



Edgar Filing: MARCHEX INC - Form 10-K/A

Title of Each Class                      Name of Exchange on Which Registered  
Class B Common Stock,              The NASDAQ Stock Market LLC

\$0.01 par value per share      (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.    Yes      No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.    Yes      No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    Yes      No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).    Yes      No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

|  |                           |
|--|---------------------------|
| Large accelerated filer  | Accelerated filer         |
| Non-accelerated filer      (Do not check if a smaller reporting company) | Smaller reporting company |
|  | Emerging growth company   |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$100,718,117 as of June 30, 2017 based upon the closing sale price on the NASDAQ Global Select Market reported for such date. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

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There were 5,056,136 shares of the registrant's Class A common stock issued and outstanding as of April 23, 2018 and 39,041,009 shares of the registrant's Class B common stock issued and outstanding as of April 23, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form 10-K/A: None.

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EXPLANATORY NOTE

Marchex, Inc. (the “Company,” “we,” “us,” “our,” or “Marchex”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “Form 10-K”), as originally filed with the United States Securities and Exchange Commission (the “SEC”) on March 14, 2018. The purpose of this Amendment is to include Part III information which was to be incorporated by reference from our definitive proxy statement for our 2018 Annual General Meeting of Stockholders. This information was previously omitted from the 10-K in reliance on General Instruction G(3) to Form 10-K, which permits the Part III information to be incorporated in our Form 10-K by reference from our definitive proxy statement if such statement is filed no later than 120 days after our fiscal year-end. We are filing this Amendment to include Part III information in our Form 10-K because a definitive proxy statement containing such information will not be filed by the Company within 120 days after the end of the fiscal year covered by our Form 10-K. The reference on the cover to the Form 10-K to the incorporation by reference to portions of our definitive proxy statement into Part III of the Form 10-K is hereby deleted.

In accordance with Rule 12b-15 under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), the cover page to the Form 10-K, Part III, Items 10 through 14 of our Form 10-K are hereby amended and restated in their entirety. In addition, new certifications of our principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are attached, each as of the filing date of this Amendment. This Amendment does not amend or otherwise update any other information in our 10-K. Accordingly, this Amendment should be read in conjunction with our Form 10-K and with our filings with the SEC subsequent to our Form 10-K.

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In Marchex's filings with the SEC, information is sometimes "incorporated by reference." This means that we refer you to information previously filed with the SEC that should be considered as part of the particular filing. As provided under SEC regulations, the "Compensation Committee Report" contained in this Amendment specifically is not incorporated by reference into any other filings with the SEC and shall not be deemed to be "filed" with the SEC. In addition, this Amendment includes a website address. This website address is intended to provide inactive, textual references only. The information on this website is not part of this Amendment.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

## Directors

The Board of Directors currently consists of four (4) individuals. Directors are elected to hold office until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The names and the respective ages of our directors are set forth below:

| Name                                     | Age | Position   | Director Since |
|--|-----|--|----------------|
| Dennis Cline <sup>(1)(2)(3)</sup>        | 57  | Director   | May 2003       |
| Anne Devereux-Mills <sup>(1)(2)(3)</sup> | 56  | Chairman of the Board of Directors                     | October 2006   |
| Russell C. Horowitz                      | 51  | Executive Director and member of the Office of the CEO | August 2017    |
| M. Wayne Wishart <sup>(1)(2)(3)</sup>    | 72  | Director   | November 2008  |

<sup>(1)</sup>Member of the Audit Committee.

<sup>(2)</sup>Member of the Nominating and Governance Committee.

<sup>(3)</sup>Member of the Compensation Committee

Set forth below is a description of the business experience of each current director, including a discussion of the specific experience, qualifications, attributes and skills that led our Board of Directors to conclude that those individuals should serve as our directors.

**Dennis Cline.** Mr. Cline has served as a member of our Board of Directors since May 2003. Since 2013, Mr. Cline has served on the board of advisors of Blackstratus, a provider of security information event management products and services. Previously, Mr. Cline served on the board of directors of TraceSecurity, a provider of cloud-based security solutions, from 2003 to 2015. From 2004 to 2006, Mr. Cline served as Chief Executive Officer and Executive Chairman of netForensics, a provider of security event information management. Prior to joining netForensics as its Chief Executive Officer, Mr. Cline was Managing Partner of DMC Investments, a firm he founded in 2000, which provides capital and consulting services to technology companies. From 1988 to 2000, Mr. Cline was the CEO of DirectWeb, a provider of computer hardware and Internet access for consumers. Prior to DirectWeb, Mr. Cline was a senior executive at Network Associates, a provider of computer security solutions. Mr. Cline received his J.D. from Rutgers School of Law and his B.A. from Rutgers University. Mr. Cline brings extensive governance, marketing, sales and broad management expertise to the board.

**Anne Devereux-Mills.** Ms. Devereux-Mills has served as a member of our Board of Directors since October 2006 and as Chairman of our Board Directors since October 2016. With over 25 years of experience in the marketing and advertising industries, Ms. Devereux-Mills now serves as the Chief Strategy Officer and a member of the Board of Directors of Lantern, a mobile technology provider for mental health and wellness programs. Prior to these current roles, Ms. Devereux-Mills served as Chairman of LLNS, a division of Omnicom Group Inc. (NYSE: OMC) from May 2006 to April 2012 and served as Chief Executive Officer of LLNS from May 2006 to September 2010. LLNS is a leading healthcare communications agency. Prior to joining LLNS, from February 2003 to May 2006, Ms. Devereux-Mills was the Chief Integration Officer as well as Managing Director of all health-related assignments within BBDO New York, an advertising agency. Before joining BBDO New York, from April 2002 to February 2003, Ms. Devereux-Mills was President of Dugan Valva Contess, an independent communications agency. From January 1996 to April 2002, Ms. Devereux-Mills was President and Founder of Consumer Healthworks which then became Merkle Newman Harty Healthworks, one of the first agencies to specialize in direct-to-consumer advertising for healthcare brands. Ms. Devereux-Mills received a B.A. degree from Wellesley College. Ms. Devereux-Mills brings extensive marketing and advertising expertise to the board.

**Russell C. Horowitz.** Mr. Horowitz is a founder of our Company and has served as Executive Director since August 2017 and as a member of the Office of the CEO since October 2016. Immediately prior, Mr. Horowitz, served as a consultant to the Company from May of 2016 through August 2017. Prior to serving as a consultant to the Company,

Mr. Horowitz served as Executive Director from February 2015 to May 2016 and as CEO, Treasurer and Chairman of the Board from inception to February 2015. Mr. Horowitz was previously a founder of Go2Net, a provider of online services to merchants and consumers, including merchant Web hosting, online payment authorization technology, and Web search and directory services. He served as its Chairman and Chief Executive Officer from its inception in February 1996 until its merger with InfoSpace in October 2000, at which time Mr. Horowitz served as the Vice Chairman and President of the combined company through the merger integration process. Additionally, Mr. Horowitz served as the Chief Financial Officer of Go2Net from its inception until May 2000. Prior to Go2Net, Mr. Horowitz served as the Chief Executive Officer and a director of Xanthus Management, LLC, the general partner of Xanthus Capital, a merchant bank focused on investments in early-stage companies, and was a founder and Chief Financial Officer of Active Apparel Group, now Everlast Worldwide.

Mr. Horowitz received a B.A. in Economics from Columbia College of Columbia University. Mr. Horowitz brings historic knowledge and continuity together with extensive operational and industry expertise to the board.

M. Wayne Wishart. Mr. Wishart has served as a member of our Board of Directors since November 2008. From February 2010 to November 2010, Mr. Wishart served as Chief Financial Officer for All Star Directories, a publisher of online and career school directories. Mr. Wishart previously served as the Chief Financial Officer of aQuantive, Inc. (formerly Avenue A Media, Inc.), a leading global digital marketing company, which was acquired by Microsoft in August 2007. Prior to aQuantive, Mr. Wishart served as Chief Financial Officer of Western Wireless Corporation, a cellular phone service provider, which was acquired by Alltel in August 2005. Mr. Wishart also served as the Chief Financial Officer from 2000 to 2002 of iINNERHOST, Inc., a Web hosting service's company, as President and Chief Executive Officer from 1999 to 2000 of TeleDirect International Inc., a company that provide customer interaction systems, and as the President and Chief Executive Officer from 1997 to 1998 of Price Communications Wireless. Mr. Wishart also serves on the Board of Directors of Centri Technology, Inc. Mr. Wishart received a B.S. degree in Business from the University of Missouri-St. Louis. Mr. Wishart brings extensive financial and accounting expertise to the board.

#### Executive Officers

Our executive officers, their positions with the Company and their respective ages, are as follows:

| Name                | Age | Position   |
|---------------------|-----|--|
| Michael Arends      | 47  | Chief Financial Officer and member of the Office of the CEO                                  |
| Ethan Caldwell      | 49  | Chief Administrative Officer, General Counsel, Secretary and member of the Office of the CEO |
| Russell C. Horowitz | 51  | Executive Director and member of the Office of the CEO                                       |

Biographical information for our executive officer who also serves as a director is set forth above. Biographical information for all other executive officers is set forth below.

Michael Arends. Mr. Arends has served as our Chief Financial Officer since May 2003 and as a member of the Office of the CEO since October 2016. Prior to joining Marchex, Mr. Arends held various positions at KPMG since 1992, most recently as a Partner in KPMG's Pacific Northwest Information, Communications and Entertainment assurance practice. Mr. Arends is a Certified Public Accountant and a Chartered Accountant and received a Bachelor of Commerce degree from the University of Alberta.

Ethan Caldwell. Mr. Caldwell is a founder of our Company and has served as our Chief Administrative Officer, General Counsel and Secretary since our inception in January 2003 and as a member of the Office of the CEO since October 2016. Mr. Caldwell was previously Senior Vice President, General Counsel and Corporate Secretary of Go2Net, from November 1996, until its merger with InfoSpace through December 2000. Mr. Caldwell received his J.D. from the University of Maryland and his B.A. in Political Science from Occidental College.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, officers and persons who beneficially own more than 10% of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership. Directors, officers and 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on review of the copies of such reports the Company has received, or written representations that no other reports were required for those persons, the Company believes that its directors, officers and 10% stockholders



complied with all applicable filing requirements during 2017.

