

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 000-50658

Marchex, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

35-2194038
(I.R.S. Employer
Identification No.)

**520 Pike Street, Suite 2000
Seattle, Washington 98101**
(Address of principal executive offices)

(206) 331-3300
(Registrant's telephone number, including area code)

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 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," or "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

<u>Class</u>	<u>Outstanding at May 8, 2018</u>
Class A common stock, par value \$.01 per share	5,056,136
Class B common stock, par value \$.01 per share	39,041,009

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	December 31, 2017	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,190	\$ 84,562
Accounts receivable, net	14,860	14,887
Prepaid expenses and other current assets	2,041	1,785
Total current assets	121,091	101,234
Property and equipment, net	2,405	2,635
Other assets, net	326	534
Total assets	<u>\$ 123,822</u>	<u>\$ 104,403</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,928	\$ 6,110
Accrued expenses and other current liabilities	5,585	6,084
Deferred revenue and deposits	313	841
Dividends payable	21,907	—
Total current liabilities	32,733	13,035
Other non-current liabilities	1,090	1,128
Total liabilities	33,823	14,163
Stockholders' equity:		
Class A common stock	53	53
Class B common stock	387	388
Additional paid-in capital	343,268	344,245
Accumulated deficit	(253,709)	(254,446)
Total stockholders' equity	89,999	90,240
Total liabilities and stockholders' equity	<u>\$ 123,822</u>	<u>\$ 104,403</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2017	2018
Revenue	\$ 24,375	\$ 21,896
Expenses:		
Service costs	13,598	12,823
Sales and marketing	4,992	3,610
Product development	5,270	3,648
General and administrative	4,030	2,970
Total operating expenses	<u>27,890</u>	<u>23,051</u>
Loss from operations	(3,515)	(1,155)
Interest income and other, net	17	240
Loss before provision for income taxes	(3,498)	(915)
Income tax expense	12	11
Net loss applicable to common stockholders	<u>\$ (3,510)</u>	<u>\$ (926)</u>
Basic and diluted net loss per Class A and Class B share applicable to common stockholders	\$ (0.08)	\$ (0.02)
Shares used to calculate basic net loss per share applicable to common stockholders:		
Class A	5,056	5,056
Class B	37,169	38,039
Shares used to calculate diluted net loss per share applicable to common stockholders:		
Class A	5,056	5,056
Class B	42,225	43,095

See accompanying Notes to Condensed Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Three Months Ended March 31,	
	2017	2018
Operating Activities:		
Net loss	\$ (3,510)	\$ (926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation	751	524
Allowance for doubtful accounts and advertiser credits	307	159
Stock-based compensation	1,357	951
Change in certain assets and liabilities:		
Accounts receivable, net	1,875	119
Prepaid expenses, other current assets and other assets	(292)	169
Accounts payable	(856)	1,266
Accrued expenses and other current liabilities	(382)	193
Deferred revenue and deposits	6	528
Other non-current liabilities	(134)	38
Net cash provided by (used in) operating activities	(878)	3,021
Investing Activities:		
Purchases of property and equipment	(2)	(769)
Purchases of intangible assets	(4)	—
Net cash used in investing activities	(6)	(769)
Financing Activities:		
Proceeds from exercises of stock options, issuance and vesting of restricted stock and employee stock purchase plan, net	6	31
Common stock dividends paid	—	(21,911)
Net cash provided by (used in) financing activities	6	(21,880)
Net decrease in cash and cash equivalents	(878)	(19,628)
Cash and cash equivalents at beginning of period	103,950	104,190
Cash and cash equivalents at end of period	<u>\$ 103,072</u>	<u>\$ 84,562</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Description of Business and Basis of Presentation

Marchex, Inc. (the “Company”) was incorporated in the state of Delaware on January 17, 2003. The Company is a call analytics company that helps businesses connect, drive, measure, and convert callers into customers. The Company provides products and services for businesses of all sizes that depend on calls to drive sales. The Company’s analytics technology can facilitate call quality, analyze calls and measure the outcomes of calls. The Company also delivers performance-based, pay-for-call advertising across numerous mobile and online publishers to connect consumers with businesses over the phone.

The accompanying unaudited condensed consolidated financial statements of Marchex, Inc. and its wholly-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or for any other period. The balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. These condensed consolidated financial statements and notes should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2017, as amended, and filed with the SEC.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to the consolidated financial statements in the prior periods to conform to the current period presentation.

(2) Significant Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These judgments are difficult as matters that are inherently uncertain directly impact their valuation and accounting. Actual results may vary from management’s estimates and assumptions.

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

FASB ASC Topic 606, *Revenue from Contracts with Customers*, (ASC 606) is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted ASC 606 on January 1, 2018 using the modified retrospective approach for all contracts not completed as of the date of initial application, referred to as open contracts. Therefore, the comparative information has not been adjusted and continues to be reported under ASC 605. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. The Company measures revenue based on the consideration specified in the customer arrangement, and revenue is recognized when the performance obligations in the customer arrangement are satisfied. A performance obligation is a promise in a contract to transfer a distinct service or product to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as, the customer receives the benefit of the performance obligation.

The primary impact upon adoption of the standard relates to the deferral (i.e. capitalization) of incremental contract acquisition costs which are recorded as other non-current assets in the balance sheet and the recognition (i.e. amortization) of them in sales and marketing expenses in the statements of operations over the term of the initial contract and anticipated renewal contracts to which the costs relate. The Company recognized a \$189,000 decrease to accumulated deficit as of January 1, 2018 for the cumulative impact of adoption of the amended guidance associated with the incremental contract acquisition costs on open contracts that were capitalized. The impact of the adoption of ASC 606 on net loss applicable to common stockholders for the three months ended March 31, 2018 and on the unaudited consolidated balance sheet at March 31, 2018 was not significant.

