checks 7 days after the close of each Cycle, in our sole discretion.

Any fees or charges you bill to or collect from ITEX Members must be approved by us and billed by us on the appropriate Member statement each Cycle. You will not charge or collect fees of any kind from ITEX Members other than those approved by us. You will not be entitled to any portion of any fee or charge that is not explicitly identified in this section as being subject to the Commissions payable to you.

You will not be paid any Commission on amounts due from Members that are sent to an outside collection agency or for which we, or our assigns, commence legal action, arbitration proceeding or refereed mediation.

Your Collections Assistance.

1. We will bill and collect fees due from Members, as outlined in the Marketplace Rules. You may not refer any accounts of Members to a collection agency or initiate an action against them without our written consent and a written assignment of the claims.
2. Negative ITEX account balances collected by us in cash are not commissionable and are designated “Negative Trade Paid in Cash” (NTPIC).
3. We recommend you make collection calls on each Member whose cash fees remain unpaid and past due for a period of time longer than 28 days from the date of billing, consistent with our collections policies. To the extent permitted by applicable law, you may make personal visits to a Member’s business, as necessary to attempt collections. If attempts by both you and our internal collections are unsuccessful in collecting past due fees, accounts may be deleted and assigned to a collection agency. There will be no commissions payable on deleted accounts sent to collection or for special collection charges assessed against Members.

4. All cash fees you collect must be remitted immediately to us for deposit.

3.3 Deductions. Cash amounts payable to you will be reduced by the following charges:

A one-time Set-up Fee of **\$50** cash per Member at the end of the Member's third cycle if not enrolled in the Autopay Program.

Reimbursement of fees assessed to ITEX by our banks for member credit card and EFT chargebacks, when it is determined by ITEX that you or your staff failed to remove, or put on hold, the credit card or EFT on the member's account after member provides notice to do so, or you or your staff fail to put the account into cancellation per member request and the member is billed cash fees after notice to cancel.

Any expenses you incur or debts that you owe including those created through the application of the section below titled "Indemnification," that we pay, although we are not obligated to pay any expenses or debts for you, are to be repaid immediately. When such expenses are paid for you by ITEX we will enter a deduction onto your next Franchise reconciliation to reimburse those funds to ITEX. Any amounts we are unable to recover in any given cycle will rollover onto the next cycle's Franchise reconciliation until all funds are repaid to ITEX.

These deductions may be increased or decreased as we reasonably specify in the Operations Manual. Any modification will be made uniformly for all similarly situated franchisees.

3.4 Advertising. We will have sole discretion over the creative concepts, materials, endorsements, placement and allocation of moneys for all regional and national advertising.

A. Ethical Advertising. You will insure that all of your advertisements and promotions are completely factual and conform to the highest ethical advertising standards and our corporate identity standards. You will refrain from any advertising or promotions, which may be injurious to you or to us or to the goodwill associated with the Service Marks and the ITEX System. If you violate these important advertising requirements we may terminate your Franchise pursuant to the provisions of this Agreement.

B. Your Advertising. You may develop and use advertisements at your sole cost and expense. You will submit to us for prior approval (at least five business days before intended use) all promotional materials and advertising you intend to use, including newspaper, radio and television, online advertising, specialty and novelty items, signs, containers, and clothing. Upon receipt of our written approval, you may use the advertising and promotional material. If we do not approve or disapprove of submitted material within five business days of the receipt of the material, that material is deemed approved.

You may not alter any of our names or marks, indicia or trade dress as to form, color, size, proportion, or in any other way. The name you select to operate your Franchise must be approved by us in writing and in advance. You must always indicate that you are operating an independently owned Franchise by using an identification tag line such as "an independent franchisee of ITEX Corporation" on all advertising materials, signs, business cards, financial and contractual documents and business letterhead.

C. Optional Promotional Materials. We may, but are not required to, provide standard promotional and operational materials, including application forms, Member transaction materials, brochures and other materials for use by you and others. We may charge you for orders of promotional and operational materials. You are not required to order any materials. However, you must use the most current form of Member Application we have approved.

D. Telephone and Listings. You will maintain a telephone number with an optional business listing in the local telephone directory. You must identify that your office and the Franchise are affiliated with us and the ITEX Marketplace when you or your answering service or voicemail service answer telephone calls and in all of your electronic and digital communications. You must use the e-mail address we assign to you in the form firstname.lastname@itex.net for the purposes of receiving and responding to e-mail from us and Members.

E. Discount Programs. From time to time we may develop and market special discount or free Membership or other incentive programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or incentive program. Within five days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant and not be entitled to the benefits of that program. We will establish the discount or incentive programs in our sole discretion, and may not consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or incentive established pursuant to any program.

F. You May Use Local Advertising Materials We Supply. From time to time, we may supply to you samples of local advertisements we approve. You can use the advertising materials contained in the TEAM Marketing section online, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements.

G. Approval of Your Advertising through Website and E-Commerce.

You specifically acknowledge and agree that any Web Site will be deemed “advertising” under this Agreement and will be subject to (among other things) our approval. However, no Web Site will be deemed “local advertising” for the purpose of satisfying the provisions of this Agreement. In connection to Web Sites, you agree to the following:

You will use the Franchise pages established by us and allocated to you as a part of the www.itex.com Member site. You will be allowed to make certain limited modifications to your itex.com Web Site, provided you submit the revision to us for our prior approval. You will not use your itex.com Web Site for any purpose other than ITEX business. You will be required to meet or exceed our Continuing Performance Standards (Section 7.3) to maintain your itex.com Web Site.

You have the right to establish, maintain, modify or discontinue alternative (independent) web sites pertaining to your Franchise, with our prior written consent. You will not use these web sites for any purpose other than ITEX business. You agree to immediately remove any content that we, in our business judgment, deem to be in violation of our System standards.

In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system. Currently, these standards and specifications include:

You will use your formal legal name followed by “an independent franchisee of ITEX Corporation” on your web pages. You may not identify your business with a geographic location, other than one we may have assigned you.

You will not establish a Web Site independent of our Web Sites without our prior written consent. ITEX standards and specifications as we outline them in the Operations Manual will apply. We will determine, in our sole discretion, whether we will establish any electronic link from our Web Site to any site you operate independently.

You may only offer approved products or services, available only to ITEX members, on your and our Web Sites. Any Web Site changes made to your itex.com Web Site without our approval will put you in default of this Agreement.

Upon expiration or termination of this Agreement, you will turn ownership and control over to us of any Web Site we approve for you to use, regardless of the reason for the expiration or termination.

We retain the sole right to market on the Internet, including all use of our Web Sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on Web Sites, social media and mobile applications, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking to or from, or other use of our Web Site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee Web Site be accessed through the Locations link on our home page or the [city].itex.com URL.

Social Media. You may establish an online presence or profile for your Franchise through social media pages, provided any content posted to such page or profile complies with our System standards. You agree to immediately remove any content that we, in our business judgment, deem to be in violation of our System standards.

You agree, upon our request, to provide us with the login ID and passwords for each social media page and profile that you create to promote the Franchise. You further agree that we have the right to use such login credentials to remove any content that we requested that you delete but which you failed to remove.

H. Trademark and Copyright Notices. You will use the Service Marks in strict conformity to the Operations Manual and will include in any advertisement, or promotional materials that use the Service Marks, appropriate trademark notices as may be required by the Operations Manual. All copyrighted materials we supply to you or are otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

3.5 You Will Pay Taxes and Indebtedness. You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in your Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you at the Franchise Premises, you will pay those taxes and otherwise agree to allow us to deduct any amounts we paid from your commissions.

3.6 Sums To Be Paid Promptly. You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full

sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us. Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise.

3.7 Records. You will keep a complete and accurate set of books and records of the operation of your Franchise, and produce monthly financial statements in accordance with generally accepted accounting principles and practices upon our request.

You will furnish to us, upon our request, as outlined in the Operations Manual, itemized reports of your business activities. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time.

You will keep records of all business done and revenue received through your Franchise. You will date, file in consecutive order, retain for a period of six years, and make available to us for inspection and audit of all your records.

You will submit to us, upon our request, a list of all shareholders, LLC members, partners or other owners of your Franchise business and the respective interests held by each as of the end of each fiscal year.

3.8 Audits. We may audit your reports, books, statements, business records; cash control devices and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you fail to deliver any required report or any required financial statement. In the event of a failure to deliver required documents, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit.

3.9 You are to Pay all Franchise Costs. All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to your opening and operation of your Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them.

You will pay promptly when due all indebtedness you incur in connection with the ITEX Marketplace and in your dealings with Members and our other franchisees. However, you may not use any of your ITEX Marketplace accounts to enter into a transaction that calls into disrepute the ITEX Marketplace, the ITEX System or otherwise adversely impacts our business and goodwill.

3.10 Attendance at Conventions. We host, and you are strongly encouraged but not required to attend the ITEX Annual Convention. These conventions are generally held at a different location each year. They include programs on sales and marketing techniques, performance specifications, advertising programs, and training suggestions, among other things. You will bear the expense of attending, including travel, lodging, meals and entertainment.

4. TRAINING

4.1 Initial Training. We will provide a training course for you and the other members of your management team you wish to bring with you at a location we designate. This training course will cover all aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, and maintenance of quality standards. The training course will not be less than four days long and may last up to five days. You (or one of your owners, partners or LLC members if you are a business entity) must complete the course before opening the Franchise for business; *provided however*, you may

complete this mandatory course *within 120* of opening your Franchise for business if you qualify for a Franchise under one of the following scenarios:

- You have been employed by an ITEX franchise, have personally enrolled at least 50 Members, and have a Net Member Count of 50 or more members that will transfer to you upon completion of the Franchise approval and initial training.
- You own an operating independent exchange not affiliated with ITEX and have a Net Member Count of 50 or more members converting to the ITEX System, and have, in our opinion, the knowledge and experience to conduct business with minimal assistance from us.
- You have purchased an existing ITEX franchise.

Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8), and accounts transferred from another franchise.

You must complete this mandatory training program to our satisfaction or we may terminate this Agreement upon refunding **50%** of the Initial Franchise Fee charged and collected. In order to complete the training program in a satisfactory manner, you will be required to attend all the training classes and complete a Marketplace Rules test with at least a 70% passing score. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you fail to satisfactorily complete the mandatory training course.

You will pay the transportation, lodging, and food-related expenses you (and any other members of your team) incur related to this training.

4.2 Training of Managers. If any persons other than you assist with the management of your Franchise, then you will notify us of these individuals and you have the option of having them complete the training program. You will bear all costs of this training.

4.3 Training Required to Participate in Day-to-Day Operations.

Individuals:

If you will be operating your Franchise as an individual, you must participate fully in the actual day-to-day operation and you must have successfully completed our training course.

Partnerships:

If you will be operating your franchised business as a partnership, one or more partners must participate fully in the actual day-to-day operation of your Franchise. The partner or partners who are in charge of running your Franchise must have successfully completed our training course.

Corporations, Limited Liability Companies:

If you will be operating your franchised business as a corporation or limited liability company ("LLC"), the owner or member who is in charge of the actual day-to-day operation of your Franchise must have successfully completed our training course.

Managers/Staff Training:

The initial training course is required only for you or one of your owners, partners or LLC members. If you choose to hire a manager or staff to assist with the day-to-day operation of your Franchise, you are welcome to invite and bring that staff member to the initial training. You are

responsible for all costs and expenses of your staff, including travel, lodging, meals and entertainment and any salary and payroll expenses you incur.

4.4 Supplemental Training.

From time to time we may provide refresher training programs or seminars and may encourage you or individuals you designate to attend. These programs and seminars will be held at locations we designate and may be provided without charge to you. You are responsible for all costs and expenses of you and your staff for those attending these programs and seminars, including travel, lodging, meals and entertainment and any salary and payroll expenses you incur.

4.5 Your Employees. Your employees are under your sole control. ITEX is not the employer or joint employer of your employees. ITEX will not exercise direct or indirect control of your employees' working conditions. ITEX does not share or codetermine the terms and conditions of employment of your employees or participate in matters relating to the employment relationship between you and your employees, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints, or working conditions. You have sole responsibility and authority for these terms and conditions of employment. You must notify and communicate clearly with your employees that your Franchise (and only your Franchise) is their employer and that ITEX is not their employer.

4.6 Your Employment Practices and Procedures. You will be solely responsible for all policies and decisions regarding your employees, and will consult with your own independent advisors regarding those policies and decisions. You acknowledge that we may, from time-to-time, furnish you advice or consult with you on the operation of your Franchise in order to communicate new developments, techniques or services. We may periodically, with such frequency as we determine in our sole discretion, conduct on-site visits. Any guidance, suggestions, or advice we provide you in the course of such visits with respect to employment policies or procedures shall be deemed suggestions only, and the decision to follow any such guidance, suggestions or advice will be made by you in your sole discretion. Training with respect to all such policies and procedures will be your sole responsibility and conducted at your expense.