#### Code of Conduct and Code of Ethics

The Company has adopted a code of conduct applicable to each of the Company's officers, directors and employees, and a code of ethics applicable to the Company's Chief Executive Officer, Chief Financial Officer and the Company's senior financial officers, as contemplated by Section 406 of the Sarbanes-Oxley Act of 2002 and both codes are available on our website at [www.marchex.com](http://www.marchex.com).

#### Audit Committee

The Audit Committee is currently comprised of Messrs. Cline, Wisehart (Chair) and Ms. Devereux-Mills. Each of the members of the Audit Committee is independent for purposes of the NASDAQ listing standards as they apply to Audit Committee members. Messrs. Cline and Wisehart are Audit Committee financial experts, as defined in the rules of the

Securities and Exchange Commission. The Audit Committee operates under a charter that is available on our website at [www.marchex.com](http://www.marchex.com). The functions of the Audit Committee include reviewing, with the Company's independent registered public accounting firm, the scope and timing of the independent registered public accounting firm's services, the independent registered public accounting firm's report on the Company's consolidated financial statements and internal control over financial reporting following completion of the Company's audits, and the Company's internal accounting and financial control policies and procedures, and making annual recommendations to the Board of Directors for the appointment of independent registered public accounting firm for the ensuing year. The Audit Committee held nine meetings and took action by written consent on six occasions during the fiscal year ended December 31, 2017.

## ITEM 11. EXECUTIVE COMPENSATION.

### Compensation Discussion and Analysis

#### The Role of Stockholder Say-on-Pay Votes

In August 2017, we held a stockholder advisory vote to approve the compensation of our named executive officers (the "say-on-pay proposal"). Our stockholders overwhelmingly approved the compensation of our named executive officers, with approximately 89% of stockholder votes cast in favor of the say-on-pay proposal. The Compensation Committee believes this affirms the stockholders' support of our approach to executive compensation, and did not change its approach in 2017.

The Compensation Committee will continue to consider the outcome of our say-on-pay votes when making future compensation decisions for the named executive officers.

#### Overview

We established an Office of the CEO currently consisting of Michael Arends, Ethan Caldwell and Russell C. Horowitz and subject to oversight by our Chairman, Anne Devereux-Mills in connection with our CEO resignation in October 2016. The Office of the CEO performs the duties and responsibilities of the CEO. Gary Nafus previously served as a member of the Office of the CEO until his resignation effective March 31, 2017.

Our "named executive officers", or "NEOs", are:

|                     |   |
|---------------------|---|
| Michael Arends      | Chief Financial Officer and member of the Office of the CEO   |
| Ethan Caldwell      | Chief Administrative Officer, General Counsel, Secretary and member of the Office of the CEO                                      |
| Russell C. Horowitz | Executive Director and member of the Office of the CEO  |
| Gary Nafus          | Former Chief Revenue Officer and former member of the Office of the CEO, who ceased serving as an executive officer in March 2017 |

You can find detailed information regarding the compensation we paid to our NEOs in the tables that begin on page 9.

Our executive compensation programs are intended to serve two related goals:

**Long-Term Retention of our Strong Management Team.** We believe that our continued success depends on our ability to retain our experienced, complementary and dedicated management team. Although we always consider the ultimate interest of our stockholders in setting NEO compensation, we also must acknowledge that our executives face many career options and we therefore must provide strong incentives for them to continue to participate in our growth.

**Long-Term Growth in Stockholder Value.** We believe that management compensation packages should reflect as much as possible the risk and opportunity experienced by our stockholders. As a result, we strongly emphasize performance-based compensation arrangements which reward NEOs for contributions to our long-term growth and

overall corporate success.

We believe that this long-term focus will appropriately reward our management team for performance that will most benefit our Company and stockholders. We think that a focus on shorter-term results could inappropriately over- or under-compensate our executives due to short-term fluctuations that do not as accurately reflect our corporate growth and the corresponding benefit to our stockholders.

Our “long-term” emphasis results in NEO compensation packages that are weighted significantly towards long-term equity grants, with a relatively low proportion of NEO compensation derived from cash salaries. Annual cash bonuses to our NEOs are generally paid under our annual incentive plan, which ties such bonus payments directly to our annual corporate performance.

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The Compensation Committee is responsible for setting the compensation and benefits for our executive officers, to determine distributions and grants of awards under our various stock and other incentive plans and to assume responsibility for all matters related to the foregoing. Meetings of the Compensation Committee are called by the chair of the committee and the chair sets the agenda for each committee meeting. In performing its responsibilities, the Compensation Committee typically invites, for all or a portion of each meeting, members of the Office of the CEO and other members of management to its meetings. Members of the Office of the CEO meet with the Compensation Committee on an ongoing basis to discuss the objectives and performance of Marchex's NEOs. For compensation decisions relating to our executive officers, the Compensation Committee considers recommendations from members of the Office of the CEO, who utilize various industry compensation surveys as part of our company wide annual compensation review process. After receipt and discussion of such recommendations with members of the Office of CEO, the Compensation Committee meets to ultimately determine the compensation packages for each of our executive officers. Members of the Office of the CEO do not participate in deliberations regarding their individual compensation.

#### Role of a Compensation Consultant

The duties of any compensation consultant we engage are generally to evaluate executive compensation, perform an analysis on realized pay alignment with financial and stock performance, discuss general compensation trends, provide competitive market practice data and benchmarking, participate in the design and implementation of certain elements of the executive compensation program and assist our chief executive officer in developing compensation recommendations to present to the Compensation Committee for the executive officers other than himself. The Compensation Committee may accept, reject or modify any recommendations by compensation consultants or other outside advisors. The compensation consultant does not make specific recommendations on individual amounts for the executive officers or the independent directors, nor does the consultant determine the amount or form of executive and director compensation.

In February 2016, the Compensation Committee engaged Pearl Meyer & Partners, LLC ("Pearl Meyer") as its independent compensation consultant. The Compensation Committee conducted an assessment of Pearl Meyer's independence relative to standards prescribed by the SEC and determined that no conflicts existed. Historically, the Company has not used a compensation consultant for executive compensation matters and the Company did not use a compensation consultant for the 2017 period.

#### NEO Compensation for 2017

Our Compensation Committee in reviewing our executive compensation packages assesses salary, salary history, the number and value of shares owned by our executives, prior equity grants and vesting and exercise history. The Compensation Committee also considers data regarding compensation paid at public media, internet and technology-based companies of comparable size to our Company and which could compete for the services of our NEOs. Although the compensation practices of our competitors instruct our review, we use that data only to gain perspective and do not "benchmark" our compensation to any particular level. The Compensation Committee consults with outside counsel in its review and did not engage a compensation consultant in 2017, although the Compensation Committee engaged Pearl Meyer as its independent compensation consultant in 2016.

In August 2017, Mr. Horowitz transitioned from a consultant to the Company to Executive Director of the Board. For information regarding Mr. Horowitz's base salary, equity grants, and other compensation in 2017, see page 7 under Consulting Agreement.

#### Competitive Positioning

The Compensation Committee periodically reviews competitive data regarding compensation at various comparable peer companies. We do not benchmark compensation levels to fall within specific ranges compared to selected peer groups in our industry. We use the information developed by management and outside counsel using proxy data for peer group companies to gain a general understanding of current compensation practices.

#### Base Salary

The 2017 salaries shown in the Summary Compensation Table on page 9 were set by our Compensation Committee based on the compensation review discussed above, as well as a consideration of each NEO's total compensation package including prior equity grants, exercise history, and existing stock ownership. Base salaries are a necessary part of our compensation program and provide executives with a fixed portion of pay that is not performance-based. Our goal is to

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provide competitive base pay levels. Historically, the Compensation Committee considered our desire to maintain cash remuneration as a relatively small portion of overall compensation. In addition, the Compensation Committee considered each NEO's skills, experience, level of responsibility, performance and contribution to our Company. The Compensation Committee also took into account in conjunction with the NEO's specific areas of responsibilities and objectives, each NEO's contribution to the Company's overall success as a member of the management team. The Compensation Committee considers the relative compensation levels among all the members of the management team to ensure the Company's executive compensation programs are internally consistent and equitable. All salaries are reviewed at least annually and subject to future adjustment by the Compensation Committee. On June 15, 2017, the Compensation Committee, pursuant to its review of annual compensation for executive officers, approved revised annual NEO salaries effective June 16, 2017 of \$297,500 for Mr. Arends and \$292,500 for Mr. Caldwell.

### Equity Compensation

All of our employees and directors are eligible to receive options, shares of restricted stock, and/or restricted stock units under our 2012 Stock Incentive Plan (the "2012 Stock Plan").

The Compensation Committee does not automatically grant equity to NEOs every year. The Compensation Committee takes into account the various factors outlined in the discussion of base salary above as well as the Company's financial performance and its impact on stockholder value and also analyzes existing NEO equity holdings and prior equity awards to take into account whether additional grants are appropriate and necessary to recalibrate the cash-equity balance of NEO compensation packages.

On June 15, 2017, the Compensation Committee granted our current NEOs (excluding Mr. Horowitz) stock options for our Class B common stock and shares of restricted stock under the 2012 Stock Plan (both with time-based vesting), based on the compensation review discussed above. The Compensation Committee determined the size of each NEO's equity grants based on a consideration of his existing stock ownership and outstanding equity grants awarded in prior years. Given their vesting schedules, we believe that these equity grants will help further motivate our management team to continue to focus on the long-term success of our business enterprise. You can find more information regarding these grants, including their vesting schedules, by referring to our Grant of Plan-Based Awards Table on page 11 and Outstanding Equity Awards at 2017 Fiscal Year-End Table on page 12. Such equity awards are subject to double-trigger change in control acceleration in certain circumstances. For more information on this acceleration provision, please refer to page 14.

Most equity awards for employees are tied to their annual performance reviews and are generally granted following the release of our fourth quarter financial results. We may occasionally make employee grants outside of that review process and such awards typically are granted as of the date the grant is approved. All new-hire awards have a grant date set to correspond to the date of hire. All options have an exercise price set at the closing market price of our Class B common stock on the grant date.

