

MARCHEX INC  
Form DEF 14A  
April 11, 2008

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

**MARCHEX, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**413 Pine Street, Suite 500**

**Seattle, Washington 98101**

Dear holders of Class A common stock and Class B common stock of Marchex, Inc. ( *Marchex* or the *Company* ):

You are cordially invited to attend the annual meeting of stockholders of Marchex to be held at the Sheraton Seattle Hotel, 1400 6th Avenue, Seattle, Washington 98101 on Friday, May 9, 2008, at 10:00 a.m. local time. The annual meeting is being held for the following purposes:

- (1) To elect six individuals to serve on the *Company*'s Board of Directors for the ensuing year and until their successors are elected;
- (2) To ratify the appointment of the independent registered public accounting firm KPMG LLP ( *KPMG* ) as the *Company*'s independent accountants for the current fiscal year; and

(3) To transact any other business that may properly come before the annual meeting and any adjournment or postponement thereof. These items are fully discussed in the following pages, which are made part of this notice. Only holders of record of the *Company*'s Class A common stock and Class B common stock on the books of the *Company* at the close of business on April 4, 2008, are entitled to vote at the annual meeting. A list of stockholders entitled to vote will be available for inspection by any stockholder for any purpose germane to the meeting at the offices of Marchex, Inc., 413 Pine Street, Suite 500, Seattle, Washington, during ordinary business hours for the 10 days prior to the annual meeting.

Whether or not you plan to attend, please promptly complete, sign, date and return your proxy card in the enclosed envelope, so that we may vote your shares in accordance with your wishes and so that enough shares are represented to allow us to conduct the business of the annual meeting. If you hold shares in *street name*, you may be able to vote over the internet or by telephone by following the instructions on your proxy card. Mailing your proxy(ies) or voting over the internet or by telephone does not affect your right to vote in person if you attend the annual meeting. If you attend the meeting and vote in person, the proxy will not be used.

By order of the Board of Directors,

Russell C. Horowitz

*Chairman and Chief Executive Officer*

April 11, 2008

**Your vote is very important. Even if you plan to attend the meeting,**

**PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY.**

**PROXY STATEMENT**  
**FOR THE**  
**ANNUAL MEETING OF STOCKHOLDERS**

**413 Pine Street, Suite 500**

**Seattle, Washington 98101**

**INFORMATION ABOUT SOLICITATION AND VOTING**

**General**

The enclosed proxy is solicited by the Board of Directors of Marchex for use in voting at the annual meeting of stockholders to be held at 10:00 a.m., local time, on Friday, May 9, 2008, at the Sheraton Seattle Hotel located at 1400 6th Avenue, Seattle, Washington 98101, and any postponement or adjournment of that meeting. The Company's telephone number is (206) 331-3300. The purpose of the annual meeting is to consider and vote upon the proposals outlined in this proxy statement and the attached notice.

Marchex's Class B common stock and preferred stock are traded on the Nasdaq Global Market.

These proxy solicitation materials were mailed on or about April 11, 2008, together with the Company's annual report, to all holders of Class A common stock and Class B common stock entitled to vote at the meeting. The holders of the Company's preferred stock are not entitled to vote at the meeting.

**Record Date and Outstanding Shares**

Only holders of record of shares of Class A common stock and Class B common stock on the books of the Company at the close of business on the record date, April 4, 2008, will be entitled to vote at the annual meeting. As of the close of business on the record date, there were 10,959,216 shares of Class A common stock outstanding and held of record by 4 stockholders and 29,164,706 shares of Class B common stock outstanding and held of record by approximately 109 stockholders.

**Proxies**

The Board of Directors has selected Michael A. Arends, Chief Financial Officer, and Ethan Caldwell, General Counsel and Secretary, as proxies for the annual meeting. By submitting your proxy, you will authorize Mr. Arends and Mr. Caldwell to represent you and vote your shares at the meeting in accordance with your instructions. They may also vote your shares to adjourn the meeting and will be authorized to vote your shares at any adjournments or postponements of the meeting.

