

The Most Powerful Name In Corporate News and Information

ITEX Corp. is Focused on Being the Hub of Cashless Transactions to Allow Small Businesses to Buy and Sell to Each Other – Utilizing the ITEX Dollar Digital Currency Across the United States



CONNECT • TRADE • SAVE

Services
Business Services
(ITEX-OTC: BB)



Steven White
Chairman, President, CEO
and Director

BIO:

Steven White has been a director of the Company and served as its Chairman since February 2003. Mr. White has served as CEO of the Company since June 2003. Mr. White was President of Lakemont Capital, Ltd., a business advisory firm from

2002 to 2004. He was the Chairman and CEO of Ubarter.com, a public company. Ubarter.com was an on-line payment processor for cashless transactions, originally founded by Mr. White in 1983 as Cascade Trade Association. In June 2000, Mr. White directed the sale of Ubarter.com to Network Commerce, an Internet-based technology infrastructure and services company. From June 2000 to June 2001, Mr. White was a Senior Vice President of Network Commerce.

Company Profile:

ITEX, The Membership Trading Community^(SM), is a thriving network of participating member businesses. Members increase sales through an exclusive distribution channel managed by franchisees, licensees and corporate-owned locations, by utilizing ITEX dollars to exchange goods and services. ITEX is powered by ITEX Payment Systems, the leading payment technology platform for processing cashless business transactions. ITEX is headquartered in Bellevue, WA.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. White, what was the vision for ITEX and where are you today?

Mr. White: The ITEX vision is to be the hub of cashless transactions in order for small businesses to buy and sell to each other, utilizing our digital currency across the country.

CEOCFO: Is this a barter system?

Mr. White: It is a barter system. We invented a cashless processing system and built a multi-office network across the United States and Canada. Customers do not pay cash for the product or service they are acquiring within our trading community. They use the barter currency we refer to as the ITEX dollar.

CEOCFO: Who is using your services?

Mr. White: Predominantly, it is the small business owner with ten employees or less. It's this size customer that receives the most value from a localized barter system; it is the local dentist, local landscaper, and the local restaurant. It does not exclude a national chain, but they just do not seem to utilize a barter system the way that we have it structured. Therefore, it is primarily the sole business owner, small corporation type of company.

CEOCFO: How does it work logistically?

Mr. White: We need some basic business information to make sure you are a qualified business, and you service a local community. It is easier to say what we are not. We are not an online trading market place, where people are trading commodities or products that ship across the country. It is mainly about small businesses in a local community; so they join the system, and we open an account in the business name. You receive a printed ITEX checkbook so that you can actually pay with a paper check for a purchase that you may make with one of the other customers. You deposit that check, either with one of our ninety local offices across the

country or you may deposit it through an online system that we created. It will credit deposits into your account, and debit the buyer's account. It is basically like a bank checking account although there is no cash at the end of the day.

CEOCFO: Why is it a better way to do things for these companies?

Mr. White: Barter conserves the small business owner's cash number one, and for a business owner the toughest part of business is getting customers. The small business owner has to do their marketing, they have to do their sales and a lot of time, they have to physically do the work. However, the most difficult part is getting that new customer and when you are allowed to buy something with basically your future service or product from another customer, it is in lieu of writing a cash check. Therefore, it helps your bottom line, and helps you get new customers, so it is a simple two-pronged benefit.

CEOCFO: What is your geographic reach?

Mr. White: We are in 44 U.S. markets and 3 Canadian markets with 90 locations. Our corporate headquarters is in Bellevue Washington, just east of Seattle. Our biggest market is California, and the second biggest market is Florida. California is close to 10% of our business, and Florida is near 9% of our business. Canada amounts to about 7% of our business, so every market is fairly healthy for us. When you have only 10% coverage for the whole state of California, we are not relying on any particular area; it is a wide swath of compatible businesses.

CEOCFO: Why those particular markets and are there areas you would like to be more dominant?

Mr. White: I do not know why those two markets have gotten a little more traction. For us, in every market that we have presence, we would like to be ten times that size. We are not trying to populate with our customers any specific geographic area. It is more the areas where we have presence that have doubled, tripled, or quadrupled the number of customers in that area. We have good coverage

across the country, so it is just adding more small businesses to those existing offices that already exist.

CEOCFO: How do you reach potential members?