Recent Accounting Pronouncement(s) Not Yet Effective

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 *Leases (Topic 842) (ASU 2016-02)*, an ASU requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company currently plans to adopt the new standard on January 1, 2019. The ASU must be adopted using a modified retrospective approach. The Company anticipates that adoption will affect its statement of financial position and will require changes to some of its processes. Most significant to the Company, the new guidance requires lessees to recognize operating building leases with a term of more than 12 months as lease assets and lease liabilities. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 will have on its consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, an ASU amending the impairment model for most financial assets and certain other instruments. The ASU is effective for reporting periods beginning after December 15, 2019, with early adoption permitted after December 15, 2018. The ASU must be adopted using a modified-retrospective approach. The Company does not expect adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

(3) Revenue Recognition

The Company generates the majority of its revenues from advertisers for its performance based advertising services, which include the use of its call analytics technology and pay-for-call advertising products and services. The Company's revenue also consists of payments from its reseller partners for use of its local leads platform and marketing services, which they offer to their small business customers. Customers typically receive the benefit of the Company's services as they are performed and substantially all the Company's revenue is recognized over time, as the services are performed.

The Company's call analytics technology platform provides data and insights that can measure the performance of mobile, online and offline advertising for advertisers and small business resellers. The Company generates revenue from the Company's call analytics technology platform when advertisers pay the Company a fee for each call or call related data element they receive from calls including call-based ads the Company distributes through its sources of call distribution or for each phone number tracked based on a pre-negotiated rate. Revenue is recognized as services are provided over time, which is generally measured by the delivery of each call or call related data element or each phone number tracked.

The Company's call marketplace offers advertisers and advertising service providers' ad placements across the Company's distribution network. Advertisers or advertising service providers are charged on a pay-per-call or cost-per-action basis. The Company generates revenue upon delivery of qualified and reported phone calls to advertisers or advertising service providers' listings. These advertisers and advertising service providers pay the Company a designated transaction fee for each qualified phone call, which occurs when a user makes a phone call, clicks, or completes a specified action on any of their advertisement listings after it has been placed by the Company or by the Company's distribution partners. The Company also generates revenue from cost-per-action services, which occurs when a user makes a phone call from the Company's advertiser's listing or is redirected from one of the Company's web sites or a third-party web site in the Company's distribution network to an advertiser web site and completes the specified action. Each qualified phone call or specified action on a listing represents a completed transaction. Revenue is recognized as services are provided upon the delivery of a qualified phone call or completed action. The Company's distribution network is primarily comprised of third party mobile and online search engines and applications, mobile carriers, directories, destination sites, shopping engines, Internet domains or web sites, other targeted Web-based content, and offline sources. The Company enters into agreements with these third-party distribution partners to provide distribution for pay-for-call advertisement listings, which contain call tracking numbers and/or URL strings. The Company generally pays distribution partners based on a percentage of revenue or a fixed amount per phone call on these listings. The Company acts as the principal with the advertiser for revenue call transactions, and is responsible for the fulfillment of services. The Company recognizes revenue for these fees under the gross revenue recognition method.

The Company's local leads platform allows reseller partners to sell call advertising, search marketing, and other lead generation products through their existing sales channels to small business advertisers. The Company generates revenue from reseller partners utilizing the Company's local leads platform and is paid account fees and/or agency fees for the Company's products in the form of a percentage of the cost of every call or click delivered to advertisers. Revenue is recognized over time as services are provided. The reseller partners engage the advertisers and are the principal for the transaction, and the Company, in certain instances, is only financially liable to the publishers in the Company's capacity as a collection agency for the amount collected from the advertisers. The Company recognizes revenue for these fees under the net revenue recognition method. In limited arrangements resellers pay the Company a fee for fulfilling an advertiser's campaign in its distribution network and the Company acts as the principal and recognizes revenue for these fees under the gross revenue recognition method.

For the three months ended March 31, 2018, revenues disaggregated by service type were \$19.9 million for performance based advertising services and \$2.0 million for the local leads services.

The majority of the Company's customers are invoiced on a monthly basis following the month of the delivery of services and are required to make payments under standard credit terms. The Company establishes an allowance for advertiser credits, which is included in accrued expense and other current liabilities in the balance sheet as of March 31, 2018, using its best estimate of the amount of expected future reductions in advertisers' payment obligations related to delivered services based on analysis of historical credits. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. During the three months ended March 31, 2018, revenue recognized that was included in the contract liabilities balance at the beginning of the period was insignificant.

The majority of the Company's total revenue is derived from contracts that include consideration that is variable in nature. The variable elements of these contracts primarily include the number of transactions (for example, the number qualified phone calls). For contracts with an effective term greater than one year, the Company applies the standard's practical expedient that permits the exclusion of disclosure of the value of unsatisfied performance obligations for these contracts as the Company's right to consideration corresponds directly to the value provided to the customer for services completed to date and all future variable consideration is allocated to wholly unsatisfied performance obligations. A term for purposes of these contracts has been estimated at 24 months. In addition, the Company applies the standard's optional exemption to disclose information about performance obligations for contracts that have original expected terms of one year or less.

For arrangements that include multiple performance obligations, the transaction price from the arrangement is allocated to each respective performance obligation based on its relative standalone selling price and recognized when revenue recognition criteria for each performance obligation are met. The standalone selling price for each performance obligation is established based on the sales price at which the Company would sell a promised good or service separately to a customer or the estimated standalone selling price.

In certain cases, the Company records revenue based on available and reported preliminary information from third parties. Collection on the related receivables may vary from reported information based upon third-party refinement of the estimated and reported amounts owed that occurs subsequent to period ends.