### Annual Incentive Plan

The Compensation Committee originally adopted our annual incentive plan in 2006 and as amended to date (the "Incentive Plan") to motivate and reward key employees for enabling our Company to achieve specified corporate objectives together, to increase the competitiveness of our management compensation packages without increasing our fixed costs, and to align management compensation with key measures of our financial performance.

The Compensation Committee in its discretion determines the maximum amount available for award, in the aggregate, to all plan participants in light of the number of participants and the Company's resources. The Compensation Committee also determines the participants in the pool. Eligibility determinations are based upon the Compensation Committee's assessment of the importance of a participant's role, together with such participant's overall cash and equity compensation level. Finally, the Compensation Committee determines the measures of performance on which

bonus awards are based, using any of the following as it determines in its sole discretion:

- revenues;
- pre-tax income;
- adjusted operating income before amortization;
- operating income before amortization;
- operating income;
- net earnings;

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- net income;
- cash flow or funds from operations;
- adjusted earnings per share;
- earnings per share;
- appreciation in the fair market value of our stock;
- cost reduction or savings;
- implementation of critical processes or projects; or
- adjusted earnings before interest, taxes, depreciation and amortization, or adjusted earnings before any of them.

The Compensation Committee determined that for the 2017 fiscal period, a maximum of up to \$731,250 (approximately 127% of the participants' base salaries) would be available for award, in the aggregate, to all plan participants based upon the achievement of updated revenue and adjusted OIBA targets at the highest threshold. The participants for the 2017 fiscal period are Michael Arends and Ethan Caldwell. The target bonus payout percentages are 50-100% based on performance target category and are based on achieving specified revenue (new revenue and all revenue) and adjusted OIBA targets for the 2017 fiscal period. Bonus targets for 2017 are based on the following weighting: 0-25% from new revenue target attainment, 25-50% from all revenue target attainment and 50% from adjusted OIBA target attainment.

The Compensation Committee elected to use these revenues and adjusted OIBA targets because it believes that such targets most accurately reflect our growth and improvements in our corporate performance without the impact of certain non-cash and non-recurring expenses which the Company does not regard as ongoing costs of doing business. The Compensation Committee set a range of specific revenue and adjusted OIBA targets based on a review of our actual revenue and adjusted OIBA for the fiscal year ended December 31, 2016 and our budgeted revenue and adjusted OIBA for the 2017 fiscal year. At the low end of the range, the targets were intended to be difficult but realistic given our expectations regarding corporate performance. The high end of the range, intended to reflect "optimum" Company performance, were set in consideration of our projected financial results and were considered "stretch" goals.

The Compensation Committee also has absolute discretion to award no bonuses at all even if the highest target is achieved. It is our intention that any such bonus payments would still constitute a relatively small percentage of our NEO compensation so that the bulk of their compensation package will remain dependent on our long-term growth. For 2017, the Compensation Committee awarded cash bonuses under the Incentive Plan in the amount of \$278,438 to Mr. Arends and \$277,617 to Mr. Caldwell.

#### Cash Bonuses

In October 2016, the Compensation Committee separately awarded Mr. Nafus a cash bonus in the amount of \$196,875 which was paid in October of 2016 and \$65,625 which was paid in January of 2017 for 2016 performance of which \$100,000 was subject to forfeiture upon certain events. In addition, Mr. Nafus was also to receive a guaranteed minimum cash bonus payment of \$175,000 (\$43,750 per quarter) assuming continued employment at each such quarterly date. Mr. Nafus resigned as our Chief Revenue Officer and as a member of the office of the CEO effective March 31, 2017 and in connection with his employment termination, \$100,000 of the 2016 performance bonus paid was forfeited. Mr. Nafus was paid \$43,750 of the guaranteed minimum cash bonus for the first quarter of 2017. The Compensation Committee separately awarded Mr. Arends a cash bonus in the amount of \$150,000 subject to Marchex



achieving certain positive adjusted EBITDA thresholds sooner than provided for in the Corporation's 2017 budget and which was paid in 2017.

On August 21, 2017, the Compensation Committee separately approved the following performance cash bonus parameters applicable to Mr. Horowitz: performance cash bonuses subject to the execution of certain customer or partner contracts with each contract exceeding certain annualized minimum contract values and assuming continued employment at each such payment date (a) in the amount of \$250,000 (the "First Performance Payment") if such conditions are met on or before December 31, 2017, and (b) additional incremental performance cash bonuses in two tranches of \$125,000 each, if such incremental performance conditions are met for one or both tranches on or before August 31, 2018. The First Performance Payment parameters were met and such amount was paid to Mr. Horowitz in 2017.

## Amended and Restated Executive Officer Employment Agreements

Effective on April 21, 2016, pursuant to the Compensation Committee's review of long-term incentives and annual compensation for executive officers, we entered into Amended and Restated Executive Officer Employment Agreements with each of Messrs. Michael Arends, Ethan Caldwell and Gary Nafus and which such agreements supersede any prior employment related agreements or offer letters, the terms of which are described in more detail under the heading "Potential Payments upon Termination or Change in Control" beginning on page 13.

## Retention Agreements

We have entered into retention agreements with each of Messrs. Arends and Caldwell. In addition, the majority of our outstanding equity grants held by our executive officers will vest in full immediately upon any change in control. These arrangements are described on page 15.

We believe it is appropriate to have these arrangements in place to promote our goal of the long-term retention of our management team. The Compensation Committee took into account the retention practices of our competitors in establishing the terms of such retention agreements.

## Consulting Agreement

On May 11, 2016, we entered into an agreement with Mr. Horowitz which provides from May 12, 2016 through the earlier of (i) May 12, 2017, or (ii) Marchex's termination of the consulting period, Mr. Horowitz will provide consulting and advisory services from time to time and Marchex will pay Mr. Horowitz an annualized amount of \$255,000 per year, payable in monthly installments in advance through May 12, 2017 for such services (the "Horowitz Agreement").

On May 12, 2017, the Horowitz Agreement was amended to provide for the continuation of the consulting relationship beyond the original termination date of May 12, 2017 on a month to month basis and on August 21, 2017, Mr. Horowitz was appointed Executive Director of the Board and in connection therewith, we acknowledged termination of Mr. Horowitz's consulting arrangement.

In connection with Mr. Horowitz's appointment as Executive Director of the Board effective on August 21, 2017, Marchex's Compensation Committee (i) approved a replacement annual salary of \$255,000 for Mr. Horowitz and acknowledged the termination of his consulting arrangement in connection with such appointment, and (ii) awarded Mr. Horowitz a restricted stock grant under the 2012 Stock Incentive Plan to purchase 145,000 shares of Marchex's Class B common stock, and 95,000 options, with 100% of such shares and options vesting on the third annual anniversary of the grant date assuming continued service as Executive Director on the vesting date with Double-Trigger Change in Control Acceleration and with accelerated vesting in full upon death or disability .

## Risk Assessment of Compensation Policies and Practices

We believe our compensation policies and practices do not motivate imprudent risk taking. In this regard, we note the following: (i) our annual incentive compensation is based on balanced performance metrics that promote disciplined progress towards longer-term Company goals; (ii) we do not offer short-term incentives that might drive high-risk investments at the expense of long-term Company value; and (iii) our compensation programs are weighted towards offering long-term incentives that reward sustainable performance, especially when considering our executive share ownership. Accordingly, we believe that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.



## COMPENSATION COMMITTEE REPORT

The Compensation Committee consists of Dennis Cline (Chair), Anne Devereux-Mills and M. Wayne Wisehart. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management. Based on this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Amendment.

Respectfully submitted,

### THE COMPENSATION COMMITTEE

Dennis Cline, Chair

Anne Devereux-Mills

M. Wayne Wisehart

### Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee during 2017, are or have been an officer or employee of the Company. No member of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. During fiscal year 2017, none of the Company's executive officers served on the Compensation Committee (or its equivalent) or Board of Directors of another entity any of whose executive officers served on the Company's Compensation Committee or Board of Directors.

Summary Compensation Table <sup>(1)</sup>

The following table sets forth information concerning the compensation earned during the fiscal years ended December 31, 2015, 2016 and 2017, as applicable, by our NEOs:

| Name and Principal Position   | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) <sup>(2)</sup> | Option Awards (\$) <sup>(3)</sup> | Non-equity compensation (\$) | All Other Compensation (\$) <sup>(4)</sup> | Total (\$) |
|---|------|-------------|------------|----------------------------------|-----------------------------------|------------------------------|--|------------|
| Michael Arends<br>Chief Financial Officer<br>and<br>member of the Office of<br>the CEO  | 2017 | 294,063     | 150,000    | 216,750                          | 181,700                           | 278,438                      | 13,130                                     | 1,134,081  |
|   | 2016 | 286,959     | —          | 510,000                          | 304,200                           | —                            | 11,315                                     | 1,112,474  |
|   | 2015 | 280,000     | —          | —                                | —                                 | 140,444                      | —  | 420,444    |
| Ethan Caldwell<br>Chief Administrative<br>Officer,<br>General Counsel,<br>Secretary, and<br>member of the Office of<br>the CEO                | 2017 | 289,063     | —          | 115,600                          | 237,000                           | 277,617                      | —  | 919,280    |
|   | 2016 | 275,875     | —          | 510,000                          | 304,200                           | —                            | —  | 1,090,075  |
|   | 2015 | 255,000     | —          | —                                | —                                 | 140,444                      | —  | 395,444    |
| Russell C. Horowitz <sup>(5)</sup><br>Executive Director and<br>member of<br>the Office of the CEO  | 2017 | 92,083      | 250,000    | 524,511                          | 150,100                           | —                            | 155,605                                    | 1,172,299  |
|   | 2016 | 95,625      | —          | 277,250                          | —                                 | —                            | 213,116                                    | 585,991    |
|   | 2015 | 255,000     | —          | —                                | —                                 | —                            | —  | 255,000    |
| Former Executive Officer:<br>Gary Nafus <sup>(6)</sup><br>Former Chief Revenue<br>Officer and<br>former member of the<br>Office<br>of the CEO | 2017 | 75,000      | 43,750     | —                                | —                                 | —                            | 43,751                                     | 162,501    |
|   | 2016 | 300,000     | 162,500    | 297,500                          | 163,800                           | —                            | —  | 923,800    |
|   | 2015 | 88,636      | 104,000    | 897,750                          | 618,750                           | —                            | —  | 1,709,136  |

(1) Includes only those columns relating to compensation awarded to, earned by or paid to the NEOs in 2015, 2016 and 2017.