**Meeting Attendance and Admission**

You are entitled to attend the annual meeting only if you are a stockholder of record or a beneficial owner as of April 4, 2008. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. You should be prepared to present a photo identification and proof of your stockholder status or beneficial ownership prior to being admitted to the annual meeting. If you are the stockholder of record, you will need to provide proof of status in the form of your proxy card. If you hold your shares in street name, you must provide proof of beneficial ownership on the record date, such as a brokerage account statement showing that you owned Marchex stock as of the record date, a copy of the voting instruction card provided by your broker, bank or other

nominee, or other similar evidence of ownership as of the record date. If you do not present photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the annual meeting.

### **Voting and Solicitation**

Each stockholder entitled to vote at the meeting may vote in person at the annual meeting or by proxy. If you are the record holder of your shares and attend the meeting in person, you may deliver your completed proxy card to us at the meeting. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or on the internet and if you wish to vote in person at the annual meeting, you must obtain a legal proxy from the bank or brokerage firm that holds your shares.

When proxies are properly dated, executed and returned, the shares they represent will be voted at the annual meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directors set forth herein and FOR ratification of the appointment of accountants. In addition, if other matters come before the annual meeting, the persons named in the accompanying form of proxy will vote in accordance with their best judgment with respect to such matters. Each holder of shares of Class A common stock is entitled to 25 votes for each share of Class A common stock held as of the record date, and each holder of shares of Class B common stock is entitled to 1 vote for each share of Class B common stock held as of the record date. The Class A common stock and Class B common stock will vote together as a single class on all matters described in these proxy materials for which your vote is being solicited.

The Company is paying all costs of the solicitation of proxies, including the expenses of printing and mailing to its stockholders the proxy, this proxy statement and the accompanying notice of annual meeting of stockholders. The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses, in accordance with the regulations of the Securities and Exchange Commission ( SEC ), in sending proxies and proxy materials to the beneficial owners of the voting stock. Proxies may be solicited by the Company's officers, directors and regular employees, without compensation, personally or by telephone or facsimile.

### **Required Vote**

A quorum is required for the transaction of business during the annual meeting. A quorum is present when a majority of stockholder votes are present in person or by proxy. Shares that are voted FOR , AGAINST or WITHHELD on a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as votes cast by the Class A common stock and Class B common stock present in person or represented by proxy at the annual meeting and entitled to vote on the subject matter.

The candidates for election as directors at the annual meeting who receives the highest number of affirmative votes present or represented by proxy and entitled to vote at the annual meeting, will be elected. The ratification of the independent registered public accounting firm for the Company for the current year requires the affirmative vote of a majority of the shares of the Company's Class A common stock and Class B common stock present or represented by proxy and entitled to vote at the annual meeting.

### **Revocability of Proxies**

A proxy given pursuant to this solicitation may be revoked at any time before its use by delivering a written revocation to the Secretary of the Company, delivering a duly executed proxy bearing a later date or attending and voting in person at the annual meeting.

**Abstentions; Broker Non-Votes**

The Company will count abstentions for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). A broker non-vote occurs when a broker or other nominee does not have discretion to vote shares with respect to a particular proposal and has not received instructions from the beneficial owner of the shares. Generally, brokers have discretion to vote shares on what are deemed to be routine matters. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. Broker non-votes will not be counted for purposes of determining the number of votes cast with respect to a proposal.

For Proposal One (election of directors), which requires a plurality of the votes cast, abstentions and broker non-votes will have no effect on determining the number of votes cast nor on whether the director is elected. For Proposal Two (the ratification of the appointment of the independent registered public accounting firm), which requires the affirmative approval of a majority of the votes present or represented and entitled to vote, broker non-votes will have no effect on the number of votes cast nor on whether the appointment is ratified, but abstentions will have the same effect as a vote against Proposal Two because they will be counted as a vote cast with respect to the proposal but not counted as a vote for ratification.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

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 4, 2008 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 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 10,959,216 shares of our Class A common stock and 29,164,706 shares of our Class B common stock outstanding as of April 4, 2008. This percentage excludes the shares of Class B common stock issuable upon conversion of the preferred stock. 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 held by that person that are currently exercisable or exercisable within 60 days of April 4, 2008, 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., 413 Pine Street, Suite 500, Seattle, Washington 98101.