The Company's incremental direct costs of obtaining a contract, which consist primarily of sales commissions, are generally deferred and amortized to sales and marketing expense over the estimated life of the relevant customer relationship of approximately 24 months and are subject to being monitored every period to reflect any significant change in assumptions. In addition, the deferred contract cost asset is assessed for impairment on a periodic basis. The Company's contract acquisition costs are included in other assets, net in the balance sheet. The Company is applying the standard's practical expedient permitting expensing of costs to obtain a contract when the expected amortization period is one year or less, which typically results in expensing commissions paid to acquire certain contracts. As of March 31, 2018, the Company had \$207,000 of deferred contract costs and the amortization associated with these costs was insignificant for the three months ended March 31, 2018.

(4) Stock-based Compensation Plans

The Company grants stock-based awards, including stock options, restricted stock awards, and restricted stock units. The Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the vesting or service period, as applicable, of the stock-based award using the straight-line method. The Company accounts for forfeitures as they occur.

Stock-based compensation expense was included in the following operating expense categories as follows (in thousands):

	Three months ended March 31,	
	2017	2018
Service costs	\$ 125	\$ 128
Sales and marketing	406	214
Product development	91	91
General and administrative	735	518
Total stock-based compensation	<u>\$ 1,357</u>	<u>\$ 951</u>

The Company uses the Black-Scholes option pricing model to estimate the per share fair value of stock option grants with time-based vesting. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. For the three

months ended March 31, 2017 and 2018, the expected life of each award granted was determined based on historical experience with similar awards, giving consideration to contractual terms, anticipated exercise patterns, vesting schedules and expirations. Expected volatility is based on historical volatility levels of the Company's Class B common stock and the expected volatility of companies in similar industries that have similar vesting and contractual terms. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury issues with terms approximately equal to the expected life of the option. For the three months ended March 31, 2018, the Company used an expected dividend yield for those grants prior to the record date of the Company's common stock cash dividend payment in March 2018.

The following weighted average assumptions were used in determining the fair value of time-vested stock option grants for the periods presented:

	Three months ended March 31,	
	2017	2018
Expected life (in years)	4.0	4.0
Risk-free interest rate	1.72%	2.54%
Expected volatility	57%	53%
Expected dividend yield	0%	0% - 3.57%

Stock option activity during the three months ended March 31, 2018 is summarized as follows:

	Shares (in thousands)	Weighted average exercise price	Weighted average remaining contractual term (in years)
Balance at December 31, 2017	5,713	\$ 5.33	5.93
Options granted	103	3.31	
Options forfeited	(125)	3.01	
Options expired	(197)	6.87	
Options exercised	(8)	2.75	
Balance at March 31, 2018	5,486	\$ 5.29	5.70

Restricted stock awards and restricted stock units are generally measured at fair value on the date of grant based on the number of awards granted and the quoted price of the Company's common stock. Restricted stock units entitle the holder to receive one share of the Company's Class B common stock upon satisfaction of certain service conditions.

Restricted stock awards and restricted stock unit activity during the three months ended March 31, 2018 is summarized as follows:

	Shares/ Units (in thousands)	Weighted average grant date fair value
Unvested balance at December 31, 2017	1,871	\$ 3.25
Granted	30	3.30
Vested	(24)	4.19
Forfeited	(246)	3.06
Unvested balance at March 31, 2018	1,631	\$ 3.26

(5) Net Income (Loss) Per Share

The Company computes net income (loss) per share of Class A and Class B common stock using the two class method. Under the provisions of the two class method, basic net income (loss) per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the year. Diluted net income (loss) per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the diluted net income (loss) per share of Class B common stock assumes the conversion of Class A common stock to Class B common stock, while the diluted net income (loss) per share of Class A common stock does not assume the conversion of those shares.

In accordance with the two class method, the undistributed earnings (losses) for each year are allocated based on the contractual participation rights of the Class A and Class B common shares and the restricted shares as if the earnings for the year had been distributed. Considering the terms of the Company's charter which provides that, if and when dividends are declared on the Company's common stock in accordance with Delaware General Corporation Law, equivalent dividends shall be paid with respect to the shares of Class A common stock and Class B common stock and that both classes of common stock have identical dividend rights and would share equally in the Company's net assets in the event of liquidation, the Company has allocated undistributed earnings (losses) on a proportionate basis.

Instruments granted in unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities prior to vesting. As such, the Company's restricted stock awards are considered participating securities for purposes of calculating earnings per share.

The following tables present the computation of basic net loss per share applicable to common stockholders for the periods ended (in thousands, except per share amounts):

	Three months ended March 31,			
	2017		2018	
	Class A	Class B	Class A	Class B
Basic net loss per share:				
Numerator:				
Net loss applicable to common stockholders	\$ (420)	\$ (3,090)	\$ (109)	\$ (817)
Denominator:				
Weighted average number of shares outstanding used to calculate basic net loss per share	5,056	37,169	5,056	38,039
Basic net loss per share applicable to common stockholders	\$ (0.08)	\$ (0.08)	\$ (0.02)	\$ (0.02)

The following tables present the computation of diluted net loss per share applicable to common stockholders for the periods ended (in thousands, except per share amounts):

	Three months ended March 31,			
	2017		2018	
	Class A	Class B	Class A	Class B
Diluted net loss per share:				
Numerator:				
Net loss applicable to common stockholders	\$ (420)	\$ (3,090)	\$ (109)	\$ (817)
Reallocation of net loss for Class A shares as a result of conversion of Class A to Class B shares	—	(420)	—	(109)
Diluted net loss applicable to common stockholders	<u>\$ (420)</u>	<u>\$ (3,510)</u>	<u>\$ (109)</u>	<u>\$ (926)</u>
Denominator:				
Weighted average number of shares outstanding used to calculate basic net loss per share	5,056	37,169	5,056	38,039
Conversion of Class A to Class B common shares outstanding	—	5,056	—	5,056
Weighted average number of shares outstanding used to calculate diluted net loss per share	<u>5,056</u>	<u>42,225</u>	<u>5,056</u>	<u>43,095</u>
Diluted net loss per share applicable to common stockholders	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>

The computation of diluted net loss per share excludes the following because their effect would be anti-dilutive (in thousands):

- For the three and three months ended March 31, 2017 and 2018, outstanding options to acquire 5,990 and 5,486 shares, respectively of Class B common stock.
- For the three and three months ended March 31, 2017 and 2018, 850 and 710 shares of unvested Class B restricted common shares, respectively.
- For the three and three months ended March 31, 2017 and 2018, 1,635 and 921 restricted stock units, respectively.