(2) These amounts do not reflect whether the NEO has actually realized or will realize a financial benefit from the awards (such as by vesting of a restricted stock award). Amounts represent the aggregate grant date fair value of restricted stock each year computed in accordance with FASB ASC 718, excluding the effect of forfeitures. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of each stock award, refer to note 6 to the consolidated financial statements contained in our 2017 Annual Report on Form 10-K filed on March 14, 2018.

(3) These amounts do not reflect whether the NEO has actually realized or will realize a financial benefit from the awards (such as by exercising stock options). Amounts represent the aggregate grant date fair value of option awards each year computed in accordance with FASB ASC 718, excluding the effect of forfeitures. The fair value of the shares underlying the option awards that vest based on time is estimated using the Black-Scholes option pricing model. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of each stock award, refer to note 6 to the consolidated financial statements contained in our 2017 Annual Report on Form 10-K filed on March 14, 2018.

(4) Unless otherwise noted, the total of all perquisites and personal benefits of each NEO falls below the reportable amount for disclosure within this table. Mr. Arends' amounts in 2016 and 2017 exceeded the reportable amount and includes the Company's 401K matching contribution, auto allowance and life insurance premium.

(5)

On August 21, 2017, Mr. Horowitz was appointed Executive Director of the Board. Mr. Horowitz has also been a member of the Office of CEO since October 2016. In connection with Mr. Horowitz's appointment as Executive Director, Mr. Horowitz receives an annual salary of \$255,000 which is shown as a prorated amount since August 21, 2017 and was granted 145,000 shares of restricted stock, and 95,000 options, with 100% of such shares and options vesting on the third annual anniversary of the grant date assuming continued service as Executive Director on the vesting date with Double Trigger Change in Control Acceleration and with accelerated vesting in full upon death or disability. Mr. Horowitz also received an annual director restricted stock grant of 34,014 shares which will vest in full on the earlier of August 21, 2018 or the date of the 2018 annual meeting of stockholders with accelerated vesting in full in the event of a Change in Control. In addition, Mr. Horowitz was paid a performance cash bonus of \$250,000 in connection with the execution of certain customer or partner contracts prior to December 31, 2017. Prior to Mr. Horowitz's election to the Board in August 2017, Mr. Horowitz served as a consultant from May 2016 through August 2017 and amounts paid as a consultant are included in Other Compensation. See page 7 regarding Mr. Horowitz's consulting agreements.

(6) Mr. Nafus joined Marchex as its Chief Revenue Officer in September of 2015 and resigned effective March 31, 2017. The Compensation Committee awarded Mr. Nafus a cash bonus in the amount of \$196,975 which was paid in October of 2016 and \$65,625 which was paid in January of 2017 for 2016 performance. In connection with his employment termination, 238,750 shares of unvested restricted stock, 241,876 unvested options and \$100,000 of the 2016 performance bonus amount were forfeited. Mr. Nafus' compensation in 2017 reflects his employment through his termination date and includes his guaranteed minimum cash bonus payment for the first quarter of 2017. Other compensation in 2017 includes separation related payments including accrued vacation.

#### Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Ethan Caldwell, our General Counsel, Chief Administrative Officer, member of the Office of the CEO and designated principal executive officer ("PEO") for SEC reporting purposes as we do not have a CEO at this time. To identify the "median employee" we reviewed total compensation of all full-time, part-time, and temporary employees employed by us on December 31, 2017 excluding our designated PEO. Total compensation for purposes of identifying the median employee included the following: (1) base salary paid in 2017 with new hire salaries in 2017 annualized; (2) cash bonus or sales commission earned in 2017; and (3) the grant date fair value of equity awards granted in 2017. We then calculated the annual total compensation for this median employee using the same methodology we used for our NEOs in our 2017 Summary Compensation Table. As disclosed in the Summary Compensation Table on page 9, the annual total compensation of our designated PEO was \$919,280. The annual total compensation of our median employee was \$111,462. Our estimated designated PEO to median employee pay ratio for 2017 is 8:1. We believe this ratio to be a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Exchange Act. The pay ratio disclosure rules of Item 402(u) of Regulation S-K provide significant flexibility regarding the methodology used to identify the median employee and calculate the median employee's annual total compensation. Our methodology may differ materially from the methodology used by other companies to prepare their pay ratio disclosures. Moreover, differences in employee populations, geographic locations, business strategies and compensation practices may contribute to a lack of comparability between our pay ratio and the pay ratio reported by other companies, including those within our industry.

Grants of Plan-Based Awards <sup>(1)</sup>

The following table sets forth certain information with respect to plan-based awards and other awards granted during the fiscal year ended December 31, 2017 to our NEOs:

| Name                                      | Grant Date | Estimated Future Payouts Under                  |                | Equity Grants  |   | Exercise Price of Option Awards | Grant Date Fair Value of Option Awards |
|---|------------|---|----------------|--|---|---------------------------------|--|
|   |            | Non-Equity Incentive Plan Awards <sup>(2)</sup> | Target/Maximum | All Other Awards: Number of Shares of Stock or Units | All Other Awards: Number of Securities Underlying Options |                                 |  |
|   |            | (\$)  | (\$)           | (#)  | (#)   | (\$)                            | (\$) <sup>(3)</sup>                    |
| <b>Michael Arends</b>                     |            |   |                |  |   |                                 |  |
| Annual Incentive Plan                     | 1/1/2017   | \$6,797   | \$367,500      | —  | —   | —                               | —                                      |
| Stock Options                             | 6/15/2017  | —   | —              | —  | 115,000   | \$ 2.90                         | 181,700                                |
| Restricted Stock                          | 6/15/2017  | —   | —              | 75,000   | —   | —                               | 216,750                                |
| <b>Ethan Caldwell</b>                     |            |   |                |  |   |                                 |  |
| Annual Incentive Plan                     | 1/1/2017   | \$6,680   | \$363,750      | —  | —   | —                               | —                                      |
| Stock Options                             | 6/15/2017  | —   | —              | —  | 150,000   | \$ 2.90                         | 237,000                                |
| Restricted Stock                          | 6/15/2017  | —   | —              | 40,000   | —   | —                               | 115,600                                |
| <b>Russell C. Horowitz <sup>(4)</sup></b> |            |   |                |  |   |                                 |  |
| Stock Options                             | 8/21/2017  | —   | —              | —  | 95,000  | \$ 2.94                         | \$150,100                              |
| Restricted Stock                          | 8/21/2017  | —   | —              | 145,000  | —   | —                               | \$424,850                              |
| Restricted Stock                          | 8/21/2017  | —   | —              | 34,014   | —   | —                               | \$99,661                               |

(1) Includes only those columns related to plan based awards granted during 2017. All other columns have been omitted.

(2) For description, see Annual Incentive Plan on page 6.

(3) These amounts represent the aggregate grant date fair value in accordance with FASB ACS Topic 718, excluding the effect of forfeitures. These amounts do not reflect whether the NEO has actually realized or will realize a financial benefit from the awards (such as by vesting in a restricted stock or exercising a stock option). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of each stock award, refer to Note 6 to the consolidated financial statements contained in our 2017 Annual Report on Form 10-K filed on March 14, 2018.

(4) In connection with Mr. Horowitz's appointment as Executive Director of the Board in August 2017, Mr. Horowitz was granted 145,000 shares of restricted stock and 95,000 options, with 100% of such shares and options vesting on the third annual anniversary of the grant date. Mr. Horowitz also received an annual director grant of 34,014 shares vesting in full on the earlier of August 21, 2018 or the date of the 2018 annual meeting of stockholders. See page 14 for information on accelerated vesting on these equity awards upon a change in control. Mr. Horowitz was not a participant in the 2017 Annual Incentive Plan.





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Outstanding Equity Awards at 2017 Fiscal Year-End <sup>(1)</sup>

The following table sets forth certain information with respect to the value of all unexercised options and unvested stock awards previously awarded to our NEOs as of December 31, 2017. Certain option and stock awards provide for accelerated vesting in full upon a change in control. For more information on these acceleration provisions, please refer to pages 13-14.

| Name                       | Grant Date                | Option Awards   |   |                            |                        | Stock Awards  |   |
|----------------------------|---------------------------|---|---|----------------------------|------------------------|---|---|
|                            |                           | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested <sup>(2)</sup> (\$) |
| <b>Michael Arends</b>      |                           |   |   |                            |                        |   |   |
| Stock Options              | 8/12/2009                 | 21,601  | —   | 4.63                       | 8/12/2019              | —   | —   |
| Stock Options              | 5/11/2010                 | 13,167  | —   | 4.89                       | 5/11/2020              | —   | —   |
| Stock Options              | 12/20/2010                | 98,000  | —   | 8.77                       | 12/20/2020             | —   | —   |
| Stock Options              | 12/20/2011                | 100,000   | —   | 6.35                       | 12/20/2021             | —   | —   |
| Stock Options              | 12/20/2012                | 70,090  | —   | 4.41                       | 12/20/2022             | —   | —   |
| Stock Options              | 12/20/2013                | 140,000   | —   | 8.94                       | 12/20/2023             | —   | —   |
| Stock Options              | 4/21/2016 <sup>(3)</sup>  | 48,750  | 81,250  | 4.26                       | 4/21/2026              | —   | —   |
| Restricted Stock           | 4/21/2016 <sup>(4)</sup>  | —   | —   | —                          | —                      | 90,000  | 290,700   |
| Stock Options              | 6/15/2017 <sup>(3)</sup>  | —   | 115,000   | 2.90                       | 6/15/2027              | —   | —   |
| Restricted Stock           | 6/15/2017 <sup>(4)</sup>  | —   | —   | —                          | —                      | 75,000  | 242,250   |
| <b>Ethan Caldwell</b>      |                           |   |   |                            |                        |   |   |
| Stock Options              | 8/12/2009                 | 100,000   | —   | 4.63                       | 8/12/2019              | —   | —   |
| Stock Options              | 5/11/2010                 | 76,500  | —   | 4.89                       | 5/11/2020              | —   | —   |
| Stock Options              | 12/20/2010                | 62,000  | —   | 8.77                       | 12/20/2020             | —   | —   |
| Stock Options              | 12/20/2011                | 70,000  | —   | 6.35                       | 12/20/2021             | —   | —   |
| Stock Options              | 12/20/2012                | 85,000  | —   | 4.41                       | 12/20/2022             | —   | —   |
| Restricted Stock           | 12/20/2012 <sup>(4)</sup> | —   | —   | —                          | —                      | 10,500  | 33,915  |
| Stock Options              | 12/20/2013                | 75,000  | —   | 8.94                       | 12/20/2023             | —   | —   |
| Restricted Stock           | 12/20/2013 <sup>(4)</sup> | —   | —   | —                          | —                      | 18,750  | 60,563  |
| Stock Options              | 4/21/2016 <sup>(3)</sup>  | 48,750  | 81,250  | 4.26                       | 4/21/2026              | —   | —   |
| Restricted Stock           | 4/21/2016 <sup>(4)</sup>  | —   | —   | —                          | —                      | 120,000   | 387,600   |
| Stock Options              | 6/15/2017 <sup>(3)</sup>  | —   | 150,000   | 2.90                       | 6/15/2027              | —   | —   |
| Restricted Stock           | 6/15/2017 <sup>(4)</sup>  | —   | —   | —                          | —                      | 40,000  | 129,200   |
| <b>Russell C. Horowitz</b> |                           |   |   |                            |                        |   |   |
| Stock Options              | 8/12/2009                 | 150,000   | —   | 4.63                       | 8/12/2019              | —   | —   |
| Stock Options              | 5/11/2010                 | 182,500   | —   | 4.89                       | 5/11/2020              | —   | —   |