Name and, as appropriate, address of Beneficial Owner	Shares Beneficially Owned		% Total Voting Power <sup>(1)</sup>
	Class A Common Stock	Class B Common Stock	
	Shares	%	
<b>5% Security Holders</b>			
PAR Investment Partners, L.P. <sup>(2)</sup>			1.1%
One International Place, Suite 2401			
Boston, MA 02110			
Wells Fargo & Company <sup>(3)</sup>	2,855,916	9.8%	*
420 Montgomery Street			
San Francisco, CA 94104			
Columbia Wanger Asset Management, L.P. <sup>(4)</sup>	1,700,000	5.8%	*
227 West Monroe Street, Suite 3000			
Chicago, IL 60606			
Kingdon Capital Management, LLC <sup>(5)</sup>	1,480,000	5.1%	*
152 West 57th Street, 50th floor			
New York, NY 10019			
T. Rowe Price Associates, Inc. <sup>(6)</sup>	1,459,800	5.0%	*
100 E. Pratt Street			

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**Named Executive Officers and Directors**

Russell C. Horowitz <sup>(7)</sup>	7,953,423	72.6%	1,514,333	5.2%	66.1%
Michael A. Arends <sup>(8)</sup>			774,750	2.6%	*
Ethan A. Caldwell <sup>(9)</sup>	680,313	6.2%	365,000	1.3%	5.7%
Peter Christothoulou <sup>(10)</sup>	325,313	3.0%	370,000	1.3%	2.8%
Cameron Ferroni <sup>(11)</sup>			325,055	1.1%	*
John Keister <sup>(12)</sup>	2,000,167	18.3%	805,858	2.8%	16.8%
Dennis Cline <sup>(13)</sup>			134,250	*	*
Anne Devereux <sup>(14)</sup>			19,000	*	*
Jonathan Fram <sup>(15)</sup>			67,078	*	*
Nicolas Hanauer			1,496,000	5.1%	*
All directors and executive officers as a group (10 persons) <sup>(16)</sup>	10,959,216	100%	6,066,324	20.8%	92.4%