(6) Concentrations

The Company maintains substantially all of its cash and cash equivalents with two financial institutions and are all considered at Level 1 fair value with observable inputs that reflect quoted prices for identical assets or liabilities in active markets. At various points during the three months ended March 31, 2017 and 2018, the Company held cash equivalents in deposit sweep accounts with these same financial institutions. These Level 2 assets were fully liquidated prior to March 31, 2017 and 2018.

The advertisers representing more than 10% of revenue are as follows (in percentages):

	Three months ended	
	March 31,	
	2017	2018
Advertiser A	22%	18%
Advertiser B	17%	27%
Advertiser C	10%	*

* Less than 10% of revenue.

Advertiser A is also a distribution partner.

The outstanding receivable balance for each advertiser representing more than 10% of accounts receivable is as follows (in percentages):

	At December 31,	At
	2017	March 31,
		2018
Advertiser A	17%	*
Advertiser B	31%	39%
Advertiser C	10%	*

* Less than 10% of accounts receivable.

In certain cases, the Company may engage directly with one or more advertising agencies who act on an advertiser's behalf. In addition, an advertising agency may represent more than one advertiser that utilizes the Company's products and services. One advertising agency represented 11% and 20% of revenue for the three months ended March 31, 2017 and 2018, respectively. This same advertising agency represented 21% and 29% of accounts receivable as of December 31, 2017 and March 31, 2018, respectively. One other advertising agency represented 11% of accounts receivable as of December 31, 2017 and March 31, 2018.

A significant amount of the Company's revenue earned from advertisers is generated through arrangements with distribution partners. The Company may not be successful in renewing any of these agreements, or, if they are renewed, they may not be on terms as favorable as current arrangements. The Company may not be successful in entering into agreements with new distribution partners or advertisers on commercially acceptable terms. In addition, several of these distribution partners or advertisers may be considered potential competitors. There were no distribution partners paid more than 10% of revenue for the three months ended March 31, 2017 and 2018.

(7) Segment Reporting and Geographic Information

Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for the Company's management. For the periods presented, we operated as a single segment.

Revenues from advertisers by geographical areas are tracked on the basis of the location of the advertiser. The vast majority of the Company's revenue and accounts receivable are derived from domestic sales to advertisers engaged in various mobile, online and other activities.

Revenues by geographic region are as follows (in percentages):

	Three months ended March 31,	
	2017	2018
United States	96%	99%
Canada	4%	1%
Other countries	*	*
	<u>100%</u>	<u>100%</u>

* Less than 1% of revenue.

(8) Property and Equipment

Property and equipment consisted of the following (in thousands):

	At December 31, 2017	At March 31, 2018
Computer and other related equipment	\$ 19,157	\$ 19,678
Purchased and internally developed software	6,687	6,687
Furniture and fixtures	1,071	1,073
Leasehold improvements	1,168	1,169
	<u>\$ 28,083</u>	<u>\$ 28,607</u>
Less: Accumulated depreciation and amortization	(25,678)	(25,972)
Property and equipment, net	<u>\$ 2,405</u>	<u>\$ 2,635</u>

Depreciation and amortization expense related to property and equipment was approximately \$747,000 and \$455,000 for the three months ended March 31, 2017 and 2018, respectively.

(9) Commitments, Contingencies, Taxes and Other

(a) Commitments

The Company has commitments for future payments related to office facilities leases and other contractual obligations. The Company leases its office facilities under operating lease agreements and recognizes rent expense on a straight-line basis over the lease term with any lease incentive amortized as a reduction of rent expense over the lease term. Other contractual obligations primarily relate to minimum contractual payments due to outside service providers. Future minimum payments are approximately as follows (in thousands):

	Facilities operating leases	Other contractual obligations	Total
2018	\$ 1,083	\$ 2,284	\$ 3,367
2019	1,476	1,377	2,853
2020	1,520	89	1,609
2021	1,566	4	1,570
2022 and after	5,417	4	5,421
Total minimum payments	<u>\$ 11,062</u>	<u>\$ 3,758</u>	<u>\$ 14,820</u>

In June 2017, the Company entered into an amendment to the lease agreement originally dated in June 2009 and as amended to date, with respect to office space in Seattle, Washington. The amendment extends the lease term for a period of 84 months expiring on March 31, 2025 and reduces the leased office space starting on September 1, 2017. The Company has the option to terminate the lease in March 2023, subject to satisfaction of certain conditions, including a payment of a termination fee of approximately \$671,000. In addition, the lessor will pay towards the cost of certain leasehold improvements (“landlord contribution”) of which the Company may use up to approximately \$180,000 of any unused landlord contribution as a credit against any payment obligation under the lease. In the first quarter of 2018, the lessor paid \$373,000 towards certain leasehold improvements which the Company accounted for as a lease incentive and is amortizing as a reduction of rent expense over the lease term. Additionally, in April 2018, the lessor refunded the previously provided security deposit and the Company provided a letter of credit to the lessor in the amount of \$575,000, which will be reduced by \$100,000 annually starting in April 2019.

Rent expense incurred by the Company was approximately \$488,000 and \$377,000 for the three months ended March 31, 2017 and 2018, respectively.