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|                  |                          |         |        |      |            |         |         |
|------------------|--------------------------|---------|--------|------|------------|---------|---------|
| Stock Options    | 12/20/2010               | 137,000 | —      | 8.77 | 12/20/2020 | —       | —       |
| Stock Options    | 12/20/2011               | 116,000 | —      | 6.35 | 12/20/2021 | —       | —       |
| Stock Options    | 12/20/2012               | 117,500 | —      | 4.41 | 12/20/2022 | —       | —       |
| Stock Options    | 12/20/2013               | 75,000  | —      | 8.94 | 12/20/2023 | —       | —       |
| Stock Options    | 8/21/2017 <sup>(5)</sup> | —       | 95,000 | 2.94 | 8/21/2027  | —       | —       |
| Restricted Stock | 8/21/2017 <sup>(5)</sup> | —       | —      | —    | —          | 145,000 | 468,350 |
| Restricted Stock | 8/21/2017 <sup>(6)</sup> | —       | —      | —    | —          | 34,014  | 109,865 |

- (1) Includes only those columns for which there are outstanding equity awards at December 31, 2017. All other columns have been omitted.
- (2) The market value of unvested stock awards is calculated by multiplying the number of unvested stock awards held by the applicable NEO by the closing price of \$3.23 per share of our Class B common stock on the NASDAQ Global Select Market on December 29, 2017, the last trading day before December 31, 2017.
- (3) The option vests at the rate of 25% on the first anniversary of the grant date and 1/12 of the remainder vests quarterly thereafter in equal increments and with vesting in full of all such option shares in the event of a change in control.

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- (4) The shares of restricted stock vest at the rate of 25% on each of the first, second, third, and fourth anniversaries, respectively, of the grant date with vesting in full upon a change in control. Except in the case of Mr. Caldwell, (i) remaining vests of 12/20/12 and 12/20/2013 were modified in December 2016 to vest on 12/20/2018 and in the event of termination for any reason prior to 12/2018, the remaining shares subject to vesting will become immediately vested upon such termination to the extent vested based on vesting schedule for such shares prior to amendment and subject to additional vesting to the extent applicable as provided in Mr. Caldwell's employment agreement with the Company; and (ii) Mr. Caldwell's 4/21/16 grant was modified in April 2017 to vest as follows: 60,000 shares on 12/20/2018, 30,000 shares each in 4/21/2019 and 4/21/2020 and in the event of termination for any reason prior to 12/20/2018, the 60,000 shares to vest on 12/20/18 will become immediately vested upon such termination with the remaining shares subject to vesting to the extent applicable as provided in Mr. Caldwell's employment agreement with the Company.
- (5) The options and shares of restricted stock vest 100% on the third anniversary of the grant date assuming continued service as Executive Director on the vesting date with Double-Trigger Change in Control Acceleration and with accelerated vesting in full upon death or disability.
- (6) The annual director grant of shares of restricted stock vesting in full on the earlier of August 21, 2018 or the date of the 2018 annual meeting of stockholders with vesting in the event of a change in control.

Option Exercises and Stock Vested During 2017

The following table sets forth certain information concerning option exercises by our NEOs and vesting of our common stock held by them during the fiscal year ended December 31, 2017:

| Name                               | Option Awards    |   | Stock Awards                         |  |
|------------------------------------|------------------|---|--------------------------------------|--|
|                                    | Number of Shares | Value Realized on Exercise <sup>(1)</sup> | Number of Shares Acquired on Vesting | Value Realized on Vesting <sup>(2)</sup> |
| Michael Arends                     | —                | —   | 30,000                               | 80,400                                   |
| Russell C. Horowitz <sup>(3)</sup> | —                | —   | 50,000                               | 146,000                                  |

- (1) The value realized on exercise is calculated as the difference between the actual sales price of the shares underlying the options exercised and the applicable exercise price of those options.
- (2) The value realized on vesting is calculated based on the closing sales price of the underlying stock on the NASDAQ Global Select Market on the vesting date.
- (3) In connection with Mr. Horowitz's resignation in May 2016 from the Board of Directors, 100,000 shares of restricted stock were granted to Mr. Horowitz with quarterly vesting in equal amounts of which 50,000 shares vested in 2017.

Potential Payments upon Termination or Change in Control

Amended and Restated Executive Officer Employment Agreements

Effective on April 21, 2016, pursuant to the Compensation Committee's review of long-term incentives and annual compensation for executive officers, we entered into Amended and Restated Executive Officer Employment Agreements with each of Messrs. Michael Arends, Ethan Caldwell and Gary Nafus and which such agreements supersede any prior employment related agreements or offer letters. Mr. Nafus resigned as Chief Revenue Officer and as a member of the Office of the CEO effective March 31, 2017 and in connection with his employment termination,

238,750 of unvested restricted stock and 241,876 of unvested options were forfeited.

The Amended and Restated Executive Officer Employment Agreements for each of Messrs. Arends and Caldwell provide for the following: (i) that the excise tax gross-up provision contained in the Retention Agreements shall terminate and have no further force and effect, and (ii) in the event the Company terminates executive's employment for any reason other than Cause, or executive terminates his employment for Good Reason (regardless of a Change in Control) and subject to executive's execution of a release of claims, executive will be eligible to receive the following severance and related post-termination benefits: (a) a lump sum payment equal to one (1) times executive's then annual salary payable at the time of termination, unless the termination of executive's employment occurs within 12 months following a Change in Control, in which case executive will receive the benefits under his Retention Agreement, (b) payment by the Company of its share of medical, dental and vision insurance premiums under COBRA ("Health Benefits") for executive and executive's dependents for the 12 month period following the separation date or such lesser period as executive remains eligible under COBRA, unless the termination of executive's employment occurs within 12 months following a Change in Control, in which case executive will receive the benefits under executive's Retention Agreement; and (c) and an additional one (1) year of time-

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based vesting on any unvested options, restricted stock and restricted stock units as of the separation date. In the event that executive's employment terminates due to death or disability, and subject to execution of a release of claims, executive will be eligible to receive the following severance and related post-termination benefits: (i) payment by the Company of Health Benefits for the 18 month period following the separation date or such lesser period as executive remains eligible under COBRA, and (ii) one hundred percent (100%) of all performance and time-based unvested options, restricted stock and restricted stock units will immediately vest upon executive's separation date. Additionally, one hundred percent (100%) of all performance and time based options, restricted stock and restricted stock units not already vested, shall become immediately vested upon the occurrence of both (a) a Change in Control, (b) followed by the first to occur of (i) a termination of executive's employment by the Company or any successor thereto without Cause, (ii) a material diminution in the nature or scope of executive's duties, responsibilities, authorities, powers or functions that constitutes Good Reason, or (iii) the twelve month anniversary of the occurrence of the Change in Control provided that executive then remains an employee of the Company or its successor (collectively, the "Double-Trigger Change in Control Acceleration").

Mr. Nafus resigned as Chief Revenue Officer and as a member of the Office of the CEO effective March 31, 2017 and in connection with his employment termination, 238,750 of unvested restricted stock, 241,876 of unvested options and \$100,000 of the 2016 performance bonus amount were forfeited. Mr. Nafus received separation related payments of \$22,176.

#### Restricted Stock and Restricted Stock Units Agreements

In December 2016, the vesting of Mr. Caldwell's remaining unvested shares of restricted stock from his December 20, 2012 and December 20, 2013 grants of 10,500 and 18,750, respectively, were modified to vest on December 20, 2018, and in the event of termination for any reason prior to December 20, 2018, the remaining shares subject to vesting will become immediately vested upon such termination to the extent vested based on vesting schedule for such shares prior to amendment and subject to additional vesting to the extent applicable as provided in Mr. Caldwell's employee agreement with the Company.

On April 21, 2016, we granted an aggregate of 240,000 shares of restricted stock under our 2012 Stock Plan to our current NEOs (excluding Mr. Horowitz) pursuant to a review by our Compensation Committee of equity incentives for NEOs. These shares of restricted equity granted to Mr. Arends are subject to certain conditions on vesting as well as the Double-Trigger Change in Control Acceleration. In April 2017, the vesting of Mr. Caldwell's April 21, 2016 grants were modified to vest as follows: (i) 60,000 shares on December 20, 2018; (ii) 30,000 shares each on April 21, 2019 and April 21, 2020; and (iii) in event of termination for any reason prior to December 20, 2018, the 60,000 shares to vest on December 20, 2018 will become immediately vested upon such termination with the remaining shares subject to vesting to the extent applicable as provided in Mr. Caldwell's employment agreement with the Company.