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 13G/A filed jointly with the SEC on February 14, 2008 by PAR Investment Partners L.P., a Delaware partnership, PAR Group, L.P., a Delaware partnership and PAR Capital Management, Inc., a Delaware corporation (collectively PAR ), each with an address at One International Place, Suite 2401, Boston, MA 02110. Pursuant to such Schedule 13G/A, PAR is the beneficial owner of 3,284,099 shares of our Class B common stock, has sole voting power as to 3,284,099 shares of our Class B common stock and sole dispositive power as to 3,284,099 shares of our Class B common stock.
- (3) Based on the most recently available Schedule 13G/A filed with the SEC on February 6, 2008 by Wells Fargo & Company ( Wells Fargo ), a parent holding company/control person with an address at 420 Montgomery Street, San Francisco, CA 94104, on its behalf and on behalf of the following wholly-owned Wells Fargo subsidiaries: Wells Capital Management Incorporated, an investment advisor; Wells Fargo Funds Management, LLC, an investment advisor; Wells Fargo Investments, LLC, a broker dealer; and Wells Fargo Bank, National Association, a bank. Pursuant to such Schedule 13G/A, Wells Fargo is the beneficial owner of 2,855,916 shares of our Class B common stock, has sole voting power as to 1,796,257 shares of our Class B common stock, sole dispositive power as to 2,853,916 shares of our Class B common stock and shared dispositive power with respect to 2,000 shares of our Class B common stock.
- (4) Based on the most recently available Schedule 13G filed with the SEC on January 23, 2008 by Columbia Wanger Asset Management L.P. ( Columbia ), an investment advisor, with an address at 227 West Monroe Street, Suite 3000, Chicago IL 60606. Pursuant to such Schedule 13G, Columbia is the beneficial owner of 1,700,000 shares of our Class B common stock, has sole voting power as to 1,700,000 shares of our Class B common stock and sole dispositive power as to 1,700,000 shares of our Class B common stock. The shares are held on behalf of Columbia Acorn Trust, a Massachusetts business trust that is advised by Columbia.
- (5) Based on the most recently available Schedule 13G filed jointly with the SEC on January 23, 2008 by Kingdon Capital Management, LLC ( Kingdon ), a Delaware limited liability corporation and Mark Kingdon, an individual, each with an address at 152 West 57th Street, 50th floor, New York, NY 10019. Pursuant to such Schedule 13G, Kingdon is the beneficial owner of 1,480,000 shares of our Class B common stock, has shared voting power as to 1,480,000 shares of our Class B common stock and shared dispositive power as to 1,480,000 shares of our Class B common stock.
- (6) Based on the most recently available Schedule 13G/A filed with the SEC on February 14, 2008 by T. Rowe Price Associates, Inc. (TROW), an investment advisor, with an address at 100 E. Pratt Street, Baltimore, MD 21202. Pursuant to such Schedule 13G/A, TROW is the beneficial owner of 1,459,800 shares of our Class B common stock, has sole voting power as to 363,500 shares of our Class B common stock and sole dispositive power as to 1,459,800 shares of our Class B common stock.
- (7) Includes: (1) 7,953,423 shares of our Class A common stock held by MARRCH Investments, LLC; (2) 620,000 shares of our Class B common stock held by MARRCH Investments, LLC; (3) 800,000 shares of restricted stock subject to vesting; and (4) 83,333 shares of our Class B common stock held by Pemrose, LLC. Mr. Horowitz is the managing member of these entities and, as such, may be deemed to exercise voting and investment power over the shares held by all of these entities. It also includes 5,000 shares of our Class B common stock held in an Individual Retirement Account for the benefit of Mr. Horowitz.
- (8) Includes: (1) 431,250 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 4, 2008; (2) 300,000 shares of restricted stock subject to vesting; (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) 15,000 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.

- (9) Includes 300,000 shares of restricted stock subject to vesting.
- (10) Includes 300,000 shares of restricted stock subject to vesting.
- (11) Includes: (1) 200,000 shares of restricted stock subject to vesting; (2) 125,000 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 4, 2008; and (3) 55 shares of Class B common stock held by Lara Ferroni, Mr. Ferroni's wife.
- (12) Includes: (1) 400,000 shares of restricted stock subject to vesting; (2) 6,160 shares of our Class B common stock held in an Individual Retirement Account for the benefit of Mr. Keister; and (3) 50,129 shares of our Class B common stock held in a Grantor Retained Annuity Trust, of which Mr. Keister is the grantor.
- (13) Includes: (1) 4,000 shares of restricted stock subject to vesting; (2) 85,250 shares of our Class B common stock held by DMC Investments, LLC, a limited liability company of which Mr. Cline is the managing member; (3) 35,000 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 4, 2008; and (4) 10,000 shares in the aggregate of our Class B common stock held by four different trusts for the benefit of his children, for which shares Mr. Cline disclaims beneficial ownership.
- (14) Includes (1) 4,000 shares of restricted stock subject to vesting; and (2) 15,000 shares of Class B Common Stock subject to options that are currently exercisable or exercisable within 60 days of April 4, 2008.
- (15) Includes: (1) 4,000 shares of restricted stock subject to vesting; (2) 21,878 shares of our Class B common stock held by the Jonathan and Leslie Fram Trust for the benefit of Mr. Fram and Leslie Fram, Stanford Fram, Timothy Fram and Sarah Fram, Mr. Fram's wife and children; and (3) 41,200 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 4, 2008.
- (16) Includes an aggregate of: (1) 10,959,216 shares of our Class A common stock; (2) 6,066,324 shares of our Class B common stock (including 45,500 shares for which beneficial ownership has been disclaimed); and (3) 647,450 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 4, 2008.