(b) Contingencies

The Company from time to time is a party to disputes and legal and administrative proceedings arising from the ordinary course of business. In some agreements to which the Company is a party, the Company has agreed to indemnification provisions of varying scope and terms with advertisers, vendors and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company’s breach of agreements or representations and warranties made by the Company, services to be provided by the Company and intellectual property infringement claims made by third parties. As a result of these provisions, the Company may from time to time provide certain levels of financial support to our contract parties to seek to minimize the impact of any associated litigation in which they may be involved. To date, there have been no known events or circumstances that have resulted in any material costs related to these indemnification provisions and no liabilities therefore have been recorded in the accompanying consolidated financial statements. However, the maximum potential amount of the future payments we could be required to make under these indemnification provisions could be material.

While any litigation contains an element of uncertainty, the Company is not aware of any legal proceedings or claims which are pending that the Company believes, based on current knowledge, will have, individually or taken together, a material adverse effect on the Company’s financial condition, results of operations or liquidity.

(c) Taxes

The Company determined that it is not more likely than not that its deferred tax assets will be realized and accordingly recorded 100% valuation allowance against these deferred tax assets as of December 31, 2017 and March 31, 2018. In assessing whether it is more likely than not that the Company’s deferred tax assets will be realized, factors considered included: historical taxable income, historical trends related to advertiser usage rates, projected revenues and expenses, macroeconomic conditions, issues facing the industry, existing contracts, the Company’s ability to project future results and any appreciation of its other assets. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. The Company considered the future reversal of deferred tax liabilities, carryback potential, projected taxable income, and tax planning strategies as well as its history of taxable income or losses in the relevant jurisdictions in making this assessment. Based on the level of historical taxable losses and the uncertainty of projections for future taxable income over the periods for which the deferred tax assets are deductible, the Company concluded that it is not more likely than not that the gross deferred tax assets will be realized.

From time to time, various state, federal and other jurisdictional tax authorities undertake audits of the Company and its filings. In evaluating the exposure associated with various tax filing positions, the Company on occasion accrues charges for uncertain positions. Resolution of uncertain tax positions will impact the Company’s effective tax rate when settled. The Company does not have any significant interest or penalty accruals. The provision for income taxes includes the impact of contingency provisions and changes to contingencies that are considered appropriate. The Company files U.S. federal, certain U.S. states, and certain foreign tax returns. Generally, U.S. federal, U.S. state, and foreign tax returns filed for years after 2012 are within the statute of limitations and are under examination or may be subject to examination.

(d) Other

In the first quarter of 2017, the Company incurred approximately \$700,000 of employee separation related costs as part of savings measures implemented in 2017, all of which were paid in the first half of 2017.

(10) Common Stock

In November 2014, the Company's board of directors authorized a share repurchase program (the "2014 Repurchase Program"), which supersedes and replaces any prior repurchase programs. Under the 2014 Repurchase Program, the Company is authorized to repurchase up to 3 million shares of the Company's Class B common stock in the aggregate through open market and privately negotiated transactions, at such times and in such amounts as the Company deems appropriate. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. The 2014 Repurchase Program does not have an expiration date and may be expanded, limited or terminated at any time without prior notice. The Company did not repurchase any Class B common stock during the three months ended March 31, 2017 and 2018.

In December 2017, the Company declared a special cash dividend in the amount of \$0.50 per share on the Company's Class A and B common stock and recorded a Dividends Payable of \$21.9 million in its consolidated balance sheet at December 31, 2017. The Company paid the total dividend of \$21.9 million in the first quarter of 2018.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We use words such as “believes,” “intends,” “expects,” “anticipates,” “plans,” “may,” “will” and similar expressions to identify forward-looking statements. All forward-looking statements, including, but not limited to, statements regarding our future operating results, financial position, prospects, acquisitions, dispositions, and business strategy, expectations regarding our growth and the growth of the industry in which we operate, and plans and objectives of management for future operations, are inherently uncertain as they are based on our expectations and assumptions concerning future events. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements we make. There are a number of important factors that could cause the actual results of Marchex to differ materially from those indicated by such forward-looking statements. Any or all of our forward-looking statements in this report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They may be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including but not limited to the risks, uncertainties and assumptions described in this report, in Part II, Item 1A. under the caption “Risk Factors” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2017, as amended, and those described from time to time in our future reports filed with the SEC. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur as contemplated and actual results could differ materially from those anticipated or implied by the forward-looking statements. All forward-looking statements in this report are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operation and financial condition. You should read this analysis in conjunction with the attached condensed consolidated financial statements and related notes thereto, and with our audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2017, as amended.

Overview

References herein to “we,” “us” or “our” refer to Marchex, Inc. and its wholly-owned subsidiaries unless the context specifically states or implies otherwise.

Marchex is a call analytics company that helps businesses connect, drive, measure and convert callers into customers.

We provide products and services for businesses of all sizes that depend on consumer phone calls to drive sales. Our analytics products can provide actionable intelligence on the major media channels advertisers use to acquire customers over the phone.

Our primary product offerings are:

- **Marchex Call Analytics.** Marchex Call Analytics is an analytics platform for enterprises that depend on inbound phone calls to drive sales, appointments and reservations. Marketers can use this platform to understand which marketing channels, advertisements, or search keywords are driving calls to their business, allowing them to optimize their advertising expenditures across media channels. Marchex Call Analytics also includes technology that can extract data and insights about what is happening during a call and measures the outcome of calls and return on investment. The platform also includes technology that can block robocalls, telemarketers and spam calls to help save businesses time and expense. Marchex Call Analytics data can integrate directly into third-party marketer workflows such as Salesforce, Eloqua, Adobe, DoubleClick Search, Kenshoo, Marin Software, Facebook and Instagram, in addition to other marketing dashboards and tools. Advertisers pay us a fee for each call or call related data element they receive from calls including call-based ads we distribute through our sources of call distribution or for each phone number tracked based on pre-negotiated rates.
- **Marchex Speech Analytics.** Launched in 2017, Marchex Speech Analytics is a product that can enable actionable insights for enterprise and mid-sized companies, helping them understand what is happening on inbound calls from consumers to their business. Marchex Speech Analytics leverages Marchex’s proprietary Call DNA® and our proprietary and patent pending speech recognition technology. Marchex Speech Analytics incorporates machine and deep learning algorithm and artificial intelligence powered conversation analysis functionality that can give customers strategic, real-time visibility into company performance. Marchex Speech Analytics includes customizable dashboards and visual analytics to make it easier for marketers and call center teams to discern actionable insights across a growing amount of call data.