Mr. White: We have a nice online presence with free registration, so that anyone can go to ITEX.com and register for free and give the system a try. We still use a direct sales method where our local offices' number one responsibility is to bring in new customers to the marketplace and educate them on how to use the barter system. On one hand, it is very easy to use; yet on the other hand, since most people do not barter every day, there is a little bit of initial hand-holding that goes on.

CEOCFO: What is the revenue model?

Mr. White: We have two revenue streams. First, there is a transaction fee of 6% to the buyer and the seller.

ITEX vision is to be the hub of cashless transactions in order for small businesses to buy and sell to each other, utilizing our digital currency across the country. - Steven White

In addition, there is a \$20 subscription fee every four weeks just to participate within the system. Seventy percent of our revenue are transaction fees, 28% are the subscription fees and 2% comes from small ancillary fees.

CEOCFO: How has the economic downturn affected ITEX?

Mr. White: The downturn in the economy has caused us to work harder to maintain our customer base. Small businesses are hit pretty hard when an economic downturn occurs, so we are losing more. In addition, more people are going out of business or finding new ways to maintain their livelihood. On the flipside, we are registering almost double the amount of customers in any given month than we did three years ago. This is because people are looking for ways to generate new revenue channels, new sales channels and a barter system is a great way to accomplish this. At the end of the day, we are at the same spot we were 2 years ago, with low single digit growth because we have

more people coming in, but at the same time, we have more people going out.

CEOCFO: What is the competitive landscape and what about the industry in general?

Mr. White: The industry is fragmented. There are local exchanges in most major cities and there is one other multi-city office, structured similar to ITEX. Our nearest competitor has less than twenty locations and everybody else is basically a one-office localized type barter exchange. The competition that we really have is the efficiencies that the Internet has brought and how people can buy and sell to each other which limits our value proposition to a degree because it is reasonably easy to buy and sell to businesses these days. We are a unique sales channel, but we have that competitive pressure from the Ebays, Amazons and Groupons of the world. However, we feel we have a valuable solution and we just keep trying to get our message out there to the small business community.

CEOCFO: What is the financial picture like for ITEX today?

Mr. White: ITEX is in very good shape. We have revenues just under \$17 million for the fiscal year that ended July 31st, generating \$2 million in cash flow. We are debt-free with \$5.5 million in the bank and 4 million shares of stock outstanding.

CEOCFO: Do you see a consolidation in the industry and are you looking for any kind of acquisitions?

Mr. White: We are always looking at acquisitions. It comes down to the valuation, when an owner is willing to sell and whether it is worth it to buy. Right now, I don't see anything heating up that is going to consolidate the industry at all. ITEX is certainly in the best position for our size, with a strong balance sheet, plus a \$3 million unused credit line from US Bank. We certainly could be the consolidator, but there is nothing really pressing some of these small exchange owners to sell. Something we are not going to do is acquire just for the sake of acquiring or building our revenue number if we don't feel we can

achieve a reasonable ROI for that capital investment. There is nothing wrong with having a little money in the bank or increasing it.

CEO CFO: Are there any kind of companies or services that are not involved with barter now that you think will be good targets and just don't realize they should be looking, or any particular areas you might be focusing on for new business?

Mr. White: The type that best fits and should have more traction is the hospitality industry. Those are hotels, caterers and restaurants, among others. When you think of a hotel room that is vacant for the night, the revenue lost on that empty room is never coming back; it is simply gone forever. It seems to me we should have

more traction in that field, so that would be an area we would like to try to attract which would assist the travel industry at the same time. We could help our small business owners travel, help the hotel operator fill their empty rooms and then as a by-product, occupy their empty local restaurant table in their hotel. That would certainly be an area we would like to see a little more visibility.

CEO CFO: Why should potential investors be interested in ITEX?

Mr. White: We have an excellent, scalable opportunity; we are the leader in our field, which is a cashless barter system. We have a strong balance sheet, no debt, cash in the bank, good access to credit, and a stable revenue stream. We pay a dividend

of \$0.16 a year per share, currently yielding about 4%. This is obviously very good from an investment point of view. If we ever break the marketing code to get more small businesses into our system, we are not a \$17 million company anymore. There is the potential of a 10 X on our growth, and in the meantime, the downside is very limited.

CEO CFO: Final thoughts, what should people remember most when they read about ITEX?

Mr. White: We are proud of our strong balance sheet; we have a conservative management team that understands the proper way to minimize risk, and we are the #1 barter company in North America.



CONNECT • TRADE • SAVE

ITEX Corp.
3326 160th Avenue SE, Suite 100
Bellevue, WA 98008-6418
Phone: 425-463-4000