5. COMMENCEMENT OF OPERATIONS

5.1 Time to Complete Training and Commence Operation. You will immediately proceed with your best efforts, skills and diligence to open and begin commercial operation of your Franchise. You (or one of your owners, partners or LLC members if you are a business entity) must complete to our satisfaction the mandatory training defined above and commence full and continuous operation of your Franchise within **120** days after execution of this Agreement. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If this commencement of operation obligation is not fulfilled, we may terminate this Agreement without any refund of the Initial Franchise Fee.

5.2 You Are to Obtain Permits and Licenses. Prior to commencing business operations, you must obtain any local permits and licenses necessary to operate the Franchise.

6. FRANCHISE STANDARDS OF OPERATION

6.1 Operations Manual, Marketplace Rules, Plans and Specifications, and Public Relations. Any developments we make for the benefit of the ITEX System are essential to your operation of the Franchise. The continuous development of the Method of Operation is an important and beneficial aspect of the relationship you have with us. We agree to provide to you online access to the ITEX Operations

Manual once you have paid to us the Initial Franchise Fee, in full. The Operations Manual describes the Method of Operation, including standards, operating procedures, accounting and bookkeeping methods, marketing ideas, ITEX Marketplace Rules, guidelines, co-branding requirements, public relations suggestions and other standards and operating procedures that we may prescribe from time to time. The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason without our prior written authorization. The Operations Manual, in part, may consist of the following confidential information:

- (i) manual or manuals;
- (ii) Intranet or password protected portion of an Internet site;
- (iii) any other embodiment of the Methods of Operation, including notices of new standards and techniques; and
- (iv) amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

The Operations Manual sets out minimum standards for stationery, business forms, advertising, and signs, among other things. From time to time we may amend the Operations Manual, including changes that may affect minimum standards for your Franchise operations. You must adhere to the standards set forth in the Operations Manual as we amend it from time to time. You must implement promptly all changes at your cost, unless we otherwise specify. We may reasonably restrict you from producing, stocking, and selling certain goods and services as specified in the Operations Manual or the Marketplace Rules.

Any products and goods sold, licensed, or leased by or through us to you or made available on the Marketplace will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.**

We will not be liable to you if we are unable to deliver services to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, failure of carriers, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You provide services to ITEX members by assisting them to sell their goods and services to other ITEX members. You support their efforts to spend their earned ITEX dollars with other ITEX members for goods and services that will be of benefit to them.

Pursuant to the Method of Operation, we will:

1. Record, track and account for all ITEX Dollar transactions among Members and franchisees through a computerized system of record keeping.

2. Provide you access to our national directory of Members by means of the ITEX OnlineSM system.
3. Provide various electronic methods as outlined in the Operations Manual for Members to secure transaction posting for proposed ITEX Dollar transactions.
4. Use commercially reasonable efforts to enforce the Member Agreement and Marketplace Rules throughout the Marketplace.
5. Maintain proper administrative and accounting controls to support the ITEX Marketplace.
6. Conduct or facilitate ongoing research and development of training programs, procedures, products, techniques, and other enhancements to the ITEX System.

6.2 Standards to Be Maintained. You must follow the Method of Operation and maintain standards of service that we prescribe.

A. You will operate your Franchise in a professional and respectable manner in compliance with this Agreement, the Operations Manual and the Marketplace Rules. You will only use signs, equipment, materials, and services that conform to our specifications to conduct the Franchise, with reasonable allowances for a residence if your Franchise Premises is your residence. Among other things, you will:

1. Register new Members sufficient to maintain a minimum Net Member Count of 75 members assigned to you at all times. Facilitate and maintain transaction activity averaging at least \$25,000 cash CTV each cycle, for the preceding 13 Cycles, among all assigned ITEX Members or achieve, or maintain a minimum average of \$75,000 cash CTV per Cycle, for the preceding 13 Cycles, regardless of the number of Members. Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8), and accounts transferred from another franchise.
2. Ensure that your employees are under your direct supervision. We recommend you secure a Confidentiality Agreement between you and any individuals with access to the ITEX system.
3. Maintain the accuracy of the ITEX directory system to provide up-to-date information on the Members assigned to you. You will identify all ITEX accounts over which you maintain ownership or control. ITEX accounts you control, other than your Operating and Scrip accounts, must be approved in advance by us.
5. Work with all Members, regardless of the ITEX franchise to whom they are assigned, in a professional, courteous and responsible manner, and not engage in any behavior nor make any representations we reasonably determine to reflect negatively on us or our goodwill or the goodwill associated with the ITEX name in any way. Aggressive, inappropriate or discriminatory language, emails or actions directed at any ITEX Member, our employees, franchisees or franchise employees or any other person may lead to disciplinary actions up to and including termination of your Franchise with or without an opportunity to cure.

6. Provide information to us in the format we request and in a timely manner. All information provided must be, to the best of your knowledge, complete, trustworthy and accurate.
7. Offer education programs for your assigned Members, such as educational, breakfast or lunch, orientation meetings and other forums for Member education.
8. Assist Members to obtain and complete ITEX Dollar transactions regardless of their location and assist in locating ITEX franchises, as appropriate, to facilitate the transactions. You are encouraged to facilitate transactions with Members assigned to other ITEX franchises whose Members wish to transact with Members assigned to you.
9. Advise all Members that ITEX Dollar transactions may be taxable and that Members should seek appropriate legal, accounting and tax advice about the tax treatment of such transactions. You acknowledge that all ITEX Dollar transactions and commissions earned on transactions are subject to federal and state taxation.
10. Not sell, assign, give or transfer ITEX Dollars to any person or entity, which is not a Member or franchise of ITEX. We will not honor ITEX Dollars transferred in violation of this requirement.
11. Not, for any reason, use, buy, sell or in any way transact business through a Member account other than those that you are the account principal or additional signer for unless the Member owning the account appoints you as the Member's attorney-in-fact pursuant to a power of attorney valid in the jurisdiction where the Member resides. A copy of that power of attorney must be provided to us before you transact pursuant to the power of attorney. Violations may result in the immediate termination of your Franchise with or without an opportunity to cure.
12. Strictly comply with the Marketplace Rules when transacting on your own account. You will disclose that you are acting as a Member when transacting for your own account.
13. Educate Members about and use commercially reasonable efforts to enforce the then current Member Agreement and Marketplace Rules.
14. Not disclose or provide access to any non-publicly available information from the ITEX System or learned from ITEX concerning any Member or franchise, to any individual or entity who competes with ITEX or whose interests are adverse to ITEX. Violations may result in the immediate termination of your Franchise with or without an opportunity to cure.
15. Before posting any ITEX Dollar transaction among Members, gather and maintain required posting documentation confirming the transaction as prescribed in the Operations Manual. If you fail to provide to us copies of required documentation for an ITEX Dollar transaction within 5 business days of written notice from us, then you authorize us to charge any of your own ITEX accounts to refund amounts claimed by a buying Member.

16. Enroll new Members in compliance with this Agreement and our Operations Manual. When enrolling new Members, you will not avoid compliance with this Agreement or our Operations Manual in order to inflate growth, win awards or earn payments from ITEX or for any other reasons.
17. Comply with and enforce the Privacy Policy of ITEX Corporation as published at www.itex.com (as updated).
18. Maintain your, and our, business reputation by prompt payment of all bills, debts, expenses and charges arising from your operations under this Agreement and prompt payment of all taxes, licenses and permits required by any governmental entity. You are responsible for all your own expenses and costs of doing business.

You understand and acknowledge that full compliance with the Method of Operation, Operations Manual, Marketplace Rules, and these standards of service is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the ITEX System and the Service Marks and that your failure to operate your Franchise in accordance with these provisions can cause damage to ITEX and all other franchisees within the ITEX System as well as to your Franchise. Your failure to comply with and uphold these provisions can lead to disciplinary actions up to and including termination of this Agreement. Notwithstanding the foregoing, and consistent with the goals of the ITEX System, you shall be responsible for the day-to-day operation of your Franchise.

B. You will maintain signs on the Franchise Premises which have received prior approval from us. These signs must comply with local sign ordinances and regulations. The signs will indicate that you are operating an independently owned franchise by using an identification tag line such as “an independent franchisee of ITEX Corporation.”

C. We may enter upon the Franchise Premises at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

1. Inspect the Franchise Premises;
2. Observe your operation of the Franchise for any consecutive or intermittent periods we deem necessary;
3. Interview your customers; and
4. Inspect and copy any books, records and documents related to the operation of the Franchise and any other Franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations and interviews.

D. You will qualify yourself or your business entity to do business in all states in which you establish an office, and will comply with all applicable ordinances, regulations, bylaws, laws and statutes. You will not permit unlawful activities on the Franchise Premises and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise and will operate the Franchise in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, Section 1981 federal antidiscrimination law, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

You will operate your Franchise in a safe and secure manner that optimizes public health and safety. You are solely responsible for determining and addressing all safety concerns relating to the condition of the premises and surrounding areas, the operation of any vehicles in connection with your Franchise and otherwise.

E. You will not sell or dispense any products or services or activities in violation of the Marketplace Rules.

F. It is our expectation that you keep your Franchise open Monday through Friday during normal business hours, except holidays. You acknowledge and agree that the day-to-day operational decisions relating to the opening and closing procedures of your Franchise, including any security, staffing and similar matters, shall be made solely by you.

G. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

H. You are aware that our common stock is publicly traded on the OTC Markets. You and your affiliates, family members and associates will not purchase or sell any shares of common stock of ITEX Corporation in the open market if and as long as you possess material information not previously disclosed to the public.

K. At our option, if we use our personnel or other resources to respond to or attempt to resolve any complaint by any Member assigned to you or not (based on your failure to live up to your contractual obligations or enforceable promises, which complaints we find in the exercise of our good faith judgment to be reasonable), then you will be responsible for our costs and expenses at the rates outlined in the Operations Manual. All of these costs will be deducted from any commission payment(s) otherwise due to you or will be payable upon our written demand, as we elect.

6.3 Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property. You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. We will make reasonable efforts to protect your rights to use the Service Marks. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the Franchise. You will not use the name ITEX or other Service Marks as any part of the name of your corporation, partnership, limited liability company, or other business organization of any kind or for any similar purpose.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks. We will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation involving you or any litigation involving the Service Marks or the

Method of Operation, you agree to execute any and all documents and to undertake any and all actions, which in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. You will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate (C) or (R) copyright and registration marks or the designations TM or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any Registered User or Business Name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties. You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable damage to our franchisees and us. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

You and we will use commercially reasonable efforts to continuously improve the products, processes and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

6.4 You Will Not Use Names or Marks in Combination. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, partners and LLC members and agents will not form or participate in the formation of any company, firm, corporation or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

6.5 Service Marks, Operations Manual, and Method of Operation May Be Changed. You acknowledge that the Service Marks, Operations Manual and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions,

covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

We may modify, add to or rescind any requirement, standard or specification that we prescribe as part of the Service Marks, Operations Manual, or Method of Operation from time to time to adapt the ITEX System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate in our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses that may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to any of these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible, practicable or in the best interest of the ITEX System. Therefore, we reserve the right, at our discretion, to vary the standards, specifications, and requirements to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular franchise or operating agreement, site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local customers, landlord requirements, competitive circumstance or any other condition which we deem to be important to the successful operation of the franchisee's business or the ITEX System. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs and procedures. We are not required to grant you a like or other variation as a result of any variation from standard specifications or requirements granted to any other franchisee. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were executed at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

6.6 Non-Disclosure of Confidential Information. You acknowledge that you will receive valuable Confidential Information, including information regarding our operational, sales, promotional and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer and Member lists and transaction records, manuals, marketing and sales techniques and strategies, and the Method of Operation. You specifically acknowledge that our Confidential Information is proprietary to us, and remains our sole exclusive property. You further acknowledge that our Confidential Information is unique and novel to us. You will return all materials such as operations manuals and all other material you receive from us to us upon expiration or termination of this Agreement. You agree not to copy, download to Internet, intranet, modem, fax, e-mail, mail, divulge, or send any Confidential Information directly or indirectly to any other person or enterprise outside of the ITEX System. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an Internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit or any other person, persons, partnerships, associations, companies or corporations any Confidential Information.

You agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or the ITEX System to any person or entity except to your owners, partners, LLC members, managers or employees involved in the operations of your Franchise and only to the extent necessary to conduct Franchise business. You may only use the Operations Manual in the course of your performance under this Agreement, subject to

the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information.

You agree to maintain and protect our Confidential Information. You must follow our security procedures, which may include the execution of approved Intranet and Internet usage agreements. You will be responsible to enforce compliance with this Section 6.6 by your owners, partners, LLC members, managers and employees. If you become aware of any actual or threatened violations by your owners, partners, LLC members, managers or employees, or anyone providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include instituting or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by you and us at your expense. You should consider requiring any party to whom you disclose any of our Confidential Information, including third-party consultants, distributors, and agents, to execute a confidentiality and nondisclosure agreement.

This section contains prohibitions based upon an understanding that you, your officers, your owners, partners, LLC members, managers and employees (as applicable) will possess knowledge of business and operating methods and confidential or proprietary information, disclosure of which would prejudice our interests and our other franchisees.