- **Marchex Omnichannel Analytics Cloud.** Marchex Omnichannel Analytics Cloud leverages the call analytics platform and can provide a single source to marketers to see which media channels are driving phone calls across search, display, video, site, and social media. Our Omnichannel Analytics Cloud products include:
 - **Marchex Search Analytics.** Marchex Search Analytics is a product for search marketers that can drive phone calls from search campaigns. Marchex Search Analytics can attribute inbound phone calls made from paid search ads and landing pages to a keyword. The platform can deliver this data as well as data about call outcomes directly into search management platforms like DoubleClick Search and Kenshoo. According to a June 2016 BIA Kelsey report, mobile calls represent 60% of inbound calls to businesses in 2016. This equals 85 billion global mobile calls annually, a figure that is projected to grow to 169 billion by 2020.
 - **Marchex Display and Video Analytics.** Marchex Display and Video Analytics is a product for marketers that buy digital display advertising. Marchex Display and Video Analytics can measure the influence that display advertising has on inbound phone calls so that marketers can better attribute their return on advertising spend for inbound phone calls and delivers this data to marketers in a reporting dashboard. According to a December 2017 eMarketer report, US advertisers are expected to spend nearly \$48 billion in 2018 and are projected to spend \$67 billion in 2021 on display advertising.
 - **Marchex Site Analytics.** Marchex Site Analytics is a product for marketers that can drive phone calls from websites. Marchex Site Analytics can identify which websites are driving calls and provides actionable insights to help marketers understand the customer's journey to their website, what drove them to call, and can enable marketers to better optimize both online and offline.
 - **Marchex Social Analytics.** Launched in 2017, Marchex Social Analytics is a product for marketers that buy social media advertising. Marchex Social Analytics can help measure the influence of social media advertising has on inbound calls from platforms like Facebook or Instagram so marketers can see which posts are working. According to a December 2016 Zenith Media report, global social media is forecasted to grow 72% between 2016 and 2019, rising from \$29 billion to \$50 billion.
 - **Marchex Audience Targeting.** Launched in 2017, Marchex Audience Targeting leverages call data to automatically build unique audience segments for display and social media platforms. Marchex Audience Targeting can help marketers target high intent audiences with their display campaigns and fine-tune campaigns to specific audience segments that are most likely to convert to customers, or can find new segments and opportunities that have not been targeted before.
- **Marchex Call Marketplace.** Marchex Call Marketplace is a mobile advertising network for businesses that depend on inbound phone calls to drive sales. We offer advertisers ad placements across numerous mobile and online media sources to deliver qualified calls to their businesses. It leverages analytics for tracking, reporting and optimization. Advertisers are charged on a pay-per-call or cost per action basis.
- **Local Leads.** Our local leads platform is a white-labeled, full service advertising solution for small business resellers, such as Yellow Pages providers and vertical marketing service providers, to sell call advertising, search marketing and other lead generation products through their existing sales channels to their small business advertisers. These calls and leads are then fulfilled by us across our distribution network, including mobile sources, and search engines. The lead services we offer to small business advertisers through our local leads platform include pay-for-call, search marketing and ad creation and include advanced features such as call tracking, geo-targeting, campaign management, reporting and analytics. The local leads platform is scalable and has the capacity to support hundreds of thousands of advertiser accounts. Reseller partners and publishers generally pay us account fees and agency fees for our products in the form of a percentage of the cost of every click or call delivered to their advertisers. Through our primary contract with Yellowpages.com LLC ("YP"), we generate revenues from our local leads platform. This local leads platform arrangement, which expires December 31, 2018, provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four months of notice. In 2017, Dex Media, Inc. ("Dex") acquired YP Holdings LLC ("YP Holdings"), which is the parent company of YP. We also have separate pay-for-call services and distribution partner agreements with YP and separate reseller partner arrangements with Dex for pay-for-call and call analytic services. YP including Dex (collectively "DexYP") is our largest reseller partner and was responsible for 22% and 18% of our total revenues for the three months ended March 31, 2017 and 2018, respectively.

Our Strategy

Key elements of our strategy include:

Innovating on Our Mobile Performance Advertising. We plan to continue to expand our range of call-based advertising product capabilities and channel specific solutions by growing our call analytics offerings including number provisioning, call tracking, call mining, keyword-level tracking, display ad impression measurement and other products as part of our owned, end-to-end, call-based advertising solutions. We launched several new products or features in 2017. Our more recent products and features include: (1) *Marchex Speech Analytics*, which can help companies understand what is happening on inbound calls from consumers and can deliver actionable operational and advertising insights from those consumer interactions; (2) *Display and Video Analytics*, which can measure the impact of display and video advertising campaigns on inbound phone calls to call centers and stores; (3) *Marchex Omnichannel Analytics Cloud*, which can connect call data to media channels, including search, display and video, social and sites, to phone calls made to a business; (4) *Marchex Social Analytics*, which can help measure the influence that social advertising from sources like Facebook or Instagram has on inbound phone calls so that marketers can better attribute their return on advertising spend for inbound phone calls; and (5) *Marchex Audience Targeting*, which leverages call data and can automatically build audience segments for display and social media platforms. Additional information regarding our product offerings launched in 2017 is included in the Overview section on pages 13 through 14. We are also focused on growing our base of call distribution by bringing in new sources of the rapidly growing mobile advertising market as well as other online and offline sources of distribution.