**PROPOSAL ONE ELECTION OF DIRECTORS****(Item 1 on Proxy Card)**

The Board of Directors currently consists of six (6) individuals, all of whom have been nominated for election at the annual meeting. Directors are to be 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 the six (6) nominees as of April 4, 2008 are set forth below:

Name	Age	Position(s)	Director Since
Russell C. Horowitz	41	Chairman of the Board of Directors, Chief Executive Officer and Treasurer	January 2003
John Keister	41	President, Chief Operating Officer and Director	January 2003
Dennis Cline <sup>(1)(2)(3)</sup>	47	Director	May 2003
Anne Devereux <sup>(1)(2)</sup>	46	Director	October 2006
Jonathan Fram <sup>(1)(3)</sup>	51	Director	May 2003
Nicolas Hanauer <sup>(2)(3)</sup>	48	Director and Vice Chairman	October 2007

(1) Member of the Audit Committee.

(2) Member of the Nominating and Governance Committee.

(3) Member of the Compensation Committee.

**Russell C. Horowitz.** Mr. Horowitz is a founding executive officer and has served as the Chairman of our Board of Directors, Chief Executive Officer and Treasurer since our inception in January 2003. Mr. Horowitz was previously a founder of Go2Net, a provider of online services to merchants and consumers, including online payment authorization technology, Web search and directory services and merchant Web hosting, and served as its Chairman and Chief Executive Officer from its inception in February 1996 until its merger into InfoSpace, a provider of online services focused on Web search, online payment solutions for merchants, mobile infrastructure applications and content for wireless carriers, in October 2000, at which time Mr. Horowitz served as the Vice Chairman and President of the combined company through the merger integration process until January 2001. 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.

**John Keister.** Mr. Keister is a founding executive officer and has served as our Chief Operating Officer and as a member of our Board of Directors since our inception in January 2003, and as our President since December 2003. Mr. Keister was previously a founder of Go2Net and served as its President from 1999 until its merger into InfoSpace in October 2000, at which time he served as Executive Vice President of the Consumer Division of the combined company through the merger integration process until January 2001. He also served as a member of the Board of Directors of Go2Net and as its Chief Operating Officer from 1996 to 1999. Mr. Keister received B.A. degrees in Philosophy and in Diplomacy & World Affairs from Occidental College.

**Dennis Cline.** Mr. Cline has served as a member of our Board of Directors since May 2003. Mr. Cline is currently the Executive Chairman of the Board of Directors of netForensics, Inc., a provider of security information management solutions. Mr. Cline previously served as Chief Executive Officer of netForensics. 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 1998 to 2000, Mr. Cline was the Chief Executive Officer of DirectWeb, a provider of a bundled solution 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.

**Anne Devereux.** Ms. Devereux has served as a member of our Board of Directors since October 2006. Ms. Devereux has more than 20 years of experience in marketing and advertising. Ms. Devereux currently serves as CEO of TBWA\WorldHealth and also CEO of LyonHeart, both of which are divisions of Omnicom Group Inc. (NYSE: OMC). TBWA\WorldHealth is one of the largest global marketing services networks dedicated to healthcare and lifestyle brands and LyonHeart is a leading healthcare communications agency. Prior to these roles, Ms. Devereux 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, Ms. Devereux was President and Founder of Consumer Healthworks, an advertising agency and one of the first agencies to specialize in direct-to-consumer advertising for healthcare brands. Ms. Devereux received a B.A. degree from Wellesley College.

**Jonathan Fram.** Mr. Fram has served as a member of our Board of Directors since May 2003. Mr. Fram currently serves as a Managing Partner of Maveron LLC, a venture capital firm. Prior to Maveron, Mr. Fram was an Entrepreneur in Residence for Doll Capital Management from June 2005 through March 2006. From May 2002 through December 2003, Mr. Fram was the Chief Executive Officer for Envivio, a privately-held company and a provider of MPEG-4 broadcast and streaming video systems. From October 2001 to May 2002, Mr. Fram was the Acting Chief Executive Officer of Envivio while he was a consultant to France Telecom, Envivio's majority shareholder at that time. From August 2000 to July 2001, Mr. Fram was the President and Chief Executive Officer of eVoice, an online voicemail and unified messaging provider, until its sale to America Online in July 2001. Prior to eVoice from July 1999 to August 2000, Mr. Fram was the President of Net2Phone, a provider of voice services over IP networks, until AT&T acquired a controlling interest in the company. Prior to Net2Phone, from 1991 to 1999, Mr. Fram was a General Manager at Bloomberg, responsible for the Television, Internet and Radio divisions. Mr. Fram received a B.S. degree in Electrical Engineering and Computer Science from Princeton University.