6.7 Improvements in ITEX System – After Termination you may Continue to Use Any Improvement you have Developed. You hereby permanently and irrevocably assign to ITEX any and all rights and interests (including intellectual property rights and interests) to any and all of the following which are developed by you or on behalf of you, if developed in whole or in part in connection with the Franchise; all products or services; all variations, modifications or improvements on products or services; your means, manner and style of offering and selling products and services; management techniques or style of offering and selling products and services; management techniques or protocols you may develop (or have developed on your behalf); all sales, marketing, advertising and promotional programs, campaigns, or materials developed by you or on behalf of you; and all other intellectual property developed by you or on behalf of the Franchise. ITEX may incorporate such improvements in the ITEX system and shall have the sole and exclusive right to copyright, register, and patent such improvements in ITEX's own name. ITEX may authorize its affiliates, or its franchisees and Members to use and exploit any such rights which are assigned to ITEX hereunder. You shall have no right to copyright, register, or patent such improvements in your name. You shall have no right to use such improvements, provided however, that if this Agreement is terminated, you may continue to use any improvement that you have yourself developed, provided you do not represent or indicate that you are a franchisee or member of the ITEX system, or operator of an ITEX franchise. The sole consideration for your assignment to ITEX of all the foregoing rights shall be the grant of the franchise conferred upon you by this Agreement.

6.8 Covenants Against Competition and Solicitation. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote and enhance your Franchise. You will not engage in any activity or business enterprise that conflicts with or impairs these obligations.

During the term of this Agreement and for a period of two years after expiration or termination of this Agreement, for any reason and regardless of who terminates the Agreement, neither you nor your owners, partners, or LLC members, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including any business in formation) engaged or to be engaged in the sale at wholesale or retail or on the Internet of retail trade exchange, barter, non-cash monetary transactions or any form of trade or barter membership system products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. We may

waive this covenant only in a writing signed by our Chief Executive Officer. During all of these periods, you agree to promptly and fully disclose to ITEX's Chief Executive Officer any business opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to ITEX's business. These covenants apply within 150 miles of the Franchise Premises and within 150 miles of any other ITEX office (including any franchise).

You will make your best efforts to ensure that you and your owners, partners, and LLC members during the term of this Agreement and for a period of two years after expiration or termination of this Agreement do not:

- divert or directly or indirectly attempt to divert any of our business or any Member or franchisee to any competing establishment;

- undertake or attempt to solicit or otherwise agree privately with Members or franchisees to provide consultation or support related to any trade, barter, non-cash monetary or alternative currency transaction or program, other than through the ITEX System or otherwise attempt to circumvent the ITEX System;

- act as a paid or unpaid advisor, employee, or board member or function in any other way affiliated with any barter company.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of Confidential Information, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under Washington law or other applicable law.

You acknowledge that we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of this section and the section entitled "Nondisclosure of Confidential Information" above, or threaten or attempt to do so. For this reason, under these circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of these sections would entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the covenants contained in this section and the sections entitled "Nondisclosure of Confidential Information" above and that we are entitled to require you to comply with these sections. These sections will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded, provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than five percent of the outstanding securities of the corporation.

If you are a business entity, you will ensure that each of your owners, partners or LLC members execute a confidentiality, nondisclosure, and non-competition agreement in a form approved by us.

6.9 Computer Systems. You will obtain computer equipment compatible with our computer technology. You will use it to integrate Members' accounts by using the accounting system software and procedures provided and established by us. You will communicate with us and with other ITEX franchisees and Members within the ITEX System using our established communication guidelines and forms.

A. You are granted a non-exclusive license to use our software programs and related procedures during the term of this Agreement. This license expires when this Agreement terminates. All software programs and related procedures remain our property. To the extent that the software programs and related procedures constitute Confidential Information, they are subject to the section entitled "Nondisclosure of Confidential Information" above.

B. You will not use or attempt to use the procedures or software for any purpose or party other than those associated with us, the ITEX System and your Franchise, or in any manner inconsistent with this Agreement. Improper use of the ITEX System software may result in the temporary or permanent loss of your access to some, or all of the software.

C. You will execute and be bound by all software licenses we require. We, in our sole discretion, may charge a license fee for some or all of the licenses we grant. A list of all licenses and any license fees in connection therewith is found in the Operations Manual.

E-PROBLEM DISCLAIMER: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that others or we supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

6.10 Working Capital. At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

7. RENEWAL, TERMINATION AND STEP-IN RIGHTS

7.1 Renewal of Franchise.

A. If you are not in breach of this Agreement, and if you meet the following conditions, you may renew the Franchise for periods of 5 years under the terms of our then-current Franchise Agreement with no renewal fee:

1. You give us written notice of your intent to renew at least three months, but no earlier than six months, before the end of the Franchise term established by this Agreement;
2. You execute our then-current Franchise Agreement within 30 days after it is delivered to you. If you do not, we may conclude that you do not intend to renew;

3. You are meeting one of the two Continuing Performance standards defined in Section 7.3(B).
4. Your Franchise Premises remains located as designated in this Agreement;
5. You execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us;
6. You or your designated manager attends (at your expense) and successfully completes any retraining program we prescribe in writing; and
7. You reimburse us for our reasonable out-of-pocket costs concerning the renewal.

There is a \$5,000 renewal fee for your Franchise Agreement if you fail to meet one of the two Continuing Performance standards defined in Section 7.3(B).

You acknowledge that Commissions and other fees will be set under the then-current Franchise Agreement and may vary materially from the terms of this Agreement.

B. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

C. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a cycle-to-cycle extension of our then-current Franchise Agreement. The continued Franchise Agreement will then be terminable by either party upon 28 days written notice. Otherwise, all provisions of our then-current Franchise Agreement will apply while operations continue.

7.2 Termination by You. You may terminate this Agreement at any time, without cause, upon not less than 28 days prior written notice. You must comply with all provisions of this Agreement related to termination.

7.3 Termination by Us.

The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense. If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of competent jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

A. Curable Defaults. You shall be deemed to be in default and we may, at our option and without prejudice to any other rights or remedies provided for hereunder or by law, terminate this Agreement and all rights granted hereunder and any other related agreements between the parties if you (or your owners, partners, or LLC members) breach any term or provision of this Agreement and any other franchise and related agreements and do not cure (or reasonably begin to cure and diligently continue to cure) the breach within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

B. Termination for failure to meet performance standards:

Initial Performance. You must either (1) have a Net Member Count of 75 or more members and maintain cash CTV of \$25,000 per cycle **or** (2) achieve and maintain \$75,000 in cash CTV per Cycle in the ITEX System within twelve months (13 ITEX operating cycles) of the date you commence operations under the

Franchise Agreement. Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8) and accounts transferred from another franchise.

- Performance Standard One — 75 or more Net Member Count: If you do not have a Net Member Count of at least 75 members and achieve and maintain cash CTV of \$25,000 per cycle within your first twelve months (13 ITEX cycles) of operation, then you must (i) submit to us a business improvement plan within 28 days (1 ITEX cycle) of your Notice to Cure, that we approve, which approval will not be unreasonably withheld or delayed, (ii) implement the business improvement plan, and (iii) have an aggregate total Net Member Count of 75 or more members by the end of the fifteenth month (16 ITEX operating cycles) of the date you commence operations under the Franchise Agreement.
- Performance Standard Two — \$75,000 cash CTV: As an alternative, you can have a Net Member Count of fewer than 75 members if you achieve and maintain an average cash CTV of \$75,000 per cycle in the ITEX System within your first twelve months (13 ITEX operating cycles) of the date you commence operations under the Franchise Agreement. The same Notice to Cure procedure (described in the previous paragraph) will apply to this alternative performance standard.

If you do not satisfy one of these two Initial Performance Standards, we may, in our discretion, terminate the Franchise Agreement for cause by written notice to you after you complete the fifteenth month (16 ITEX operating cycles) as an ITEX franchisee.

Continuing Performance All Franchisees. After the first twelve months, at all times for the term of the Franchise Agreement you must continue to have either (1) a Net Member Count of 75 or more members assigned to your Franchise at the end of each billing cycle while also maintaining a minimum average of \$25,000 in cash CTV per Cycle for the preceding 13 Cycles, or (2) achieve and maintain a minimum average of \$75,000 cash CTV per Cycle for the preceding 13 Cycles regardless of the number of members. Net Member Count excludes accounts with no transaction fees, employee accounts, accounts in cancellation status (internal status code 8) and accounts transferred from another franchise.

If you fail to meet either of the two Continuing Performance Standards available to you for a trailing 13 Cycle review, you will be deemed to be in Default of the Franchise Agreement, and the following actions will be applied as described to all future Cycles until you do meet one of the Continuing Performance Standards.

First Cycle in Default

Accounts in your name or controlled by you will have their credit lines removed and each account will be charged a \$25 + 10 ITEX association fee. The \$25 fee will be deducted from your Franchise reconciliation each cycle. You will be paid commissions on the association fees you pay unless Association Fee commissions are suspended.

Second and all Subsequent Cycles in Default

Your operating and scrip accounts will be assessed transaction fees of 5% cash. You will be paid commissions on the transaction fees you pay. All cash and ITEX dollar fees assessed will be deducted from your Franchise reconciliation each cycle.

Third and all subsequent Cycles in Default.

Association fee commissions, both cash and ITEX dollar, will be suspended.

All such default actions will be removed as soon as you comply with one of the two minimum Continuing Performance Standards available. However, these actions will be reapplied if you fail to maintain minimum Continuing Performance Standards during any future trailing 13-Cycle

review. All association fee commissions lost will not be restored for the period you are not in compliance with the minimum standards.

In addition, you must (i) submit to us a business improvement plan within 28 days (1 ITEX Cycle) following a Notice to Cure sent to you, that we approve, which approval will not be unreasonably withheld or delayed, (ii) implement the business improvement plan, and (iii) have satisfied one of these two performance standards within 3 full Cycles of our approval of your business improvement plan. If you do not satisfy either of these performance standards, we may, in our discretion, terminate the Franchise Agreement for cause by written notice to you after the end of the 3rd full Cycle after approval of your business improvement plan.

C. Non-curable Defaults. You shall be deemed to be in default and we may, at our option and without prejudice to any other rights or remedies provided for hereunder or by law, terminate this Agreement and all rights granted hereunder without other cause and without affording you any opportunity to cure the default effective immediately upon receipt by you of written notice from us if you (or your owners, partners or LLC members):

- (1) Make an assignment for the benefit of creditors, make a formal or informal proposal to creditors to restructure debts because of insolvency, admit inability to pay obligations as they become due, file a voluntary petition of bankruptcy, do not obtain the dismissal of involuntary bankruptcy proceedings within thirty days of commencement, or are adjudicated bankrupt or insolvent.
- (2) Fail to operate the Franchise continuously and actively for 14 consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend, or are unable, to continue the Franchise or maintain a suitable Franchise premises. The loss of 20% or more of members assigned to you over a 13 cycle (12 month) period, failure to enroll at least 1 new member per cycle over 6 consecutive cycles, or a reduction of fee generating transaction volume of 20% over a 13 cycle (12 month) period separately or in combination are reasonable grounds for a determination of failure to operate.
- (3) Fail to comply with any requirement of this Agreement or of any related agreement between the parties after having received the most recent of one or more Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above, whether or not you had corrected your earlier failures to comply after we delivered notice to you. This includes complaints for material ethics or Marketplace Rules violations we find or have found to have merit.
- (4) Make or have made any material misrepresentation or misstatement on the Franchise application or with respect to ownership of the Franchise.
- (5) Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lien-holder, or lessor; let a final judgment against you remain unsatisfied for thirty days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise that is not discharged by means other than levy within five days of the levy.

- (6) Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise. You understand and agree that if you or any of your partners, officers, or directors pleads no contest to a felony or has an adverse final judgement entered in a civil action for fraud, dishonesty, conversion, misrepresentation or any other matter involving moral turpitude which, in our sole judgement, substantially impairs the goodwill associated with us, the Service Marks or the ITEX System.
- (7) Operate the Franchise in a manner that creates an imminent danger to public health or safety.
- (8) Fail to comply with this Agreement or our Operations Manual when posting ITEX Dollar transactions. This includes, among other things:
 - posting from a Member's account into an account controlled by you without proper written authorization, or
 - posting transactions in noncompliance with this Agreement, the Operations Manual or Marketplace Rules in order to inflate growth, win awards or earn payments from ITEX or any other reason.
- (9) Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.
- (10) You solicit Members assigned to our other ITEX franchisees or to us to transfer their account to you or open a second account with you before they can do business with your assigned Members.
- (11) You engage or attempt to engage in any act in violation of the Confidential Information requirements and Covenants Against Competition and Solicitation expressed in this Agreement.

7.4 Time Frames Subject to Applicable Laws. Because state laws vary, the provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, nonrenewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

7.5 Your Duties At and After Termination. Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement for any reason whatsoever, you will:

A. Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation.

B. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. However, you do not need to deliver to us your personal and tax records unless they contain Confidential Information. You will give us a complete and accurate summary of your advertisers, customers and prospects, including their names, addresses, telephone numbers and related file records.

You will assist us in every way possible to bring about a complete and effective transfer of your Franchise to us or to our designated franchisee.

C. Authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, social media accounts, locators, directories and listings to our designee or us. Notify these entities of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names, social media accounts, and locators to our designees or us. You appoint us as your agent and attorney-in-fact to effect the termination of or the transfer of these telephone numbers, directory listings, domain names, social media accounts and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss as a result of following our instructions.

D. Make reasonable modifications to the interior and exterior of any retained premises to reduce your identification as a part of the ITEX System. You will remove all signage bearing any Service Marks and follow any other steps detailed in the Operations Manual for changing the identification of the premises. You will promptly remove distinctive ITEX System trade dress or color schemes. These modifications will include reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and the ITEX System or any other ITEX location. You will cease all Internet marketing and social media accounts using any Service Marks to identify the Franchise Premises. You will advise all customers or prospective customers coming to the Franchise Premises or telephoning you that you are no longer associated with us.

E. Pay to us within seven days all amounts owed to us. These sums will include Transaction, Association and other ITEX Fees you collected from Members, and all damages, costs and expenses, including reasonable attorney's fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

F. Abide by all provisions of the restriction upon communication of Confidential Information set forth above and the post-termination Covenant Not to Compete set forth above.

G. Close your operating, scrip and any other non-standard fee accounts, which will automatically terminate without notice. We may, in our sole discretion, allow you to maintain a Member account on a standard fee basis.

H. At our option, do some or all of the following:

- (1) Notify third parties that the Franchise Premises are no longer associated with the ITEX System;
- (2) Assign to us ownership and control of any Web Site, domain names, or social media accounts you own or control pertaining to the operation of the Franchise;
- (3) Sell to us your interest in the Franchise, the Franchise Premises and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within five business days after termination of this Agreement. If not, a fair value and fair terms will be determined in Bellevue, Washington by three appraisers. Each party must select one appraiser.

The two appraisers chosen must then select a third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within thirty days after receiving the appraisers' decision, at our option, we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers.

I. Upon termination for any reason, you will return to us all proprietary and confidential materials, including Member lists and transaction records, advertising and marketing materials, service agreements and other forms, printed files, Members account information and the like as described in the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect the items or in attempting to have you cease use of them. We will pay your final commission 21 days after the close of the ITEX operating cycle during which this Agreement terminates, so long as you have returned all materials to us as required above and you have resolved to our satisfaction any overdrafts and credit line extensions for all accounts owned by you or under your control.

7.6 Our Step-In Rights. The parties want to prevent any operation or interruption of the Franchise that would cause harm to the Franchise and to the ITEX System and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we reasonably believe necessary and practical. We may do so without waiving any other rights or remedies that we may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay to us when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; your business activities are having a negative impact upon the value of the ITEX System; or we decide that significant operational problems require us to operate the Franchise for a time. We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through contract agents. If you have a loan for the Franchise that is guaranteed by the Small Business Administration, our right to step-in will be limited to a **60-day** period unless otherwise requested or agreed with the lending bank at that time.

We will pay you a Commission on revenue we receive from our operation of the Franchise. We will first pay from that Commission all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative costs, plus 15% of that Commission to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand or we may withhold from Franchisee Commission payments, including interest at applicable legal rates.

At our election, we will either administratively segregate or keep in a separate account, all Commissions generated by the operation of the Franchise, and use those Commissions to pay the expenses of operation during the step-in period. If administratively segregated, the Commissions will be deposited in our general operating account and will be commingled with our general operating funds, subject however to our obligation to expend and retain them for you in accordance with the terms of this Section. We will furnish to you monthly financial statements of the Commissions and expenditures made from them. Our books and records relating to the step-in will be available for your inspection during our normal business hours, upon reasonable notice, but we reserve the right to limit your inspection to once per month.

We will have no obligation to retain any employee of the Franchise or to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between the employee and us. Employment will commence on the first business day on which we carry on business through the Franchise. You agree to defend, indemnify, and hold us harmless from or against any claim by an employee of yours for unpaid salary, vacation pay, or other benefits.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all acts, omissions, damages, or liabilities arising during operation.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of Franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for the Franchise property, except as the charges relate to the period of our operation of the Franchise.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

8. TRANSFER

8.1 Sale or Assignment.

A. Your rights and obligations under this Agreement are exclusive to you. This Agreement is not assignable by you, and any attempt to assign your rights and obligations under this Agreement will be void. Whether voluntarily or involuntarily, neither you, your owners, partners, LLC members nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, sublease, or allow any other person to conduct business in or through (collectively called "Transfer") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the Franchise, or ownership or control of you. Any attempted Transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any Transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any Transfer if we reasonably believe the purchase price is excessive or if we believe, based upon a review of the transferee's operational and business plans, that the transferee's business operations might not be beneficial on a cash flow or financial basis. We may require a review of the transferee's operational and business plans demonstrating that the transferee's business operations will work on a cash flow or financial basis in light of the operational history of the Franchise.

We need not consent to any Transfer to a competitor of ours.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a Transfer by you will remain a subjective determination. We need not consent to any Transfer unless all the following conditions are met:

- (1) The transferee assumes your obligations to any and all third parties. You will remain bound by your covenants in this Agreement to not disclose Confidential Information and to not compete with our franchisees or us.

- (2) You pay all ascertained or liquidated debts concerning the Franchise, including, but not limited to, any negative balances in Franchise Operating and Scrip accounts.
- (3) You are not in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.
- (4) The transferee agrees to pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.
- (5) You or the transferee pays a Transfer Fee according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check and investigation expenses that result from the Transfer. The current Transfer Fee is **\$2,000**.
- (6) You pay us a **10%** commission on the gross sale price (excluding the price of real property), if we obtain the transferee for you.
- (7) The transferee executes all documents we then require of new franchisees, including our then-current Franchise Agreement.
- (8) The transferee meets our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.
- (9) You and your owners, partners and LLC members execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release us from any claims you may have against us.
- (10) The entire Initial Franchise Fee must be paid in full despite the due date for payment established by this Agreement.
- (11) If the lease or sublease for the Franchise Premises requires, the lessor or sub-lessor must have consented to the assignment or sublease of the Franchise Premises to the transferee.
- (12) You enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all Franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

B. You may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable as a named principal

party in all respects under this Agreement. You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership, except with our prior written consent.

From time to time, at our request, you will provide to us a current list of all your owners, shareholders, LLC members, directors, officers, partners, and employees, with a summary of their respective interests in you.

C. We may Transfer this Agreement. If we do it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, assign the Service Marks, or sell the Method of Operation outright to a third party, go public, engage in a placement of some or all of our securities, merge, acquire other entities or be acquired by other entities, or undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all of these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer to you products, whether or not bearing our Service Marks.

D. You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least 60 days written notice before the effective date of any offering or other transaction covered by this subsection.

E. You may not grant a sub-franchise or Transfer less than all of your rights under this Agreement, and upon any attempt by you to violate this subsection, this Agreement will immediately terminate.

F. Our consent to a proposed Transfer will not be a waiver of any claims we may have against you (or your owners, partners or LLC members), nor will it be a waiver of our right to demand exact compliance with this Agreement.

G. You will comply with and help us to comply with any laws that apply to the Transfer, including state and federal laws governing the offer and sale of franchises.

8.2 Your Death or Disability.

A. Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any Member or shareholder owning 50% or more of you if you are a limited liability company or corporation or other legal entity. Within sixty days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:

- (1) Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in

Subsection (A) of the section entitled “Sale or Assignment,” above (except that no Transfer Fee will be required). Or,

- (2) Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the sixty days within which to Transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the sixty days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.
- (3) If a suitable transferee purchaser is not found within sixty days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined in Bellevue, Washington by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may not include in their decision a factor for the “goodwill” or “going concern” value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within thirty days after receiving the appraisers’ decision, at our option, we may purchase the Franchise and your related assets at the price and upon the terms determined by the appraisers. Terms of payment will be ten percent (10%) of the purchase price payable upon contract signing, the balance payable in sixty equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment.

B. If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

8.3 First Right of Purchase. You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your Franchise. You agree to notify us in writing if you desire to sell or Transfer any interest in you or in your Franchise. You will give us sufficient information and documentation to allow us to analyze the status and value of your business and due diligence information. We will elect to exercise our option to purchase within **30** business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third-party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled “First Right of Refusal.” You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled “Sale or Assignment” and “First Right of Refusal.”

8.4 First Right of Refusal. If you receive a bona fide offer from a third party acting at arm’s length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. At our option, we may pay the entire purchase price at closing. Within six days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to

allow us to analyze the status and value of your business. We may exercise this right to purchase within **30** days after receipt of notice from you and due diligence information.

If we do not accept the offer within **30** days, you may make the proposed Transfer to a third party. The Transfer will not be at a lower price or on more favorable terms than disclosed to us. Any Transfer will require our prior written permission described in the section entitled "Sale or Assignment," above. If the Franchise is not transferred by you within six months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must reoffer to Transfer to us before a Transfer to a third party.

9. INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY

9.1 **Indemnity.** You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless shall be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless shall be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to these contribution and allocation of indemnification provisions.

You will indemnify us for any loss, cost or expense, including attorneys' fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises.

This indemnification will include use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise Premises, including the sale of any food products, service or merchandise sold from the Franchise Premises. Any loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection. Attorneys we approve will conduct the defense. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding. At our sole discretion we may withhold such monies due to us from current and future Commissions payable to you.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

9.2 **Insurance.** Upon commencement of Franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and

extended coverage, vandalism, malicious mischief and general liability insurance. This insurance will be in an amount sufficient to replace your personal property upon loss or damage. You must use an insurance company satisfactory to us to write this insurance in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

- A. Comprehensive general liability insurance, property damage, contractual liability, independent contractor's liability, owned and non-owned automobile coverage, and personal injury coverage with a combined single limit of at least \$1,000,000.
- B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the Franchise is located and operated.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming us as an additional named insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon twenty days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement.

We may require you to increase the minimum limits of coverage to keep pace with regular business practice and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. Upon notice we will deduct the premium cost of this insurance from future commissions payable with a late payment charge on the unpaid balance at the rate established in this Agreement.

10. NOTICE AND MISCELLANEOUS

10.1 Notices. All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and "return receipt requested". They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. Notices will be delivered to you at the Franchise Premises, to us at our headquarters in Bellevue, Washington, or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location.

Notices sent by certified or registered mail will be deemed to have been delivered and received three business days following the date of mailing. Notices sent by Federal Express or other reputable air courier service will be deemed to have been received one business day after placement requesting delivery on the most expedited basis available.

Despite any provision in this Agreement to the contrary, notice from us to you is deemed valid if we send it to you by email via your ITEX email address in the form *firstname.lastname@itex.net*.

10.2 Business Name. You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the name **ITEX**.

10.3 Relationship of the Parties; We and You Are Not Joint Venturers, Partners, or Agents. You are and will remain an independent contractor. Except as expressly provided by this Agreement, no party shall be considered to be the agent, representative, master or servant of the other party for any purpose whatsoever, and no party has any authority to enter into any contract, assume any obligations or give any warranties or representations on behalf of the other party. Nothing in this Agreement shall be construed to create a relationship of employment, partners, joint venturers, fiduciaries, or any other similar relationship among the parties. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations.

You are the sole and independent owner of your business, shall be in full control thereof, and shall conduct your business solely in accordance with your own judgment and discretion, subject only to the provisions of this Agreement. In all public and private records, documents, relationships, and dealings, you will conspicuously identify yourself as the independent owner of your business. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned franchise of ITEX. ITEX shall not be liable for any damages to any person or property, directly or indirectly, arising out of the operation of your business, whether caused by your negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied on the business conducted by the other party or in connection with the services performed or business conducted by it or any expenses incurred by it.

You will maintain employee records to show clearly that you and your employees are not our employees.

The liability of you and your owners, shareholders, LLC members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, LLC member or partner will be a breach by all of the shareholders, LLC members or partners and also by you.

10.4 Waiver. No waiver by ITEX of any breach by you, nor any delay or failure by ITEX to enforce any provision, term, covenant, or condition of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Operations Manual and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by writing signed by ITEX and you.

To be effective, any modification, consent, approval, authorization or waiver granted under this Agreement must be set forth in writing executed by you or, if on behalf of us, in writing executed by an authorized officer or employee. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten days prior written notice of revocation.

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement.

10.5 Time Is of the Essence. Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement, except in cases where this Agreement expressly provides for the consequences of a delay in performance.)

10.6 Credit Line. We provide you a credit line of **5,000** ITEX Dollars for your Operations account, which may be modified anytime, for any reason at our discretion.

10.7 Documents. You and your owners, partners, shareholders, and LLC members agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement.

Any material violation or breach of any of these documents or of any other franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements between the parties. The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership, all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or LLC members will personally guarantee your faithful performance.

You will assure that each of your owners, shareholders, partners, and LLC members will not compete with us; will not attempt to divert customers to competing businesses; and will keep, preserve, and protect confidential information as required by this Agreement.