Supporting and Growing the Number of Advertisers Using Our Products and Services. We plan to continue to provide a consistently high level of service and support to our advertisers and we will continue to help them achieve their return on investment goals. We are focused on increasing our advertiser base through our direct sales and marketing efforts, including strategic sales, inside sales, and additional partnerships with large local advertiser resellers.

Evolving Our Business Strategy. Our industry is undergoing significant change and our business strategy is continuing to evolve to meet these changes. In order to profitably grow our business, we may need to expand into new lines of business beyond our current focus of providing mobile advertising analytics products and services, which may involve pursuing strategic transactions, including potential acquisitions of, or investments in, related or unrelated businesses. In addition, we may seek divestitures of existing businesses or assets.

Pursuing Selective Acquisition Opportunities. We intend to pursue select acquisition opportunities and will apply evaluation criteria to any acquisitions we may pursue in order to enhance our strategic position, strengthen our financial profile, augment our points of defensibility and increase shareholder value. We will focus on acquisition opportunities that represent one or more of the following characteristics:

- revenue growth and expanding margins and operating profitability or the characteristics to achieve larger scale and profitability;
- opportunities for business model, product or service innovation, evolution or expansion;
- under-leveraged and under-commercialized assets in related or unrelated businesses;
- an opportunity to enhance efficiencies and provide incremental growth opportunities for our operating businesses; and
- business defensibility.

Developing New Markets. We intend to analyze opportunities and may seek to expand our technology-based products into new business areas where our services can be replicated on a cost-effective basis, or where the creation or development of a product or service may be appropriate. We have technology integration partnerships and referral agreements with Adobe, DoubleClick, and Salesforce and other third-party marketers; and in 2017, we signed an integration agreement with Facebook. We anticipate utilizing various strategies to enter new markets, including: developing strategic relationships; innovating with existing proprietary technologies; acquiring products that address a new category or opportunity; and creating joint venture relationships.

Building and Expanding Relationships with Advertising Agencies. Advertising agencies are influential in determining how large national advertisers allocate their advertising budgets. We believe building deep relationships with leading global advertising agencies and creating awareness within these agencies about the benefits of our offerings is an important step in attracting new large advertising customers. We plan to continue building strong relationships with advertising agencies.

We were incorporated in Delaware on January 17, 2003. Acquisition initiatives have played an important part in our corporate history to date.

We have offices in Seattle, Washington and New York, New York.

Consolidated Statements of Operations

All significant inter-company transactions and balances within Marchex have been eliminated in consolidation. Certain reclassifications have been made to the consolidated financial statements in the prior periods to conform to the current period presentation.

Presentation of Financial Reporting Periods

The comparative periods presented are for the three months ended March 31, 2017 and 2018.

Revenue

We generate the majority of our revenues from advertisers for our performance based advertising services, which include the use of our call analytics technology and pay-for-call advertising products and services. Our revenue also consists of payments from our reseller partners for use of our local leads platform and marketing services, which they offer to their small business customers. Customers typically receive the benefit of our services as they are performed and substantially all of our revenue is recognized over time, as the services are performed.

Performance-Based Advertising and Other Services

Our performance-based advertising services, which includes our call analytics technology and call marketplace services, amounted to greater than 80% of revenues in all periods presented. In addition, we generate revenue through our local leads platform, which enables partner resellers to sell call advertising and/or search marketing products, and campaign management services. These secondary sources accounted for less than 20% of our revenues in all periods presented. We have no barter transactions.

Our call analytics technology platform provides data and insights that can measure the performance of mobile, online and offline advertising for advertisers and small business resellers. We generate revenue from our call analytics technology platform when advertisers pay us a fee for each call or call related data element they receive from calls including call-based ads we distribute through our sources of call distribution or for each phone number tracked based on a pre-negotiated rate.

Our call marketplace offers advertisers and advertising service providers' ad placements across our distribution network. Advertisers or advertising service providers are charged on a pay-per-call or cost-per-action basis. We generate revenue upon delivery of qualified and reported phone calls to advertisers or advertising service providers' listings. These advertisers and advertising service providers pay us a designated transaction fee for each qualified phone call, which occurs when a user makes a phone call, clicks, or completes a specified action on any of their advertisement listings after it has been placed by us or by our distribution partners. We also generate revenue from cost-per-action, which occurs when a user makes a phone call from our advertiser's listing or is redirected from one of our web sites or a third-party web site in our distribution network to an advertiser web site and completes the specified action. Each qualified phone call or specified action on an advertisement listing represents a completed transaction.

Our local leads platform allows reseller partners to sell call advertising, search marketing, and other lead generation products through their existing sales channels to small business advertisers. We generate revenue from reseller partners utilizing our local leads platform and are paid account fees and/or agency fees for our products in the form of a percentage of the cost of every call or click delivered to advertisers. We recognize revenue for these fees under the net revenue recognition method.

Industry and Market Factors

We enter into agreements with various mobile, online and offline distribution partners to provide distribution for pay-for-call advertisement listings which contain call tracking numbers and/or URL strings of our advertisers. We generally pay distribution partners based on a percentage of revenue or a fixed amount for each phone call on these listings. The level of phone calls contributed by our distribution partners has varied, and we expect it will continue to vary, from quarter to quarter and year to year, sometimes significantly. If we do not add new distribution partners or renew our existing distribution partner agreements and on terms as favorable as current arrangements, replace traffic lost from terminated distribution agreements with other sources, or if our distribution partners' businesses do not grow or are adversely affected, our revenue and results of operations may be materially and adversely affected. Our ability to grow will be impacted by our ability to increase our distribution, which impacts the number of mobile and Internet users who have access to our advertisers' listings and the rate at which our advertisers are able to convert calls from these mobile and Internet users into completed transactions, such as a purchase or sign up. Our ability to grow also depends on our ability to continue to increase the number of advertisers who use our products and services, the amount these advertisers spend on our products and services, advertiser adoption of new products and services and the amount these advertisers are willing to pay for these new products and services.