**Nicolas Hanauer.** Mr. Hanauer has served as Vice Chairman of our Board of Directors since October 2007. Mr. Hanauer is currently a partner at Second Avenue Partners, a Seattle-based venture capital firm he co-founded in 2000. Mr. Hanauer founded aQuantive (formerly Avenue A Media, Inc.), a leading global digital marketing company, in 1996 and served as its Chief Executive Officer from June 1998 to September 1999 and Chairman of the Board from June 1998 until its acquisition by Microsoft in July 2007. In 1998, Mr. Hanauer co-founded Gear.com, which was later purchased by Overstock.com. In 1995, Mr. Hanauer became a founding investor in Amazon.com and served as a board advisor until 2000. Mr. Hanauer began his professional career at the Pacific Coast Feather Company in Seattle where he held a number of executive positions, including Chief Executive Officer and co-chairman. Mr. Hanauer received a B.A. degree in Philosophy from the University of Washington.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES LISTED ABOVE TO THE BOARD OF DIRECTORS.**

## CORPORATE GOVERNANCE

### Board Independence

The Board of Directors determined that, other than Messrs. Horowitz and Keister, each of the members of the board is an independent director for the purposes of the Nasdaq Marketplace Rules.

### Committees and Meeting Attendance

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each of these committees operates under a written charter adopted by the board. Copies of these charters are available on our website at [www.marchex.com](http://www.marchex.com). The Board of Directors held eight meetings and took action by written consent on ten occasions during the fiscal year ended December 31, 2007. Each of the standing committees of the board held the number of meetings indicated below. During the last fiscal year, except for Mr. Hanauer who joined our Board of Directors in October of 2007, each of our directors attended at least 75% of the total number of meetings of the board and all of the committees of the board on which such director served held during that period. Directors are encouraged to attend our annual meetings of stockholders. Four of our five directors, who then comprised the Board of Directors, attended last year's annual meeting.

The following table sets forth the three standing committees of the board, the members of each committee, the number of meetings held by each committee and committee action taken by written consent during the 2007 fiscal period:

Name of Director	Audit	Compensation <sup>(1)</sup>	Nominating and Governance <sup>(2)</sup>
Dennis Cline	Member	Chair	Member
Anne Devereux	Member	Member	Chair
Jonathan Fram	Chair	Member	Member
Number of Meetings	7	5	5
Action by Written Consent	3	4	2

<sup>(1)</sup> From January 1, 2007 through December 31, 2007, the members of the Compensation Committee were Messrs. Cline (Chair) and Fram and Ms. Devereux. Effective January 1, 2008, the current members of the Compensation Committee are Messrs. Cline, Fram and Hanauer (Chair).

<sup>(2)</sup> From January 1, 2007 through December 31, 2007, the members of the Nominating and Governance Committee were Messrs. Cline and Fram and Ms. Devereux (Chair). Effective January 1, 2008, the current members of the Nominating and Governance Committee are Messrs. Cline and Hanauer and Ms. Devereux (Chair).

### Audit Committee

The Audit Committee is currently comprised of Messrs. Cline and Fram (Chair) and Ms. Devereux. Each of the members of the Audit Committee is independent for purposes of the Nasdaq Marketplace Rules as they apply to Audit Committee members. Messrs. Cline and Fram 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 accountants, the scope and timing of the independent accountants' services, the independent accountants' report on the Company's consolidated financial statements 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 accountants for the ensuing year. The Audit Committee held seven meetings and took action by written consent on three occasions during the fiscal year ended December 31, 2007. Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee immediately following Proposal Two.