10.8 Construction.

A. Entire Agreement. This document and any schedules and exhibits attached to this Agreement and the documents referred to in this Agreement will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications or negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words “this Agreement” include any future modifications unless noted otherwise. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our corporate office by an instrument in writing.

This document supersedes all communications and negotiations between the parties that relate to the subject matter of this Agreement. No previous course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision.

B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words “will” and “must” used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the “you/we” format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws.

C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement.

D. Severability. If any part of this Agreement is declared invalid that declaration will not affect the validity of the remaining portion, which will remain in full force and effect as if this Agreement had been executed, with the invalid portion omitted. The parties declare their intention that

they would have executed the remaining portion of this Agreement without including any part, parts, or portions, which may be declared invalid in the future.

10.9 Enforcement/Dispute Resolution.

Before any party may bring an action in court or against the other, or commence an arbitration proceeding, the parties must first meet to mediate the dispute. Specifically, no litigation or arbitration action may be commenced until the earlier of thirty (30) days from written notice by one party to the other of a request to initiate mediation, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of notification. The mediation will be held in Bellevue, Washington. Any such mediation will be non-binding and conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Prior to the mediation, each party involved in the mediation must sign the standard confidentiality agreement designated by us or the mediator. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute or any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purposes; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. The parties agree to participate in at least 6 hours of mediation and will share equally all fees and expenses of the mediator.

Subject to the mediation obligation set forth above, the rights and liabilities of the parties arising out of or relating to this Agreement will be governed by the laws of the state of Washington (except and only where federal substantive law applies, i.e., Lanham Act claims), and any dispute arising out of or relating to this Agreement will be submitted to binding arbitration in the county where our corporate headquarters is located (currently King County, Washington), pursuant to the Commercial Arbitration Rules of the American Arbitration Association or of the Franchise Arbitration and Mediation Service or of any similar organization that specializes in the arbitration of commercial franchise business disputes. You acknowledge and agree that this venue is reasonable for purposes of uniformity and best meets the interest of all of the franchisees of the ITEX franchise system, including you. Judgment on the award may be entered in any court of competent jurisdiction; provided, however, that either party may seek preliminary injunctive or other equitable relief pending arbitration to prevent irreparable harm. The prevailing party in any arbitration or litigation will be entitled to recover all reasonable expenses, including attorneys' fees in connection with the proceedings or any appeal. Any court proceedings authorized under this Section will be conducted exclusively in state or federal courts located in King County, Washington.

The parties waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against any other party and agree that the party making any claim directly or indirectly arising from or relating to this Agreement will be limited to recovery of actual and consequential damages sustained. In addition, the parties agree, to the fullest extent permitted by law, any right to or claim for any actual or consequential damages sustained directly or indirectly from or relating to this Agreement will be limited to not more than the generally accepted value of an ITEX franchise which is approximately equal to the cash revenue received by that franchisee over the preceding thirteen Cycles.

10.10 Other Agreements. If you or any of your shareholders, members, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that you and we enter into a release, such as for a Transfer or renewal, the release will be in the following form:

FORM OF RELEASE

You (and your owners, partners and LLC members) [and we] will agree to the following [mutual] general release, subject to and following laws applicable in your jurisdiction, to release [you from any claims we may have against you and] us from any claims you may have against us:

In consideration of the mutual covenants and understandings between the parties, you [and we] will release and discharge us [the other] and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under your Franchise Agreement with us related to the Franchise and the Franchise Premises (“your Prior Franchise Agreement”).

You [and we] will release and forever discharge us [the other] and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the transfer agreement.

You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims [against us], known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

This release is intended to waive, release and discharge all claims [against us], other than the following, which are expressly reserved:

any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate]

[any future claims you may have against us for:] [fill in blank as appropriate]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You [and we] will waive the benefit of both statutes and any other legal doctrine or principle of similar effect in any jurisdiction.

[This general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.]

10.11 Agreement Binding on Successors and Assigns. Subject to the provisions of this Agreement concerning assignment and transfer, this Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

10.12 Execution in Counterparts and Our Acceptance. This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our corporate office. If we do not accept it within sixty days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

10.13 Approval by Shareholders, Members or Partners. If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the resolution approved by your partners, LLC members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

10.14 Personal Guarantee. The undersigned Guarantors are all of your partners, LLC members, shareholders or owners. They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which you and us are parties. Each Guarantor agrees to guarantee us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements; or by anything we do, suffer, or allow to be done in relation to you; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting you; or by your bankruptcy or insolvency; or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature and will terminate only on the satisfaction of your obligations under this Agreement. A fresh cause of action will arise in respect of each breach by you producing a liability of any Guarantor.

The Guarantors agree that it will not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty. Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging Guarantors from their obligations. This guaranty will not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement. Our release of one or more Guarantor will not operate as a release of the other Guarantors.

10.15 Third-Party Beneficiaries. You shall have no right to enforce the obligations of any other franchisees. You shall not be deemed a third-party beneficiary with respect to any other franchise agreement or other agreement or have any rights to enforce any obligations thereunder. This Agreement is for the sole benefit of the parties hereto and nothing herein expressed or implied shall give or be construed to give any person or entity, other than the parties hereto, any legal or equitable rights hereunder.

10.16 Business Judgment. Whenever this Agreement or any related agreement, grants, confers or reserves to ITEX the right to take action, refrain from taking action, grant or withhold its consent or grant or withhold its approval, unless the provision specifically states otherwise, ITEX will have the right to engage in such activity at ITEX's option taking into consideration ITEX's assessment of the long-term interests of the ITEX System overall. You and ITEX recognize, and any court or judge is affirmatively advised, that if those activities and/or decisions are supported by ITEX's business judgment, neither said court, said judge nor any other person reviewing those activities or decisions will substitute his, her or its judgment for ITEX's judgment. When the terms of this Agreement specifically require that ITEX not unreasonably withhold ITEX's approval or consent, if you are in default or breach under this Agreement, any withholding of ITEX's approval or consent will be considered reasonable.

10.17 Representations and Acknowledgments.

A. Receipt of Disclosure Documents. You acknowledge that you have received our Franchise Disclosure Document at the earlier of (1) **14** calendar days (10 business days in Maryland and certain other states) prior to the signing of this Agreement or any other franchise or related agreement between you and us or our affiliate(s); or (2) **14** calendar days (10 business days in Maryland and certain other states) before any payment from you to us or our affiliate(s). In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

2. if we unilaterally or materially altered the terms and conditions of our standard Franchise Agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its schedules and exhibits not less than **7** calendar days before you signed this Agreement.

B. You Have Read and Understand this Agreement. You acknowledge that you have had ample time to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have been given the opportunity to receive advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement.

C. Varying Forms of Agreement. You are aware that some present and future ITEX franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

D. Speculative Success. The success of your Franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

E. Independent Investigation, No Projections or Representations. You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. Your success will be dependent upon your ability as an independent businessperson. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits, which you in particular might realize. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form Franchise Agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

F. No Review of Business Plans, Loan Applications. Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third-party loan applications related to your purchase of and proposed operation of the Franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant Franchise Agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your Franchise.

G. Your Location and Market Area. You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your Franchise business and the laws and regulations applicable thereto (or will do so if you have not yet found a Franchise Premises). You agree and represent that that market area is reasonable, your Franchise Premises will be suitable for the operation of an ITEX franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate an ITEX franchise.

H. Health and Full Participation. You acknowledge that an ITEX business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to participate fully in the actual day-to-day operations of your Franchise or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your Franchise.

I. Terrorism, Convictions, Immigration Status. Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the Franchise, nor any of your partners or affiliates:

1. supports terrorism,
2. provides money or financial services to terrorists,
3. receives money or financial services from terrorists or institutions that support terrorists
4. is engaged in terrorism, or
5. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

J. We May Investigate. We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, LLC members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES. **We have not made any representations, promises, guarantees, projections, or warranties of any kind to you, your owners, partners, LLC members or the guarantors to induce the execution of this agreement or concerning this agreement except as specifically set forth in writing in this agreement and in our franchise disclosure document that we delivered to you. You acknowledge that neither we nor any other party has guaranteed your success in the business contemplated by this agreement.**

[Signature Page Follows]

11. SIGNATURES

IN WITNESS, the parties have executed this Agreement on the day and year first above written.

("We/Us"): **ITEX CORPORATION** (jointly and severally "You"):

By: _____ Signature: _____
an individual

Title: _____

[Company]

By: _____

Title: _____

If you are a corporation, limited liability company or other entity: This agreement must be signed by a company officer. Additionally, the agreement must be signed by owners or LLC members of the company as individuals.

If you are a partnership: This agreement must be signed by all general partners. The agreement must additionally be signed by all general partners, as individuals.

SCHEDULE A
FRANCHISE PREMISES

SCHEDULE B
LIST OF MEMBERS TO BE ASSIGNED

(EXHIBIT E)

CONDITIONAL ASSIGNMENT

_____, an individual, and _____ [Company] (“you”) operate your Franchise business at _____. In consideration of the granting of the Franchise to you and other valuable consideration given by **ITEX CORPORATION**, a Nevada corporation (“us”), you assign to us all telephone numbers, telephone and internet listings, website addresses and domain names you use in the operation of the Franchise. We assume the performance of all of the terms, covenants and conditions of your agreement with the Telephone Company concerning the telephone numbers and telephone listings with the full force and effect as if we had been originally issued the telephone numbers and telephone listings. We will hold this assignment, and will deliver it to the Telephone Company or other interested third parties only upon termination of the Franchise Agreement between us and you dated _____.

DATED this ____ day of _____, 202__.

IN WITNESS, the parties have executed this Agreement on the day and year first above written.

("We/Us"): **ITEX CORPORATION** (jointly and severally "You"):

By: _____ Signature: _____
an individual

Title: _____

[Company]

By: _____

Title:

(EXHIBIT F)

**ITEX CORPORATION FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **ITEX CORPORATION**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name **ITEX**:

1. Name of Applicant who is Using the
Assumed or Fictitious Business Name:

a(an) individual/partnership/corporation organized
and doing business under the laws of the State of _____

2. Date When Original Assumed or Fictitious Business
Name was Filed by Applicant:

3. Address of Applicant's Registered Office in the
State of: _____

4. Please cancel the Applicant's registration to use
the name **ITEX**

Dated: _____

Applicant: _____, an individual, and _____ [Company]

Signature: _____
an individual

[Company]

By: _____

Title: _____

(EXHIBIT G)
FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC DISCLOSURES AND ADDENDUMS TO AGREEMENTS

The following modifications and additions are part of **ITEX CORPORATION's** Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws.

These states have statutes, which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of the Franchise:

ARKANSAS (Stat. Section 70-807)
CALIFORNIA (Bus. & Prof. Code Sections 20000-20043)
CONNECTICUT (Gen. Stat. Section 42-133e et seq.)
DELAWARE (Code, tit. 6, Ch. 25, Sections 2551 et seq.)
HAWAII (Rev. Stat. Section 482-E1)
ILLINOIS (815 ILCS 705/1-44)
INDIANA (Stat. Section 23-2-2.7)
IOWA (Code Sections 523H.1-523H.17)
MICHIGAN (Stat. Section 19.854(27))
MINNESOTA (Stat. Section 80C.14)
MISSISSIPPI (Code Section 75-24-51)
MISSOURI (Stat. Section 407.400)
NEBRASKA (Rev. Stat. Section 87-401)
NEW JERSEY (Stat. Section 56.10-1)
SOUTH DAKOTA (Codified Laws Section 37-5B)
VIRGINIA (Code 13.1-557-574, 13.1-564)
WASHINGTON (Code Section 19.100.180)
WISCONSIN (Stat. section 135.03)

These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of the Franchise.

California

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing information as the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise disclosure document.

Our website is www.ITEX.com. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation, any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

FDD Item 3

Neither we nor any person identified in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from Membership in that association or exchange.

FDD Item 17, FA Sections 6, 7, 8 and 10

(1) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

(2) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

(3) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Franchise. This provision may not be enforceable under California law.

(4) The Franchise Agreement requires binding arbitration. The arbitration will occur at King County, Washington with the costs being borne by the party that does not prevail. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

(5) You must sign a general release if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(6) The Franchise Agreement requires application of the laws of the State of Washington. This provision may not be enforceable under California law.

(7) Each owner of the Franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property state such as California.

(8) California Business and Professions Code Section 20022(h) provides that upon nonrenewal or termination, a franchisor can only offset amounts owed to the franchisor if (1) the franchisee agrees to the amount or (2) the franchisor has received a final adjudication establishing the amount franchisee owes.

(9) California Corporations Code Section 31126 provides that a franchisor must notify the prospective transferee of franchisor's decision to approve or disapprove of a transfer within

sixty days of receiving the required transfer application, and the reasons for disapproval if the transfer is denied.

(10) No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(11) California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

(12) Paragraphs B, D, E and K of Section 10.17 of the Franchise Agreement are deleted.

FDD Item 19

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Hawaii

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE

FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Idaho

FDD Item 17, FA Section 9

Any condition in this Franchise Agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

Illinois

Illinois law governs the agreements between the parties to this Franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

See the last page of this Exhibit G for your required signature.