On June 15, 2017, we granted an aggregate of 115,000 shares of restricted stock under our 2012 Stock Plan to our current NEOs (excluding Mr. Horowitz) pursuant to a review by our Compensation Committee of equity incentive for NEOs. These shares of restricted equity are subject to certain conditions on vesting as well as the Double-Trigger Change in Control Acceleration.

On August 21, 2017 in connection with Mr. Horowitz's appointment as Executive Director of the Board, we granted Mr. Horowitz 145,000 shares of restricted stock under our 2012 Stock Plan with 100% of such shares vesting on the third annual anniversary of the grant date assuming continued service as Executive Director on the vesting date with Double-Trigger Change in Control Acceleration and with accelerated vesting in full upon death or disability. Mr. Horowitz also received an annual director grant of 34,014 shares of restricted stock under our 2012 Stock Plan with 100% of such shares vesting on the earlier of August 21, 2018 or the date of the 2018 annual meeting of stockholders with accelerated vesting in full in the event of a Change in Control.

Option Agreements

On April 21, 2016, we granted an aggregate of 260,000 options under our 2012 Stock Plan to our current NEOs (excluding Mr. Horowitz) pursuant to a review by our Compensation Committee of equity incentives for NEOs. These options are subject to certain conditions on vesting as well as the Double-Trigger Change in Control Acceleration.

On June 15, 2017, we granted an aggregate of 265,000 options under our 2012 Stock Plan to our current NEOs (excluding Mr. Horowitz) pursuant to a review by our Compensation Committee of equity incentives for NEOs. These options are subject to certain conditions on vesting as well as Double-Trigger Change in Control Acceleration.

On August 21, 2017 in connection with Mr. Horowitz's appointment as Executive Director of the Board, we granted Mr. Horowitz 95,000 options under our 2012 Stock Incentive Plan, with 100% of such options vesting on the third annual anniversary of the grant date assuming continued service as Executive Director on the vesting date with Double-Trigger Change in Control Acceleration and with accelerated vesting in full upon death or disability.

## Retention Agreements

On October 2, 2006, we entered into retention agreements with each of Messrs. Arends and Caldwell, which provide that in the event of a change in control, each of Messrs. Arends and Caldwell would be entitled to a lump sum payment equal to two times the amount calculated by adding (1) his annual salary at that time plus (2) the greater of (a) any bonus he earned with respect to the prior fiscal year, or (b) his pro rata portion of the aggregate bonus pool under our Incentive Plan for the current year assuming achievement under the Incentive Plan of the maximum performance targets for such year. With respect to Messrs. Arends and Caldwell, if within twelve (12) months following a change in control: (1) the Company shall terminate his employment with the Company without cause, or (2) he shall voluntarily terminate such employment for Good Reason, the Company shall provide reimbursement of health care premiums for him and his dependents, for a period of eighteen (18) months from the date of his termination, to the extent that he is eligible for and elects continuation coverage under COBRA (provided that such reimbursement shall terminate upon commencement of new employment by an employer that offers health care coverage to its employees). In consideration for the Company's willingness to enter into amended and restated employment agreements with each of Messrs. Arends and Caldwell effective April 21, 2016, such executives relinquished the excise tax gross-up provision which was contained in the retention agreements.

The following table sets forth an estimate of the payments and benefits that would be received by each of our NEOs holding office on December 31, 2017 if a change in control of Marchex and/or termination of their employment had occurred on December 31, 2017. The amounts contained in the table for each continuing NEO are based the individual's period of employment and compensation as of December 31, 2017 and, where applicable, the closing price of Marchex common stock on December 31, 2017. The table presents estimates of incremental amounts that would become payable had a triggering event occurred on December 31, 2017 and does not include amounts that were earned and payable as of that date regardless of the occurrence of a triggering event. The actual amounts of payments and benefits that could be received can be determined only at the time of a triggering event, and are dependent upon the facts and circumstances then applicable.



## Potential Payments upon Termination or Change in Control

| Name   |      | Change in   | Change in   | Termination  |   |   |
|--|------|---|---|--|---|---|
|  |      | Control<br>without<br>Termination<br>of<br>Employment | Control with<br>Termination<br>of<br>Employment<br>without<br>Cause or<br>Resignation<br>for Good<br>Reason | of<br>Employment<br>without<br>Cause or<br>Resignation<br>Change in<br>Control | Reason<br>without<br>Change in<br>Control | Termination<br>Due to<br>Death or<br>Disability |
|  |      | (1)   | (2)   | (3)  | (4)                                       | (5)   |
|  |      | (\$)  | (\$)  | (\$)   | (\$)                                      | (\$)  |
| <b>Michael Arends</b>                        |      |   |   |  |   |   |
| Salary and bonus payments                    | (5)  | 1,350,650   | 1,350,650   | —  | —   | —   |
| Severance payments                           | (6)  | —   | —   | 297,500  | —   | —   |
| Value of accelerated option awards           | (7)  | —   | 33,206  | 9,488  | —   | —   |
| Value of accelerated restricted stock awards | (8)  | —   | 532,950   | 157,463  | 532,950                                   | —   |
| Health benefits                              | (9)  | —   | 36,558  | 18,552   | 27,828                                    | —   |
| Life insurance death benefit                 | (10) | —   | —   | —  | 1,500,000                                 | —   |
| <b>Total</b>                                 |      | <b>1,350,650</b>                                      | <b>1,953,364</b>  | <b>483,003</b>   | <b>2,060,778</b>                          | <b>—</b>  |
| <b>Ethan Caldwell</b>                        |      |   |   |  |   |   |
| Salary and bonus payments                    | (5)  | 1,327,950   | 1,327,950   | —  | —   | —   |
| Severance payments                           | (6)  | —   | —   | 292,500  | —   | —   |
| Value of accelerated option awards           | (7)  | —   | 43,313  | 12,375   | 43,313                                    | —   |
| Value of accelerated restricted stock awards | (8)  | —   | 419,900   | 129,200  | 419,900                                   | —   |
| Health benefits                              | (9)  | —   | 43,110  | 15,840   | 23,760                                    | —   |
| <b>Total</b>                                 |      | <b>1,327,950</b>                                      | <b>1,834,273</b>  | <b>449,915</b>   | <b>486,973</b>                            | <b>—</b>  |
| <b>Russell C. Horowitz</b>                   |      |   |   |  |   |   |
| Salary and bonus payments                    |      | —   | —   | —  | —   | —   |
| Severance payments                           |      | —   | —   | —  | —   | —   |
| Value of accelerated option awards           | (7)  | —   | 27,550  | —  | 27,550                                    | —   |
| Value of accelerated restricted stock awards | (8)  | 109,865   | 468,350   | —  | 468,350                                   | —   |
| <b>Total</b>                                 |      | <b>109,865</b>  | <b>495,900</b>  | <b>—</b>   | <b>495,900</b>                            | <b>—</b>  |
| <b>Former Executive Officer:</b>             |      |   |   |  |   |   |
| <b>Gary Nafus</b>                            |      |   |   |  |   |   |
| Severance payments                           | (11) | —   | —   | —  | —   | 22,176  |

(1) Amounts in the column headed “Change in Control without Termination of Employment” represent the payments and benefits that would be provided on a “single trigger” basis, meaning that they are triggered by the occurrence of a change in control of Marchex and are not conditioned on the NEO’s subsequent termination of employment. These payments and benefits would be provided by the retention agreements described above to which Messrs. Arends and Caldwell are parties and by the restricted stock agreement covering shares granted to Mr. Horowitz in his

capacity as a member of the Board of Directors.

- (2) Amounts in the column headed “Change in Control with Termination of Employment without Cause or Resignation for Good Reason” represent both the payments and benefits that would be provide on a “single trigger” basis contained in the first column and certain additional payments and benefits that would be provided on a “double trigger” basis, meaning that they are triggered if, within 12 months following a change in control of Marchex, the NEO’s employment is terminated without cause or the NEO resigns for Good Reason in accordance with our employment agreements with Messrs. Arends and Caldwell and by our stock option and restricted stock agreements with Mr. Horowitz.
- (3) Amounts in the column headed “Termination of Employment without Cause or Resignation for Good Reason without Change in Control” represent the payments and benefit that would be provided by our employment agreements with Mr. Caldwell and Mr. Arends upon their termination of employment without cause or resignation for Good Reason not occurring within 12 months following a change in control of Marchex. All such payments and benefits are conditioned upon the NEO’s effective release of claims in favor of Marchex.