### ***Compensation Committee***

The Compensation Committee is currently comprised of Messrs. Cline, Fram and Hanauer (Chair). Each of the members of the Compensation Committee is independent for purposes of the Nasdaq Marketplace Rules. The Compensation Committee operates under a charter that is available on our website at [www.marchex.com](http://www.marchex.com). The Compensation Committee held five meetings and took action by written consent on four occasions during the fiscal year ended December 31, 2007.

The purpose of the Compensation Committee is to assist the Board of Directors in carrying out its responsibilities with respect to: (i) overseeing the Company's compensation policies and practices; (ii) reviewing and approving annual compensation and compensation procedures for the Company's executive officers; and (iii) overseeing and recommending director compensation to the Board of Directors. More specifically, the Compensation Committee's responsibilities include: overseeing the Company's general compensation structure, policies and programs, and assessing whether the Company's compensation structure establishes appropriate incentives for management and employees; making recommendations to the Board of Directors with respect to, and administering, the Company's incentive compensation and equity-based compensation plans, including the Company's stock option plan and employee stock purchase plan; reviewing and approving compensation procedures for the Company's executive officers; recommending to the independent directors for approval the compensation of the Chief Executive Officer based on relevant corporate goals and objectives and the Board of Directors' performance evaluation of the Chief Executive Officer; and reviewing and recommending to the Board of Directors for approval the compensation of executive officers other than the Chief Executive Officer; reviewing and recommending to the Board of Directors employment and retention agreements for executive officers, including change of control provisions, plans or agreements; reviewing the compensation of directors for service on the Board of Directors and its committees. Regarding most compensation matters, including executive and director compensation, the Company's management provides recommendations to the Compensation Committee. The Compensation Committee has delegated its authority to grant awards under the Company's stock incentive plan to eligible employees who are not executive officers to the Stock Option Grant Subcommittee within certain pre-approved limits. The Stock Option Grant Subcommittee consists of two of the Company's directors, Messrs. Horowitz and Keister, and such committee regularly reports any grants made to the Compensation Committee. To date, the Company has not engaged any consultant related to executive and/or director compensation matters.

### ***Nominating and Governance Committee***

The Nominating and Governance Committee is currently comprised of Messrs. Cline and Hanauer and Ms. Devereux (Chair). Each of the members of the Nominating and Governance Committee is independent for purposes of the Nasdaq Marketplace Rules. The Nominating and Governance Committee operates under a charter that is available on our website at [www.marchex.com](http://www.marchex.com). The Nominating and Governance Committee identifies individuals qualified to become board members, recommends to the board those persons to be nominated for election to our board at the annual meeting of stockholders, develops and recommends to the board a set of corporate governance principles applicable to the Company and oversees the evaluation of the board and management. The Nominating and Governance Committee held five meetings and took action by written consent on two occasions during the fiscal year ended December 31, 2007.

### ***Nomination of Directors***

The Nominating and Governance Committee may use third party executive search firms to help identify prospective director nominees. In evaluating the suitability of each candidate, the Nominating and Governance Committee will consider issues of character, judgment, independence, age, expertise, diversity of experience, length of service, other commitments and the like. While there are no specific minimum qualifications for director nominees, the ideal candidate should exhibit (i) independence, (ii) integrity, (iii) qualifications that will increase overall board effectiveness, and (iv) an ability to meet other requirements as may be required by applicable rules, such as financial literacy or expertise for Audit Committee members. The Nominating and

Governance Committee uses the same process for evaluating all nominees, regardless of the original source of the nomination.

Our evaluations of potential directors include, among other things, an assessment of a candidate's background and credentials, personal interviews, and discussions with appropriate references. Once we have selected appropriate candidates, we present them to the full Board for election if a vacancy occurs or is created by an increase in the size of the board during the course of the year, or for nomination if the director is to be first elected by stockholders.