Indiana

FDD Item 17, FA Section 6 and 7

In Indiana, the reference to “Members of their households or Members of their immediate families” under the provisions of covenants not to compete will mean any person who has access to the information, including a spouse or any other person who lives within the household.

Maryland

FDD Item 17, FA Sections 7.1, 7.3, 8.1 and 10

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any provision that provides for termination of the franchise upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Section 14-216(c) (25) of the Maryland Franchise Registration and Disclosure Act requires a franchisor to file an irrevocable consent to be sued in Maryland. Notwithstanding anything to the contrary in the Franchise agreement or Franchise Disclosure Document, if the Maryland Franchise Registration and Disclosure Act applies to you, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

FA Section 10

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a Franchise. Our Franchise agreement contains disclaimers of the occurrence or acknowledgment of the non-occurrence of acts that could constitute a violation of Maryland laws. These disclaimers, acknowledgments and representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FDD Item 5, FA Section 3.1

All initial franchise fees will be due and payable only after the franchisor has fulfilled and performed all of its initial obligations and the franchisee has commenced business operations under the Franchise Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Paragraphs B, D and E of Section 10.17 of the Franchise Agreement are deleted.

Michigan

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are included in these franchise documents, the provisions are void for Michigan franchisees and cannot be enforced against Michigan franchisees. These provisions are:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise investment law. This will not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.

- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause will include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:
 - (i) The term of the franchise is less than 5 years, and
 - (ii) The franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or the franchisee does not receive at least six months' advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This will not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause will include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub franchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any breach in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision

that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer the franchisee's obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General. A franchisor whose most recent financial statements are unaudited and show a net worth of less than \$100,000 will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of the escrow. Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, 6520 Mercantile Way, Suite 3, Lansing, Michigan 48913; (517) 373-3800.

The name and address of the franchisor's agent in Michigan authorized to receive service of process is:

Franchise Section
Department of Attorney General
Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, MI 48909

Minnesota

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes; provided, that this part will not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of the American Arbitration Association. (Minn. Rules 2860.4400(J)).

Minnesota law provides franchisees with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with sixty days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

FDD Item 13, FA Section 6

Minnesota Statutes Section 80C.20, Subdivision 1(g) allows the Minnesota Commissioner of the Department of Commerce to issue a cease and dismiss order or issue an order denying, suspending or revoking any registration, amendment or exception on finding any of the following . . . that the method of sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees. Pursuant to this section, the Commissioner requires all franchisors registering in the state of Minnesota to state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of the name. We intend to comply with the Minnesota statute and to protect the franchisee's rights and indemnify the franchisee for any losses to the full extent required by relevant state law.

FA Section 10

Pursuant to Minnesota Statutes Section 80.C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80.C, including, but not limited to, the right to submit matters to the jurisdiction of the courts in Minnesota.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

New York

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement,

fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements – No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

North Dakota

FDD Item 5, FA Section 3.1

All initial franchise fees will be due and payable only after the franchisor has fulfilled and performed all of its initial financial obligations and the franchisee has commenced business operations under the Franchise Agreement (which occurs upon completion of the initial training course).

FDD Item 17(c), FA Section 7.1

The Commissioner has determined that requiring franchisees to sign a general release upon renewal of the franchise agreement to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment law. The general release provision in Section 10.10 of this Agreement is void and unenforceable in the state of North Dakota.

FDD Item 9, FA Section 6.1

Under North Dakota law, no modification or change the franchisor makes to the Operations Manual or Method of Operation may materially affect the franchisee's status, rights, or obligations under the Franchise Agreement.

FDD Item 17(r), FA Section 6

The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code are unfair, unjust, or inequitable within the intent of the North Dakota Franchise Investment Law (Section 51-19-09). Thus, covenants not to compete are considered unenforceable in the State of North Dakota.

FDD Item 17(i), FA Section 7

Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a requirement that franchisees consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered void and unenforceable.

FDD Item 17(w), FA Sections 10.9

Apart from civil liability as set forth in section 51-19-12 N.D.D.C, which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents, and is unfair to franchise investors to require them to waive their rights under North Dakota Law. Thus, the North Dakota Franchise Investment Law (Section 51-19-09) requires that this Agreement will be governed by the laws of North Dakota, which laws will prevail.

FDD Item 17(u) and (v), FA Section 10.9

Pursuant to the North Dakota Franchise Investment Law (Section 51-19-09), an arbitration or mediation locations which are remote from the site of the franchisee's business are unfair, unjust, or inequitable. Therefore, the site of arbitration or mediation must be agreeable to all parties.

Pursuant to the North Dakota Franchise Investment law (section 51-19-09), requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable. Thus, all issues or disagreements relating to this Agreement will be tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Rhode Island

FDD Item 17, FA Section 10

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act."

South Dakota

FDD Item 5, FA Section 3.1

All initial franchise fees will be due and payable only after the franchisor has fulfilled and performed all of its initial financial obligations and the franchisee has commenced business operations under the Franchise Agreement (which occurs upon completion of the initial training course).

FDD Item 17, FA Section 7

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards and failure to make royalty payments contained in the Franchise Disclosure Document and franchise agreement must afford a franchisee thirty (30) days' written notice with an opportunity to cure the breach prior to termination.

FA Sections 6 and 10

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Washington.

Covenants not to compete upon termination of the franchise agreement are generally unenforceable in the State of South Dakota. Pursuant to SDCL 37-5B, any acknowledgement provision, disclaimer, or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

In the event that either party will make demand for arbitration, such arbitration will be conducted in a mutually agreed-upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

Any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Virginia

FDD Item 8

In Virginia, notice of approval or disapproval of a proposed supplier will be issued by us within 45 days after the franchisee has delivered all required materials.

FDD Item 1, Receipt Page

No statement, questionnaire, or acknowledgment signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

The Clerk of the State Corporation Commission, 13300 East Main Street, Richmond Virginia 23219, is our registered agent authorized to receive process in Virginia.

Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and related agreements

FDD Item 17, FA Sections 7, 8 and 10

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a

negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

To resolve an investigation by the Washington Attorney General and without admitting any liability, we entered into an Assurance of Discontinuance ("AOD") with the State of Washington, where we agreed to remove from our franchise agreement a provision which restricts a franchisee from soliciting or hiring the employees of our other franchisees (no-poaching provision), which the Attorney General alleged was a restraint of trade in violation of the state Consumer Protection Act. In accordance with the terms of the AOD, we agreed to not enforce any such provisions in any existing franchise agreement or include them in future agreements, we amended our existing franchise agreements with each of our Washington franchisees to remove the provision, and we notified all of our franchisees about the entry of the AOD.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Paragraphs B, D, E and K of Section 10.17 of the Franchise Agreement are deleted.

The franchisee acknowledges receipt of this Addendum.

Wisconsin

FDD Item 17

The applicable laws of Wisconsin may require notice periods greater than those set forth above for termination, cancellation, non-renewal, or the like, and may limit the reasons or causes for termination, cancellation, non-renewal, or the like. To the extent any provisions of the Franchise Agreement provide for periods of notice or for termination, cancellation, non-renewal, or the like other than in accordance with the applicable law, such provisions will not be effective, to the extent such are not in accordance with applicable law, and the franchisor will comply with the applicable law.

The Wisconsin Fair Dealership Law (Wisconsin Statutes, 1983-84, Title XIV-A, Chapter 135) supersedes any provision of a Franchise Agreement inconsistent with the law.

It is agreed that the applicable provisions of this state law addendum for the state of _____, supersedes any inconsistent portion of the Franchise Agreement (of this same date) to which this addendum is attached between **ITEX CORPORATION** (“We/Us”) and _____ (jointly and severally “You”), and of our Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state’s franchise laws, without considering this addendum.

DATED this __ day of _____, 20__.

("We/Us"): **ITEX CORPORATION** (jointly and severally “You”):

By: _____ Signature: _____
an individual

Title: _____

[Company]

By: _____

Title: _____

[New York: FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.]

(EXHIBIT H)

TRADE NAME FILING INFORMATION SHEET

You are obligated by the Franchise Agreement to comply with all state and local laws necessary to operate the licensed business. One such law concerns trade name filings. Most states require that any individual or company doing business under a name different from your corporate or other legal name record that fact somewhere in the state. You cannot use “**ITEX**” as part of your corporate or other legal names. Consequently, these laws will apply to you since the name under which the licensed business operates, “**ITEX**,” will be different from your corporate or other legal name.

Depending on the state, such a name may be called a “trade name,” “assumed name,” “fictitious name,” “dba,” or some other similar designation. Regardless of the terminology, the purpose of the trade name filing is to prevent deception of the public by enabling consumers and creditors to know with whom they are trading. Trade name filings do not, and are not intended to, grant any right to use the name **ITEX** after the Franchise Agreement terminates or expires. At that time, you will cancel the trade name filing at our direction, as provided in the Franchise Agreement.

Just as the terminology varies from state-to-state, so do the procedures for filing. In some states, the filing is made at the state level, while in others, the filing is at the county or city level. Some states may require multiple filings. For this reason, we recommend that you contact the offices of the Secretary of State, County Clerk, and City or Town Clerk in the jurisdictions where the licensed business will be conducted, as well as your counsel, to obtain the necessary forms and to ensure that all required filings are made. Operating under a trade name without the requisite filing may result in civil or criminal penalties.

If you have any questions or encounter any difficulties in complying with the trade name filing requirements, please call us and we will be glad to help you.

(EXHIBIT I)

TRANSFER, TERMINATION, RENEWAL AND INCORPORATION AGREEMENTS

**TRANSFER, TERMINATION, MUTUAL RELEASE,
AND CONFIDENTIALITY AGREEMENT**

This Transfer, [Termination,] Mutual Release, and Confidentiality Agreement (“Agreement”) is made as of _____, 202____. It is among **ITEX CORPORATION**, a Nevada Corporation (“We/Us”), _____, an individual, and _____ [Company] (jointly and severally “You”).

On or about _____, you and we entered into an ITEX franchise agreement (the “Franchise Agreement”) for the operation of an ITEX franchise at the following location:

You desire to cease operations under the Franchise Agreement and to transfer the rights to service member accounts (the “Member Accounts”) to _____ as set forth herein. _____ will service the Member Accounts through the _____ [new] Franchise Agreement. We desire to consent to this transfer.

[[You have suffered serious, unexpected health problems.] The parties have mutually decided to terminate the Franchise Agreement.]

You desire to release us from any and all claims whatsoever arising out of the offer, negotiation, execution, delivery, and performance of the Franchise Agreement.

[Since you are an existing ITEX franchisee, you desire to release us from any and all claims whatsoever arising out of the offer, negotiation, execution, delivery, and performance of your existing franchise agreements with us.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

1. Termination of Franchise Agreement. The Franchise Agreement between you and us, including all appurtenant addenda, certificates, schedules, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning your obligations upon termination will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

We enter into this Agreement, in part, in reliance upon your individual or collective character, skill, attitude, business ability and financial capacity.

2. Commitments and Obligations. The parties covenant and agree:

The Franchise Agreement is terminated. The parties agree that the provisions of the Franchise Agreement concerning the obligations of **Franchisee** upon termination will continue in full force and effect. These obligations are more fully described, below.

_____ agrees to pay to ITEX \$_____. This amount includes:

| | |
|---|----------------|
| Termination of the Franchise Agreement | \$_____ |
| Past due Royalty payments through _____, 20____ | \$_____ |
| Estimated Royalty payments from _____ to _____ | \$_____ |
| Past due Advertising payments through _____ | \$_____ |
| Estimated Advertising payments from _____ to _____ | \$_____ |
| ITEX out of pocket costs and legal fees related to this Agreement | \$_____ |
| TOTAL | \$_____ |

You will deliver payment to us on or before _____, 20____, in a cashier's check payable to ITEX. Upon payment, your debts owed to us will be fully and finally satisfied and resolved.

- a. All obligations of _____ in connection with the Franchise Agreement and the Franchise are assumed by _____. _____ will remain bound by its covenants in the Franchise Agreement that neither it nor its owners, partners, LLC members or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with ITEX or ITEX's franchisees.
- b. All now ascertained or liquidated debts in connection with the franchise have been paid by _____.
- c. _____ is not in default in any way under the Franchise Agreement or any other agreement between it and ITEX.
- d. _____ has already completed to ITEX's satisfaction the training programs now required of new franchisees. _____ or _____ have submitted to ITEX, upon execution of this Agreement, a Transfer Fee in the amount of \$2,000. ITEX acknowledges receipt of this Fee in consideration for ITEX's legal, accounting, credit check and investigation expenses incurred as a result of this transfer.
- e. _____ agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreement as if _____ had been named as the original franchisee in the Franchise Agreement. _____ will execute all documents ITEX or _____ may reasonably require to complete the transfer and assumption of the Franchise Agreement, including but not limited to execution of a new franchise contract in the form currently being used by ITEX. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.
- f. _____ has met the standards established by ITEX for quality of character, financial capacity and experience required of a new or renewing ITEX franchisee. _____ and _____ have provided to ITEX such information as ITEX reasonably requested to evidence that _____ meets these standards.
- g. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to _____, if applicable.
- h. _____ and _____ agree to subordinate to _____'s obligations to ITEX (including, without limitation, the payment of all franchise fees) any obligations of _____ to _____.
- i. _____ will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations until _____ assumes control of the businesses and the Franchise Premises.
- j. _____ and _____ have entered into this Agreement for the transfer of _____'s rights under the Franchise Agreement after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. _____ and _____ acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by ITEX in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations. ITEX has made no representation or guarantee of revenue or profitable results in the future.