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- (4) Amounts in the column headed "Termination Due to Death or Disability" represent the values of benefits that would be provided by our employment agreements with Messrs. Arends and Caldwell and by our stock option and restricted stock agreements with Mr. Horowitz in the event their employment with us terminates as a result of death or disability. All such payments and benefits are conditional upon the NEO's or his legal representative's effective release of claims in favor of Marchex.
- (5) Represents two times the sum of the NEO's annual base salary as in effect on December 31, 2017 plus the greater of the bonus earned for the prior fiscal year or the bonus that would be earned for the current fiscal year assuming achievement of the applicable performance target at the maximum credited level. For the year ended December 31, 2017, the bonus component included in the calculation of such payments is equal to 200% of the NEO's annual base salary as in effect on December 31, 2017.
- (6) Represents one times the continuing NEO's annual base salary as in effect on December 31, 2017.
- (7) Represents the intrinsic value of unvested stock options held by each NEO on December 31, 2017 whose vesting would be accelerated in the event of the NEO's termination of without cause or resignation for Good Reason as follows: (a) 100% of unvested performance based and time based options if employment terminates within 12 months following a change in control and (b) one-year of additional vesting of unvested time based options if employment terminates other than within 12 months following a change in control. If employment terminates due to death or disability, the vesting of 100% of unvested performance based and time-based options would be accelerated. The value of any accelerated stock option vesting would be the excess, if any, of the closing price of \$3.23 per share of our Class B common stock on the NASDAQ Global Select Market on December 29, 2017, the last trading day before December 31, 2017, over the exercise price of the option. For the purposes of this table, we have assumed an option vesting acceleration date of December 31, 2017.
- (8) Represents the value of unvested restricted stock held by each NEO on December 31, 2017 whose vesting would be accelerated in the event of the NEO's termination of without cause or resignation for Good Reason as follows: (a) 100% of unvested performance based and time based restricted stock if employment terminates within 12 months following a change in control and (b) one-year of additional vesting of unvested time based restricted stock if employment terminates other than within 12 months following a change in control. If employment terminates due to death or disability, the vesting of 100% of unvested performance and time based restricted stock would be accelerated. The value of any accelerated restricted stock vesting reflected in the table is based on the closing price of \$3.23 per share of our Class B common stock on the NASDAQ Global Select Market on December 29, 2017, the last trading day before December 31, 2017.
- (9) In accordance with our retention agreements with Messrs. Arends and Caldwell, each would be reimbursed for up to 18 months of health benefit continuation coverage under COBRA upon their termination of employment without cause or resignation for Good Reason within 12 months following a change in control of Marchex. The amounts stated in the second column reflect the applicable premium cost for a period of 18 months. Under our employment agreements with Messrs. Arends and Caldwell, each continuing NEO would be eligible to receive up to 12 months of company-paid health benefit continuation coverage under COBRA, reduced by the amount of any required employee premium contribution for health care benefits, in the event of their termination of employment without cause or resignation for Good Reason not occurring within 12 months following a change in control. The amounts stated in the third column reflect the applicable premium cost for a period of 12 months. The amounts stated in the fourth column represent up to 18 months of company-paid health benefit continuation coverage under COBRA, reduced by the amount of any required employee premium contribution for health care benefits, to which Messrs. Arends and Caldwell or their beneficiaries would be entitled upon their termination of employment due to disability or death in accordance with their employment agreements.
- (10) Represents the death benefit that would be paid to Mr. Arends' beneficiaries pursuant to life insurance maintained by Marchex pursuant to our employment agreement with Mr. Arends.
- (11) Mr. Nafus received separation related payments in connection with his voluntary resignation as Chief Revenue Officer and as a member of Marchex's Office of the CEO effective March 31, 2017.



## Compensation of Directors

The Compensation Committee is responsible for periodically reviewing and recommending to the Board of Directors the compensation of our independent directors. The following table summarizes compensation earned during 2017 by each of our directors, except Mr. Horowitz, who serves as an Executive Director on our Board of Directors since August 21, 2017 and whose compensation is reflected in the Summary Compensation Table:

2017 Director Compensation <sup>(1)</sup>

| Name                              | Fees<br>Earned     |                                | Total   |
|-----------------------------------|--------------------|--------------------------------|---------|
|                                   | or Paid<br>in Cash | Stock<br>Awards <sup>(2)</sup> |         |
|                                   | (\$)               | (\$)                           | (\$)    |
| Dennis Cline                      | 47,500             | 99,661                         | 147,161 |
| Anne Devereux-Mills               | 41,000             | 99,661                         | 140,661 |
| M. Wayne Wishart                  | 32,500             | 99,661                         | 132,161 |
| Former Directors <sup>(3)</sup> : |                    |                                |         |
| Nicolas J. Hanauer                | 3,750              | —                              | 3,750   |
| Ian Morris                        | 10,500             | —                              | 10,500  |

(1) Includes only those columns relating to compensation awarded to, earned by, or paid to non-employee directors for their services.

(2) The amounts in the stock awards column reflect the aggregate grant fair value of stock awards granted to directors in 2017 in accordance with FASB ASC Topic 718. These amounts do not reflect whether the director has actually realized or will realize a financial benefit from the awards (such as by vesting in a restricted stock).

(3) On July 7, 2017, each of Messrs. Hanauer and Morris notified Marchex of his decision not to stand for reelection to the Board at the 2017 Annual Meeting of Stockholders to be held on August 21, 2017. Any options outstanding were cancelled.

The aggregate number of equity awards outstanding as of December 31, 2017 were:

| Name                | Stock<br>Awards |                         | Total   |
|---------------------|-----------------|-------------------------|---------|
|                     | (#)             | Option<br>Awards<br>(#) |         |
| Dennis Cline        | 34,014          | —                       | 34,014  |
| Anne Devereux-Mills | 109,014         | —                       | 109,014 |
| M. Wayne Wishart    | 34,014          | 40,000                  | 74,014  |

In August 2017, based upon the elections of the individual directors and in accordance with Marchex's previously announced director compensation policy: (i) the Company granted an aggregate of 136,056 shares of restricted stock to the directors including Mr. Horowitz pursuant to the Company's 2012 Stock Plan which will vest in full on the earlier of August 21, 2018 or the date of the 2018 annual meeting of stockholders assuming continued service on the board during such period and with accelerated vesting in full upon a change in control, and (ii) non-employee directors will be paid an aggregate of \$129,000 (subject to quarterly installments) in total cash compensation for the fiscal year, in addition to reimbursement for reasonable out-of-pocket expenses they incur in attending board, committee, and company meetings. Additionally, Marchex paid an aggregate of \$39,750 in cash to Marchex's non-employee directors (which included Mr. Hanauer and Mr. Morris) for the additional quarterly period of service

from May 12, 2017 through August 20, 2017.

In connection with Mr. Horowitz's appointment as Executive Director of the Board effective on August 21, 2017, Marchex's Compensation Committee (i) approved a replacement annual salary of \$255,000 and acknowledged the termination of his consulting agreement in connection with such appointment; and (ii) awarded Mr. Horowitz a restricted stock grant under the Company's 2012 Stock Plan to purchase 145,000 shares of Marchex's Class B common stock, and 95,000 options, with 100% of such shares and options vesting on the third annual anniversary of the grant date assuming continued service as Executive Director on the vesting date with Double-Trigger Change in Control Acceleration and with accelerated vesting in full upon death or disability. Mr. Horowitz's compensation and equity grants are reflected in the Summary Compensation Table on page 9 and the Grants of Plan-Based Awards on page 11, respectively.

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

To the Company's knowledge, the following table sets forth information regarding the beneficial ownership of our Class A common stock and Class B common stock as of April 23, 2018 by:

- each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of the outstanding shares of our Class A common stock or Class B common stock;
- each of our directors and nominees for director;
- each of our current executive officers listed in the "Summary Compensation Table" ("NEOs"); and
- all of our directors, nominees for director and executive officers as a group.

Percentage of beneficial ownership is based on 5,056,136 shares of our Class A common stock and 39,041,009 shares of our Class B common stock outstanding as of April 23, 2018. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or restricted stock units held by that person that are currently exercisable or exercisable or issuable upon vesting within 60 days of April 23, 2018, are deemed outstanding. These shares are not, however, deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as otherwise noted below, the address for each beneficial owner listed below is c/o Marchex, Inc., 520 Pike Street, Suite 2000, Seattle, Washington 98101.

| Name and, as appropriate, Address of Beneficial Owner   | Shares Beneficially Owned |       | Class B Common |      | % Total Voting Power (1) |
|---|---------------------------|-------|----------------|------|--------------------------|
|   | Class A Common Stock      | %     | Stock          | %    |                          |
| <b>5% Security Holders:</b>   |                           |       |                |      |                          |
| Edenbrook Capital, LLC <sup>(2)</sup><br>2 Depot Plaza<br>Bedford Hills, NY 10507                             | —                         | —     | 4,520,574      | 11.6 | 2.7                      |
| Prescott Group Capital Management, LLC <sup>(3)</sup><br>1924 South Utica, Suite 1120<br>Tulsa, OK 74104-6529 | —                         | —     | 2,428,516      | 6.2  | 1.5                      |
| Nicolas J. Hanauer <sup>(4)</sup>   | —                         | —     | 2,334,411      | 6.0  | 1.4                      |
| <b>Current Named Executive Officers and Directors:</b>  |                           |       |                |      |                          |
| Michael Arends <sup>(5)</sup>   | —                         | —     | 1,132,462      | 2.9  | *                        |
| Ethan Caldwell <sup>(6)</sup>   | 395,209                   | 7.8   | 1,109,002      | 2.8  | 6.3                      |
| Dennis Cline <sup>(7)</sup>   | —                         | —     | 225,260        | *    | *                        |
| Anne Devereux-Mills <sup>(8)</sup>  | —                         | —     | 335,860        | *    | *                        |
| Russell C. Horowitz <sup>(9)</sup>  | 4,660,927                 | 92.2  | 1,233,418      | 3.1  | 70.7                     |
| M. Wayne Wisheart <sup>(10)</sup>   | —                         | —     | 271,145        | *    | *                        |
| All directors and executive officers as a group (6 persons) <sup>(11)</sup>                                   | 5,056,136                 | 100.0 | 4,307,147      | 10.5 | 77.8                     |

Except as indicated in the footnotes below and except as subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

\*Beneficial ownership or total voting power, as the case may be, representing less than one percent.

(1)Percentage of voting power represents voting power with respect to shares of our Class A common stock and Class B common stock, as a single class. Each holder of Class A common stock shall be entitled to 25 votes per share of

Class A common stock and each holder of Class B common stock shall be entitled to 1 vote per share of Class B common stock on all matters submitted to a vote of stockholders, except as may otherwise be required by law. The Class A common stock is convertible at any time by the holder into shares of Class B common stock on a share-for-share basis.