Marchex stockholders may recommend individuals to the Nominating and Governance Committee for consideration as potential director candidates by submitting their names and appropriate supporting background and biographical information to: Marchex Nominating and Governance Committee, 413 Pine Street, Suite 500, Seattle, Washington 98101, Attention: General Counsel. The recommendation must include any relevant information, including the candidate's name, home and business contact information, detailed biographical data and qualifications, and information regarding any relationships between the candidate and the Company within the last three years. Acceptance of a recommendation does not mean that the committee will ultimately nominate the recommended candidate.

Mr. Hanauer, who was appointed to the Board of Directors during 2007, was recommended to the Nominating and Governance Committee by Mr. Horowitz.

#### **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 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).

#### **Corporate Governance Guidelines**

The Board of Directors has adopted corporate governance guidelines to ensure effective corporate governance which are available on our website at [www.marchex.com](http://www.marchex.com).

#### **Vice Chairman of the Board of Directors**

In October 2007, our Board of Directors appointed Mr. Hanauer as Vice Chairman of our Board of Directors. As Vice Chairman, Mr. Hanauer's responsibilities include:

Coordinating and moderating executive sessions of the Board of Directors' independent directors.

Advising the Chairman of the Board of Directors as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties.

Acting as the principal liaison between the independent directors and the Chairman of the Board of Directors on sensitive issues.

Performing such other duties as the Board of Directors may from time to time delegate to the Vice Chairman to assist the Board of Directors in the fulfillment of its responsibilities.

#### **Board Effectiveness**

The Board of Directors performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations.

**Executive Session**

The corporate governance guidelines provide that the Company's independent directors shall meet regularly (not less than two times per year) in executive session at which only the Company's independent directors shall be present. The independent directors met in executive session four times during the fiscal year ended December 31, 2007.

**Compensation Committee Interlocks and Insider Participation**

None of Messrs. Cline and Fram or Ms. Devereux, the members of the Compensation Committee during 2007, 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 2007, 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.

**Communications with Directors**

The Board of Directors provides a process for Marchex stockholders to send communications to the Board of Directors. Any stockholder who desires to contact the Board of Directors may do so by writing to: Marchex, Inc., 413 Pine Street, Suite 500, Seattle, Washington 98101, Attention: Ethan Caldwell, Secretary. Communications received by mail will be screened by the Secretary for appropriateness before either forwarding to or notifying the members of the Board of Directors of receipt of a communication.



**PROPOSAL TWO RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS****(Item 2 on Proxy Card)**

The Board of Directors has reappointed the firm of KPMG, an independent registered public accounting firm, as independent accountants of Marchex for the current fiscal year. Stockholder ratification of the selection of KPMG as Marchex's independent accountants is not required by Marchex's bylaws, Delaware corporate law or otherwise. The Board of Directors has elected to seek such ratification as a matter of good corporate practice. Should the stockholders fail to ratify the selection of KPMG as independent accountants, the Board of Directors will consider whether to retain that firm for the year ending December 31, 2008 and will consider the appointment of other certified public accountants. KPMG was the auditor for the year ended December 31, 2007. Representatives of KPMG are expected to be present at the annual meeting, will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from stockholders present at the meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP.**

The Board of Directors has reappointed KPMG as auditors for the year ending December 31, 2008. In addition to audit services, KPMG also provided certain non-audit services to Marchex in 2007. The terms of Marchex's engagement agreements with KPMG provide for alternative dispute resolution procedures, exclude the award of punitive damages and contain certain other limitations.

**Accounting Fees and Services**

During fiscal years 2006 and 2007, we retained KPMG to provide professional services in the following categories and amounts:

<b>Fee Category</b>	<b>2006</b>	<b>2007</b>
Audit Fees	\$ 813,000	\$ 786,000
Audit-Related Fees	\$ 64,000	\$ 2,000
Tax Fees	\$ 35,000	\$ 56,000
All Other Fees	\$ None	\$ None
<b>Total All Fees</b>	<b>\$ 912,000</b>	<b>\$ 844,000</b>

*Audit-related fees* consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category includes fees for accounting consultation matters and consultations in connection with acquisitions.

*Tax fees* consist of fees for professional services for tax return preparation and consultation on matters related to acquisitions and tax credits.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of KPMG and has con