3. Communication of Confidential Information. Neither you nor your owners, officers, directors, or other persons enumerated in the Franchise Agreement will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of

the **ITEX CORPORATION** franchise operations manuals, or any other nonpublic information related to the operation of the **ITEX CORPORATION** franchise system. You represent and warrant that neither you nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. You will comply with all the confidentiality requirements of the Franchise Agreement.

Nothing contained in this Agreement will preclude the parties from disclosing the fact of this Agreement or the amount paid by the parties.

4. You will Cease Using ITEX Trade Names, Service Marks, and Logos. Upon completion of the transfer, you will immediately cease using ITEX's trade names, service marks, logos, and other marks, symbols or materials indicating that you are or were related to ITEX in any way, except as otherwise provided in writing. You acknowledge that all such names, service marks, logos, and symbols are the exclusive property of ITEX and that you have been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. You will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to you after termination of the Franchise Agreement, including any applicable non-disclosure, non-solicitation, and non-competition requirements. You will:

- a. deliver to _____ or ITEX all copies of the ITEX Operations Manuals, training videos and franchise related materials in _____'s custody, control or possession;
- b. take action as required to transfer to _____ all registrations relating to the use of all assumed names;
- c. notify the telephone company and all listing agencies of the transfer of your rights to use the franchise names and logos and classified and directory listings of the franchise;
- d. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;
- e. refrain from doing business in any way that might tend to give the public the impression that you still are or were a franchisee in the ITEX system;
- f. fully comply with all provisions of the Franchise Agreement that relate to its expiration or termination.

_____ acknowledges that all copyrights, names, service marks, logos, and symbols related to the Franchise are the exclusive property of ITEX and that _____ has been allowed to use them only with the franchise relationship outlined in the Franchise Agreement.

In further consideration for this Agreement, _____ will deliver to ITEX all ITEX signs and sign fronts in _____'s custody, care or possession. ITEX will arrange and pay for removal, shipping and handling of the signs and sign fronts. This will be done as soon as possible and before _____, 202____.

_____ agrees that ITEX may have one or more of its representatives visit and fully inspect the Franchise Premises to verify these requirements have been met. These visits and inspections may occur any time after _____, 201____ upon at least 48 hours prior written notice. The notice may be sent by regular mail, facsimile transmission or delivered by express mail to the Franchise Premises.

5. Release. You do release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

You represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of the offer of, negotiation of, or execution of the Original Franchise Agreement or any related agreements between the parties, and out of any other action or relationship between the parties including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under the Franchise Agreement, including all the effects and consequences thereof.

This release is intended to waive, release and discharge all claims against ITEX, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the releasing parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The releasing parties, with the advice of legal counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

[This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law].

[This general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.]

6. Miscellaneous Provisions. This writing constitutes the entire agreement between the parties. It supersedes all prior understandings among the parties with respect to its subject matter. This Agreement may not be modified or amended in a manner adverse to any party except by written agreement signed by that party.

Time is of the essence of this Agreement.

Any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

If a dispute arises between the parties, the parties agree to participate in at least six hours of mediation in accordance with the mediation procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. The parties agree to equally share the costs of mediation.

This Agreement is accepted in the State of Washington and will be governed by the laws of Washington, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of any franchise or business opportunity laws. All issues or disagreements relating to this Agreement, will be mediated, tried, heard, and decided in King County, Washington.

This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

This Agreement has been prepared by attorneys representing ITEX. _____ and _____ have each had opportunity to have this Agreement reviewed by attorneys of their own choice.

This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement.

ITEX CORPORATION (“ITEX”):

("We/Us"): **ITEX CORPORATION** (jointly and severally “You”):

By: _____

Signature: _____

an individual

Title: _____

[Company]

By: _____

Title: _____

RENEWAL [INCORPORATION] AND RELEASE AGREEMENT

This Renewal [Incorporation] and Release Agreement ("Agreement") is made this __ day of _____, 201__. It is between **ITEX CORPORATION** ("We/Us") and _____, an individual, and _____ [Company] (jointly and severally "You").

On or about _____, you and we entered into an **ITEX CORPORATION** Franchise Agreement (the "Original Franchise Agreement") for the operation of a **ITEX CORPORATION** franchise at the following location: _____.

You desire to renew the franchise on the terms of our current franchise agreement forms.

[The parties desire to add New Corporation to the Franchise Agreement, subject to and pursuant to the provisions of the Franchise Agreement.]

You desire to release us from any and all claims whatsoever arising out of the negotiation, execution, delivery, and performance of the Original Franchise Agreement.

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

1. Renewal of Franchise Agreement.

- A. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms (the "New Franchise Agreement"). The New Franchise Agreement may vary materially from the Original Franchise Agreement. Continuing Services and Royalty Fees, Advertising Fees, Local Advertising Contributions and other fees will be set at the currently prevailing rates and terms. There is no fee for renewal of the franchise. Unless otherwise agreed, the Franchise Premises will remain at the location designated in the Original Franchise Agreement.
- B. The Original Franchise Agreement, including all appurtenant addenda, certificates, schedules, exhibits, options, and obligations of the parties is terminated as of the effective date of the New Franchise Agreement. The parties agree that this Agreement together with the New Franchise Agreement fully and completely expresses the present understanding between the parties.

[1. Continuation of Franchise Agreement. The Franchise Agreement and all other or prior agreements between ITEX and _____, including all appurtenant addenda, certificates, schedules, exhibits, options, and obligations of the parties shall continue in full force and effect and completely expresses the present understanding between the parties. New Corporation shall be a party to the Franchise Agreement and its addenda as though New Corporation had executed the Franchise Agreement on the date it was created.

ITEX's consent to this Agreement shall not constitute a waiver of any claims it may have against _____.

_____ and New Corporation covenant and agree:

- a. _____ shall remain fully bound by its covenants in the Franchise Agreement.
- b. ITEX is not in default in any way under the Franchise Agreement or any other agreement between _____ and ITEX.
- c. New Corporation agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreement as if New Corporation had been named the original _____ in the Franchise Agreement. New Corporation shall execute all

- documents ITEX or _____ may reasonably require to complete the assumption of the Franchise Agreement.
- d. The lessor or sublessor of the Franchise Premises has consented to the inclusion of New Corporation as a lessee of the Franchise Premises.
 - e. _____ and New Corporation shall provide to ITEX, upon demand, a current list of all owners, shareholders, LLC members, directors, officers, partners, and employees of New Corporation, together with a summary of their respective interests in the Franchise.
 - f. Neither _____ nor New Corporation shall make any public or private offering of its stock or of any other securities without first receiving the written consent of ITEX. Consent may not be unreasonably withheld.
 - g. _____ continuously will own a majority of the issued and outstanding shares of each class of stock of New Corporation.]

2. Communication of Confidential Information. Neither you nor your owners, officers, directors, or other persons enumerated in the Franchise Agreement will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the **ITEX CORPORATION** franchise operations manuals, or any other nonpublic information related to the operation of the **ITEX CORPORATION** franchise system. You represent and warrant that neither you nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. You will continue to comply with all the confidentiality requirements of the New Franchise Agreement. Nothing contained in this Agreement will preclude the parties from disclosing the fact of this Agreement or the amount paid by the parties.

3. Release. You do release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

You represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of the offer of, negotiation of, or execution of the Original Franchise Agreement or any related agreements between the parties, and out of any other action or relationship between the parties including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under the Franchise Agreement, including all the effects and consequences thereof.

These releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The parties, with the advice of their respective counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

[This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law].

[This general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder].

4. Miscellaneous Provisions. This writing constitutes the entire agreement between the parties. It supersedes all prior understandings among the parties with respect to its subject matter. This Agreement may not be modified or amended in a manner adverse to any party except by written agreement signed by that party.

Time is of the essence of this Agreement.

Any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

If a dispute arises, you and we agree to participate in at least six hours of mediation in accordance with the mediation procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. You and we agree to equally share the costs of mediation.

This Agreement will be governed by the laws of Washington, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws does not extend the scope of application of any franchise or business opportunity laws. All issues or disagreements relating to this Agreement, will be mediated, tried, heard, and decided in King County, Washington.

This Agreement has been prepared by attorneys representing ITEX. You have been advised to and have had the opportunity to have this Agreement reviewed by legal counsel and advisors of their choosing and at their choice.

This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement.

("We/Us"): **ITEX CORPORATION** (jointly and severally "You"):

By: _____ Signature: _____
an individual

Title: _____

[Company]

By: _____

Title: _____

(EXHIBIT J)

PROMISSORY NOTE

[Date]

\$ _____

Bellevue, WA

For valuable consideration, receipt of which is hereby acknowledged, [name of franchisee], located at [address] (the “Debtor”), hereby unconditionally promises to pay to ITEX Corporation, or its registered assigns (the “Company”) in lawful money of the United States of America and in immediately available funds at Bellevue, WA or such other place it designates, the principal sum of [amount] Dollars (\$XX,000) together with interest on the outstanding principal amount at the rate of 6.0% per annum from the date of this Note, as follows: _____ Dollars (\$xxx.00) will be withheld twice each Cycle (“Cycle Payments”) from payments ITEX Corporation is required to make to the Debtor under the Franchise Agreement (“Franchise Agreement”) between the parties dated [date] for a total payment of [amount] **each Cycle**, except as provided below.

For purposes of this Note, “Cycle” means the four-week business cycle of ITEX Corporation. Each ITEX fiscal year is divided into 13 Cycles.

Cycle Payments to the Company will commence on [date]. Interest will commence accruing on the outstanding principal and interest balance of this Note on [date]. In the event that a payment during any Cycle is insufficient to pay the installment then due, Debtor will make up any difference by making payment in the form of a check or wire transfer to the Company.

1. **Principal.** The entire unpaid principal amount of this Note shall be paid on or before [date] (the “Maturity Date”). The final Cycle Payment on the Maturity Date shall be [amount], as set forth on the loan amortization schedule attached as Schedule A. Promptly following the payment in full of this Note, the Company shall surrender this Note to Debtor for cancellation.

2. **Payments.** All payments of principal and interest to be made by Debtor in respect of this Note shall be either: (a) withheld from payments ITEX Corporation is required to make to Debtor under its Franchise Agreement; or (b) made in U.S. dollars by wire transfer to an account designated by the Company by written notice to the Debtor or by delivery to the Company, at the address set forth in the register maintained in the principal office of the Debtor or such other address that the Company provides to the Debtor, or by a certified or official bank check payable to the order of the Company, not later than 12:00 p.m. Pacific Standard Time. All payments shall be applied first to accrued interest and the remainder shall be applied to principal. If the due date of any payment in respect of this Note would otherwise fall on a day that is not a Business Day (as defined below), such due date shall be extended to the next succeeding Business Day. All amounts payable under this Note shall be paid free and clear of, and without reduction by reason of, any deduction, set-off or counterclaim. The Debtor may prepay this Note in whole or in part prior to the Maturity Date without penalty. On the Maturity Date the remaining principal balance will be paid, together with any unpaid interest. Debtor understands and agrees that the entire principal balance of this Note shall be paid, together with any accrued and unpaid interest, from the first proceeds of any sale of Debtor’s Franchise or a substantial part of its business.

3. **Events of Default.** “Event of Default,” wherever used herein, means any one of the following events (whatever the reasons for such Event of Default and whether it shall be voluntary or

involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

3.1. in the event that payment is not made by the Debtor within 10 days of the due date of any payment due pursuant to this Note and such nonpayment is not as a result of the Company's failure to apply any net amount due Debtor under the Franchise Agreement;

3.2. any material breach by the Debtor of any term, condition, obligation, covenant, representation or warranty contained in this Note and Debtor's Franchise Agreement;

3.3. the Debtor pursuant to or within the meaning of Bankruptcy Law (as defined below):
(i) commences a voluntary case for relief from its creditors; (ii) consents to the entry of an order for relief against it in an involuntary case for relief from its creditors; (iii) consents to the appointment of a custodian of the Debtor or for any, all or substantially all of the property of the Debtor or (iv) makes a general assignment for the benefit of its creditors;

3.4. a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
(i) is for relief against the Debtor in an involuntary case; (ii) appoints a custodian of the Debtor or for any, all or substantially all of the property of the Debtor; or (iii) orders the liquidation of the Debtor;

3.5. the commencement of any proceeding or the filing of a petition by or against the Debtor under any Bankruptcy Law for liquidation, reorganization or adjustment of debts or for the modification or adjustment of the rights of creditors;

3.6. any material levy, seizure or attachment of any property of the Debtor;

3.7. the dissolution, consolidation, merger or transfer of a substantial part of the property of the Debtor;

3.8. Debtor ceases or threatens to cease to carry on all or a substantial part of its business;

3.9. Debtor is in breach of any material term, condition, obligation, covenant, representation or warranty under any other material agreement to which Debtor is a party;

3.10. Debtor is sued by any of its existing or previous shareholder, directors or officers; or

3.11. Debtor closes, sells or transfers its ITEX franchise or the management rights to any portion of the assigned member base without the prior, express written consent of the Company.