- (2) Based on the most recently available Schedule 13D filed with the SEC on March 29, 2018 by Edenbrook Capital, LLC (“Edenbrook”), an investment manager to certain private investment funds on its behalf; on behalf of Jonathan Brolin (“Brolin”), whose address is 2 Depot Plaza, Bedford Hills, New York, an individual; and on behalf of Edenbrook Long Only Value Fund, LP (“Edenbrook Fund”). Edenbrook and Brolin each report beneficial ownership of 4,520,574 shares of our Class B common stock, and shared voting and dispositive power as to 4,520,574 shares of our Class B common stock. Edenbrook Fund reports beneficial ownership of 3,629,875 shares of our Class B common stock, and shared voting and dispositive power as to 3,629,875 shares of our Class B common stock.
- (3) Based on the most recently available Schedule 13G/A filed with the SEC on February 12, 2018 by Prescott Group Capital Management, L.L.C. (“Prescott”), an investment advisor on its behalf and on behalf of Prescott Group Aggressive Small Cap, L.P. and Prescott Group Aggressive Small Cap II, L.P. (collectively, the “Small Cap Funds”) and Phil Frohlich (“Frohlich”). Prescott and Frohlich, each report beneficial ownership of 2,428,516 shares of our Class B common stock, and sole voting and sole dispositive power as to 2,428,516 shares of our Class B common stock. With respect to Small Cap Funds, each report beneficial ownership of 2,428,516 and shared voting and shared dispositive power of 2,428,516.
- (4) Mr. Hanauer is a former director of Marchex, who decided not to stand for reelection to the Board at the 2017 Annual Meeting of Stockholders held on August 21, 2017.
- (5) Includes: (1) 165,000 shares of restricted stock subject to vesting; (2) 536,608 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 23, 2018; (3) 10,500 shares of our Class B common stock held by the Nicole Marie Arends 2003 Trust for the benefit of Nicole Marie Arends, the daughter of Mr. Arends, for which shares Mr. Arends disclaims beneficial ownership; (4) 18,100 shares of Class B common stock held in an Individual Retirement Account for the benefit of Mr. Arends; and (5) 6,500 shares of Class B common stock held in an Individual Retirement Account for the benefit of Diana Arends, Mr. Arends’ wife.
- (6) Includes: (1) 189,250 shares of restricted stock subject to vesting; and (2) 571,000 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 23, 2018.
- (7) Includes: (1) 34,014 shares of restricted stock subject to vesting; (2) 28,500 shares of our Class B common stock held by DMC Investments, LLC, a limited liability company of which Mr. Cline is the managing member; and (3) 10,000 shares of our Class B common stock held by the Colburn Cline Trust for the benefit of Colburn Cline, the son of Mr. Cline, for which shares Mr. Cline disclaims beneficial ownership.
- (8) Includes 109,014 shares of restricted stock subject to vesting.
- (9) Includes: (1) 4,660,927 shares of our Class A common stock held by MARRCH Investments, LLC; (2) 179,014 shares of restricted stock subject to vesting; (3) 778,000 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 23, 2018; (4) 5,000 shares of Class B common stock held in an Individual Retirement Account for the benefit of Mr. Horowitz. Mr. Horowitz is the managing member of MARRCH Investments, LLC and, as such, may be deemed to exercise voting and investment power over the shares held by all of these entities.
- (10) Includes 34,014 shares of restricted stock subject to vesting; and (2) 40,000 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 23, 2018.
- (11) Includes an aggregate of: (1) 5,056,136 shares of our Class A common stock; (2) 2,381,539 shares of our Class B common stock which includes 20,500 shares for which beneficial ownership has been disclaimed; and (3) 1,925,608 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 23, 2018.

## Equity Compensation Plans

Amended and Restated 2003 Stock Incentive Plan. Our 2003 Stock Incentive Plan, effective on March 30, 2004, was adopted by our Board of Directors and approved by our stockholders on March 30, 2004 (the “2003 Stock Plan”). The 2003 Stock Plan provided for the granting of shares of Class B common stock to employees, directors, and consultants of Marchex, its affiliates and strategic partners and provided for the following types of grants:

- incentive stock options within the meaning of Section 422 of the Internal Revenue Code, sometimes known as ISOs;
- non-statutory stock options, which are options not intended to qualify as ISOs, sometimes known as non-qualified options; and
- right to purchase shares pursuant to restricted stock purchase agreements.

The 2003 Stock Plan was amended in May of 2010 and provided for grants of restricted stock units to eligible participants under the 2003 Stock Plan. No further awards were made under the 2003 Stock Plan after December 31, 2012 and the 2012 Stock Plan covered the anticipated balance of shares available under the 2003 Stock Plan.

2012 Stock Incentive Plan. Our 2012 Stock Incentive Plan, effective on April 2, 2012, was adopted by our Board of Directors and approved by our stockholders on May 4, 2012 (the “2012 Stock Plan”). The 2012 Stock Plan provides for the granting of shares of Class B common stock to employees, directors, and consultants of Marchex, its affiliates and strategic partners and provides for the following types of grants:

- incentive stock options within the meaning of Section 422 of the Internal Revenue Code, sometimes known as ISOs;
- non-statutory stock options, which are options not intended to qualify as ISOs, sometimes known as non-qualified options;
- right to purchase shares pursuant to restricted stock purchase agreements; and
- restricted stock units.

2014 Employee Stock Purchase Plan. Our 2014 employee stock purchase plan was adopted by our Board of Directors on March 8, 2013 and approved by our stockholders on May 3, 2013 (the “2014 Employee Stock Purchase Plan”). The 2014 Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code and permits eligible employees to purchase our Class B common stock for amounts up to 15% of their compensation in purchase periods under the plan. Under the 2014 Employee Stock Purchase Plan, no employee will be permitted to purchase stock worth more than \$25,000 in any calendar year, valued as of the first day of each purchase period. We have authorized an aggregate of 225,000 shares of our Class B common stock for issuance under the 2014 Employee Stock Purchase Plan to participating employees. The 2014 Employee Stock Purchase Plan provides for purchase periods which shall be determined by the Board of Directors and the purchase price of shares of Class B common stock available under the purchase plan shall be equal to 95% of the closing price of the shares of Class B common stock on the last business day of each purchase period.

## Equity Compensation Plan Information

The following table sets forth certain information regarding our Class B common stock that may be issued upon exercise of options, warrants and other rights under all of our existing equity compensation plans as of December 31, 2017:

| Plan Category | Number of<br>shares to be<br>issued upon | Weighted<br>average<br>exercise<br>price | Number of<br>shares<br>remaining<br>available for |
|---------------|--|--|---|
|---------------|--|--|---|

exercise of  
outstanding  
options,  
warrants  
and rights  
(#)  
(a)

of  
outstanding  
options,  
warrants  
and rights  
(\$)  
(b)

future  
issuance  
under equity  
compensation  
plans  
(excluding  
shares  
reflected  
in column (a)  
(#)  
(c)

Equity compensation plans approved by security holders:

|   |                          |      |                          |
|---|--------------------------|------|--------------------------|
| 2003 amended and restated stock incentive plan, as amended <sup>(1)</sup> | 1,943,918                | 6.22 | —                        |
| 2012 stock incentive plan <sup>(2)</sup>                                  | 4,929,995 <sup>(3)</sup> | 4.87 | <sup>(4)</sup> 7,762,736 |
| 2014 employee stock purchase plan   | —                        | —    | 146,123                  |
| Total   | 6,873,913                | 5.33 | <sup>(4)</sup> 7,908,859 |

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The weighted-average exercise price in column (b) is calculated based on outstanding stock options. It does not take into account shares issuable upon vesting of outstanding restricted stock units, which have no exercise price.

- (1) After December 31, 2012, no awards were made under the 2003 Stock Plan. Consists of stock options to purchase shares of our Class B common stock.
- (2) We have reserved 13,654,534 shares of Class B common stock for issuance under our 2012 Stock Plan, which includes an increase of 2,152,989 shares to the authorized number of shares available under the plan, which occurred on January 1, 2017.
- (3) Consists of stock options to purchase 3,769,535 shares of Class B common stock and restricted stock units representing the right to purchase 1,160,460 shares of our Class B common stock.
- (4) Calculated exclusive of outstanding restricted stock units.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**  
**Procedures for Review and Approval of Related Person Transactions**

Our Audit Committee is responsible under its charter for reviewing and approving in advance any proposed related party transactions which would require disclosure under Item 404(a) of Regulation S-K and reporting to the Board of Directors on any approved transactions. The Audit Committee is responsible for ensuring that such relationships are on terms commensurate with those that would be extended to an unrelated third party.

**Board Independence**

The Board of Directors determined that, other than Mr. Horowitz, each of the members of the board is an independent director in accordance with NASDAQ listing standards.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

On June 23, 2017, the Audit Committee approved the selection of Moss Adams (“Moss Adams”) to serve as Marchex’s independent registered public accounting firm. KPMG LLP (“KPMG”) served as Marchex’s independent registered public accounting firm for the fiscal year ended December 31, 2016, and through June 23, 2017.

**Accounting Fees and Services**

During fiscal years 2016 and 2017, KPMG and Moss Adams provided professional services in the following categories and amounts:

| Fee Category                      | 2016             | 2017                  |                |
|-----------------------------------|------------------|-----------------------|----------------|
|                                   | KPMG<br>(\$)     | Moss<br>Adams<br>(\$) | KPMG<br>(\$)   |
| Audit Fees <sup>(1)</sup>         | 914,000          | 226,000               | 114,000        |
| Audit-Related Fees <sup>(2)</sup> | None             | 8,000                 | None           |
| Tax Fees <sup>(3)</sup>           | 88,000           | 39,000                | 1,000          |
| <b>Total All Fees</b>             | <b>1,002,000</b> | <b>273,000</b>        | <b>115,000</b> |

- (1) Audit Fees consist of professional services rendered for the audit of Marchex's fiscal year consolidated financial statements and effectiveness of the internal control over financial reporting, interim review of the condensed consolidated financial statements included in the quarterly reports, and consent and review of registration statements.
- (2) Audit-Related Fees consist of professional services rendered for assurance and related services.
- (3) Tax fees consist of fees for professional services for tax return preparation and consultation on matters related to, state and local tax considerations and tax credits.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of KPMG and Moss Adams and has concluded that it is.

The Audit Committee pre-approved 100% of the 2016 and the 2017 services and fees above pursuant to the pre-approval policy described below.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Registered Public Accounting Firm

The policy of the Audit Committee is to pre-approve all audit and permissible non-audit services to be performed by the independent registered public accounting firm during the fiscal year. The Audit Committee pre-approves services by authorizing specific projects within the categories outlined above, subject to the budget for each category. The Audit Committee's charter delegates to its chairman the authority to address any requests for pre-approval of services between Audit Committee meetings, and the chairman must report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

3. Exhibits

The exhibits listed in the exhibit index of the Form 10-K and the exhibits listed in the exhibit index of this Amendment are filed with, or incorporated by reference in, this report.

EXHIBIT INDEX

Exhibit

Number Description of Document

†31(iii) Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

†31(iv) Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

†Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARCHEX, INC.

By: /S/ MICHAEL A. ARENDS  
Michael A. Arends

Chief Financial Officer and member of the Office of the CEO  
(Principal Financial and Accounting Officer)

Date: April 27, 2018