4. Acceleration of Note. If an Event of Default occurs and is continuing, then and in every such case the Company may declare the outstanding principal amount and accrued interest of this Note to be due and payable immediately, by a notice in writing to the Debtor, and upon any such declaration such principal and accrued interest shall become immediately due and payable. Notwithstanding the foregoing, if an Event of Default referenced in Section 3.3, 3.4, 3.8 or 3.11 occurs, the outstanding principal amount and accrued interest of this Note shall automatically become due and payable immediately without any declaration or other action on the part of the Company all of which are hereby expressly waived by the Debtor. At any time after the outstanding principal amount and accrued interest of this Note shall become immediately due and payable and before a judgment or decree for payment of the money due has been obtained, the Company, by written notice to the Debtor, may rescind and annul any acceleration and its consequences. Time is of the essence hereof and if any Event of Default has occurred and is continuing, the principal amount due under this Note shall: (i) continue as an obligation of the Debtor until fully paid, and (ii) the Debtor further agrees to pay all costs and expenses incurred by the Company in collecting or

enforcing payment to the extent allowed by law and all other sums owed by the Debtor under this Note or under any applicable security agreement. Payment may be enforced and recovered in whole or in part at any time by one or more of the remedies provided to the Company in this Note. The remedies of the Company shall be cumulative and concurrent and may be pursued singularly, successively or together, at the sole discretion of the Company, and may be exercised as often as occasion therefore shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof;

4.1 If an Event of Default occurs and is continuing, in addition to the remedies provided to the Company in this Note, the Company may exercise its Step-In Rights under Section 7.6 of the Franchise Agreement to operate Debtor's ITEX franchise as long as the Company reasonably believes it is necessary, or in any event until the obligation of the Debtor under this Note is fully paid, together with repayment of all costs and expenses incurred by the Company as a result of the exercise of its Step-In Rights.

5. All Notes Equal. This Note may be one of a series of duly authorized Promissory Notes of the Debtor or an Affiliate of the Debtor, of like tenor and effect issued pursuant to another agreement with ITEX Corporation, except for variations necessary to express the name of the maker, the principal amount of each Note, and the date of issue (the "Notes"). All such Notes shall rank equally, without preference or priority of any kind over one another, and all payments on account of principal and interest with respect to any and all of the Notes shall be applied ratably and proportionately to all outstanding Notes on the basis of the principal amount of outstanding indebtedness represented thereby.

6. Priority. This Note shall not be subordinate or junior to any of the Debtor's obligations incurred prior to or after the date of this Note, except as required or permitted by law or as otherwise agreed to by the Company, excluding a primary residence.

7. Definitions. The following terms shall have the meanings set forth below:

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law or the law of any other jurisdiction for the relief of Debtor.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in the State of Washington are authorized or obligated to close.

8. Successors. All agreements of the Debtor in this Note shall bind its successors and permitted assigns. This Note shall inure to the benefit of the Company and its successors and permitted assigns. This Note may be transferred by the Company at any time without the consent of the Debtor, subject to compliance with applicable federal and state securities laws. The Company shall give prior written notice to the Debtor of any transfer of this Note.

9. Delegation. The Debtor shall not delegate or assign any of its obligations hereunder without the prior written consent of The Company.

10. Waivers. The Debtor waives demand, presentment for payment, notice of dishonor, protest, notice of protest and notice of non-payment of this Note. The Company shall not be deemed by any act of omission or commission to have waived any of its rights or remedies hereunder unless such waiver is in writing and expressly stated as such and signed by the Company and then only to the extent specifically set forth in the writing. A waiver of one event shall not be construed as continuing or a bar to or waiver of any right or remedy to a subsequent event.

11. Notices. All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and shall be deemed to have been delivered (i) upon receipt, if delivered personally, (ii) upon acknowledgment of receipt, if delivered by e-mail, (iii) the

following business day, if sent by a reputable overnight courier service, or (iv) five (5) business days after having been sent by registered or certified mail with postage prepaid, in each such case addressed to the respective parties at the addresses set out below or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(a) If to Debtor, at the address first set forth above in this Note, or at such other address or facsimile number as Debtor shall have furnished the Company in writing, or by email at _____.

(b) If to the Company, at ITEX Corporation, 13555 SE 36th Street, Suite 210, Bellevue, Washington 98006, Attn: Steve White, or at such other address or facsimile number as the Company shall have furnished to the Debtors in writing, or by email at _____.

12. Amendments, Waivers or Termination. Any term of this Note may be amended or waived only with the written consent of the Debtor and the Company. Any amendment or waiver effected in accordance with this Section 12 shall be binding upon the Company and each transferee of this Note and the Debtor.

13. Governing Law. This Note and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

IN WITNESS WHEREOF, the Debtor has caused this Note to be signed by its duly authorized officer as of the date set forth above.

THE DEBTOR:

By: _____

I, _____, hereby personally unconditionally and continuously guarantee to the Company the full and timely performance by Debtor of all the terms and conditions of this Note, together with interest.

Name

(EXHIBIT K)

APPLICATION FOR ITEX FRANCHISEE APPOINTMENT

I am interested in becoming a franchisee of ITEX Corporation (“ITEX”). The following information is given voluntarily with the assurance that it will be held in strict confidence. As required by the Fair Credit Reporting Act (FCRA) ITEX advises me that it may obtain a report from a consumer reporting agency which will provide applicable information concerning my credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living. I understand that, upon written request, additional information as to the nature and scope of the inquiry, if one is made, will be provided to me.

1. APPLICANT INFORMATION

| | | |
|------------------|-------------------|------|
| Applicant’s Name | Home Phone Number | Cell |
|------------------|-------------------|------|

| | | | |
|-----------------|------|-------|-----|
| Mailing Address | City | State | Zip |
|-----------------|------|-------|-----|

How Long at this address? _____

Email address

| | |
|---------------|----------|
| Spouse’s Name | Employer |
|---------------|----------|

2. BUSINESS INFORMATION

| | |
|--------------------------|---------------------------|
| Applicant’s Company Name | Business Telephone Number |
|--------------------------|---------------------------|

| | | | |
|-----------------------------|------|-------|-----|
| Applicant’s Company Address | City | State | Zip |
|-----------------------------|------|-------|-----|

Ownership Type:

☐ Proprietorship ☐ Corporation ☐ LLC ☐ Partnership

If Application is for a business entity, please give the name(s) of Owners, Members or Partners:

Describe Business Activities: _____

3. EDUCATION

"X" Last year completed High School

| | | | |
|---|----|----|----|
| | | | |
| 9 | 10 | 11 | 12 |

College/
University

| | | | | |
|---|---|---|---|----|
| | | | | |
| 1 | 2 | 3 | 4 | 5+ |

Designation or Degree obtained: _____

Describe any training in sales, management or communications: _____

4. REAL ESTATE OWNED

| Brief Description | Current Value | Lender | Balance Owning |
|-------------------|---------------|--------|----------------|
|-------------------|---------------|--------|----------------|

| Brief Description | Current Value | Lender | Balance Owning |
|-------------------|---------------|--------|----------------|
|-------------------|---------------|--------|----------------|

5. PREVIOUS EMPLOYMENT HISTORY

Please list all positions held over the past 5 years.

| TO: MM/YY | FROM: MM/YY | COMPANY NAME | PHONE # | POSITION HELD | REASON FOR LEAVING |
|--------------|----------------|--------------|---------|------------------|-----------------------|
| | | | | | |
| | | | | | |
| | | | | | |

Explanation of gaps in employment: _____

6. CHARACTER REFERENCES

Please provide two personal references that may be contacted:

| <i>NAME</i> | RELATIONSHIP | OCCUPATION | TELEPHONE # | YEARS KNOWN |
|-------------|---------------------|-------------------|--------------------|------------------------|
| | | | | |
| | | | | |

7. OTHER INFORMATION

Have you ever been convicted of a felony? ☐ Yes ☐ No

Have you ever been refused a surety bond or a continuance of a surety bond? ☐ Yes ☐ No

Have you or any company you controlled ever filed for bankruptcy? ☐ Yes ☐ No

Have you in the last 5 years been involved in any type of litigation? ☐ Yes ☐ No

If you answered YES to any of the above, please give details: _____

8. AUTHORIZATION AND SIGNATURE

I authorize ITEX to obtain and use a consumer report with respect to me and to investigate all other statements. I expressly authorize ITEX to contact any of my prior employers or references listed above. I also expressly release all of those prior employers and ITEX from any and all liability arising from the information provided by my prior employers about my employment history. I certify that the statements on this application are true and accurate.

Signature: _____

Printed Name: _____

Date: _____

TELL US MORE ABOUT YOURSELF

1. How did you hear about ITEX?

2. What are some of the reasons why you are looking at becoming an ITEX franchisee?

3. What qualities do you possess that will help you succeed as an ITEX Franchisee and why will they help you?

4. Describe your strongest quality.

5. Describe your weakest quality.

6. Give a brief summary of any experience in business management, sales, marketing or computer skills.

7. Describe how, where, and when you would like to open your ITEX franchise office.

8. Briefly describe the types of accounts you will enroll first and how you will approach them (i.e. personal contacts, referrals, cold calls, center of influence, etc.)

AUTHORIZATION TO OBTAIN RECORDS AND OTHER INFORMATION

I hereby authorize ITEX and its designated agents and representatives to conduct a comprehensive review of my background causing a consumer report and/or an investigative consumer report to be generated for possible Franchise purposes.

I understand that the scope of the consumer report/investigative consumer report may include, but is not limited to the following areas: verification of social security number, credit reports, current and previous residences, civil and criminal history records from any criminal justice agency in any or all federal, state, county jurisdictions, driving records and any other public records.

I further authorize any individual, company, firm, corporation, or public agency to divulge any and all information, verbal or written, pertaining to me, to ITEX or its agents.

Please Print Clearly

Date Form Completed

First Name

**Full Middle Name
(No Initials)**

Last Name

Other Names Previously Used

Date Last Used Other Names

Street Address

Date of Birth

Previous States

City State Zip Code

Social Security Number

Signature (First, Middle, and Last Name)

Driver's License # State

(EXHIBIT L)

ITEX CORPORATION
FRANCHISE OPERATIONS MANUAL
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(Approximately 258 Pages)

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State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|--------------|-----------------------|
| California | Pending |
| Hawaii | -- |
| Illinois | November 9, 2023 |
| Indiana | Pending |
| Maryland | -- |
| Michigan | Pending |
| Minnesota | Pending |
| New York | -- |
| North Dakota | -- |
| Rhode Island | -- |
| South Dakota | -- |
| Virginia | -- |
| Washington | November 9, 2023 |
| Wisconsin | -- |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT M
RECEIPT**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this franchise disclosure document and all agreements carefully.

If **ITEX Corporation** offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If **ITEX Corporation** does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the applicable state franchise agency listed in Exhibit A.

The name, principal business address, and telephone number of the franchise seller offering the franchise follows: Brian Argetsinger, **ITEX CORPORATION**, 13555 SE 36th Street, Suite 210, Bellevue, Washington 98006, (425) 463-4000.

The issuance date of this Franchise Disclosure Document is October 12, 2023

We authorize the state agents listed in Exhibit A to receive service of process for us in the respective states.

I have received a disclosure document dated October 12, 2023 that included the following Exhibits:

| | |
|---|---|
| A. List of State Franchise Administrators and Agents for Service of Process | H. Trade Name Filing Information |
| B. List of Franchisees and Former Franchisees | I. Transfer, Termination, Renewal, Release Agreements |
| C. Audited Financial Statements | J. Application for Franchise Appointment |
| D. Franchise Agreement | K. Promissory Note |
| E. Conditional Assignment of Phone Number | L. Operations Manual Table of Contents |
| F. Abandonment, Relinquishment and Termination of Assumed Business Name | M. Receipt |
| G. State-Specific Disclosures and Addendums to Agreements | |

Signatures of All Prospective Franchisees: _____

_____ Date Received

Individuals: _____

Name of Corporation/LLC/Partnership: _____

By: _____

Title: _____

ALL INDIVIDUALS WHO WILL SIGN THE FRANCHISE AGREEMENT MUST SIGN THIS ACKNOWLEDGMENT. IF THE FRANCHISE AGREEMENT WILL ALSO BE EXECUTED BY A CORPORATION OR LIMITED LIABILITY COMPANY, AN OFFICER OR OWNER AUTHORIZED TO RECEIVE THIS DISCLOSURE DOCUMENT ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT. IF THE FRANCHISE AGREEMENT WILL BE EXECUTED BY A PARTNERSHIP, THEN ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

RECEIPT

ITEX FDD+FA (10-12-23)

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Date Received

Individuals: _____

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

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RECEIPT