We utilize phone numbers as part of our call analytics and pay-for-call services to advertisers, which enables advertisers and other users of our services to help measure the effectiveness of mobile, online, and offline advertising campaigns. If we are not able to secure or retain sufficient phone numbers needed for our services or we are limited in the number of available telecommunication carriers or vendors to provide such phone numbers to us in the event of any industry consolidation or if telecommunication carriers or vendors were to experience system disruptions, our revenue and results of operations may be materially and adversely affected.

We anticipate that these variables will fluctuate in the future, affecting our ability to grow and our financial results. In particular, it is difficult to project phone call usage, the number of phone calls or other actions performed by users of our products and services, which will be delivered to our advertisers, and how much advertisers will spend with us and the amount they are willing to pay for our products and services. It is even more difficult to anticipate the average revenue per phone call or other performance-based actions. It is also difficult to anticipate the impact of worldwide and domestic economic conditions on advertising budgets.

In addition, we believe we will experience seasonality. Our quarterly results have fluctuated in the past and may fluctuate in the future due to seasonal fluctuations in levels of mobile and online usage and seasonal purchasing cycles of many advertisers. Our experience has shown that during the spring and summer months, mobile and Internet usage is lower than during other times of the year and during the latter part of the fourth quarter of the calendar year we generally experience lower call volume and reduced demand for calls from our call advertising customers. The extent to which usage and call volume may decrease during these off-peak periods is difficult to predict. Prolonged or severe decreases in usage and call volume during these periods may adversely affect our growth rate and results and in turn the market price of our securities. Historically, we have seen this trend generally reversing in the first quarter of the calendar year with increased mobile and internet usage and often new budgets at the beginning of the year for many of our customers with fiscal years ending December 31. However, there can be no assurances such seasonal trends will consistently repeat each year. The current business environment and our industry has generally both resulted in, and we may continue to see, many advertisers and reseller partners reducing advertising and marketing services budgets or adjusting such budgets throughout the year, changing marketing strategies or agency affiliations, or advertisers being acquired by parent companies with alternative media initiatives, which we expect will impact our quarterly results of operations in addition to the typical seasonality seen in our industry.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new advertisers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

Service Costs

Our service costs represent the cost of providing our performance-based advertising services and our search marketing services. The service costs that we have incurred in the periods presented primarily include:

- user acquisition costs;
- telecommunication costs, including the use of phone numbers relating to our call products and services;
- colocation service charges of our network website equipment;
- bandwidth and software license fees;

- network operations;
- serving our search results;
- payroll and related expenses of related personnel;
- fees paid to outside service providers;
- depreciation of our websites, network equipment and software;
- delivering customer service;
- license and content fees;
- amortization of intangible assets;
- maintaining our websites;
- domain name registration renewal fees;
- domain name costs;
- credit card processing fees; and
- stock-based compensation of related personnel.

User Acquisition Costs

For the periods presented the largest component of our service costs consists of user acquisition costs that relate primarily to payments made to distribution partners for access to their mobile, online, offline, or other user traffic. We enter into agreements of varying durations with distribution partners that integrate our services into their web sites, indexes or other sources of user traffic. The primary economic structures of the distribution partner agreements are a variable payment based on a specified percentage of revenue and variable payments based on a specified metric, such as number of paid phone calls or other actions. These variable payments are often subject to minimum payment amounts per phone call or other action. Other payment structures that to a lesser degree exist include fixed payments, based on a guaranteed minimum amount of usage delivered; and a combination arrangement with both fixed and variable amounts that may be paid in advance.

We expense user acquisition costs based on whether the agreement provides for variable or fixed payments. Agreements with variable payments based on a percentage of revenue, number of paid phone calls, or other metrics are expensed as incurred based on the volume of the underlying activity or revenue multiplied by the agreed-upon price or rate. Agreements with fixed payments with minimum guaranteed amounts of usage are expensed at the greater of the pro-rata amount over the term of arrangement or the actual usage delivered to date based on the contractual revenue share.

Sales and Marketing

Sales and marketing expenses consist primarily of:

- payroll and related expenses for personnel engaged in marketing and sales functions;
- advertising and promotional expenditures including online and outside marketing activities;
- cost of systems used to sell to and serve advertisers; and
- stock-based compensation of related personnel.

Product Development

Product development costs consist primarily of expenses incurred in the research and development, creation and enhancement of our products and services.

Our research and development expenses include:

- payroll and related expenses for personnel;
- costs of computer hardware and software;
- costs incurred in developing features and functionality of the services we offer; and
- stock-based compensation of related personnel.

For the periods presented, substantially all of our product development expenses are research and development. Product development costs are expensed as incurred or capitalized into property and equipment in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles – Goodwill and Other*. This statement requires that costs incurred in the preliminary project and post-implementation stages of an internal use software project be expensed as incurred and that certain costs incurred in the application development stage of a project be capitalized.

General and Administrative

General and administrative expenses consist primarily of:

- payroll and related expenses for executive and administrative personnel;
- professional services, including accounting, legal and insurance;
- bad debt provisions;
- facilities costs;
- other general corporate expenses; and
- stock-based compensation of related personnel.

Stock-Based Compensation

We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the vesting or service period, as applicable, of the stock-based award using the straight-line method. We account for forfeitures as they occur. Stock-based compensation expense is included in the same lines as compensation paid to the same employees in the consolidated statements of operations.

Provision for Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in results of operations in the period that includes the enactment date.

We determined that it is not more likely than not that our deferred tax assets will be realized and accordingly recorded 100% valuation allowance against these deferred tax assets as of December 31, 2017 and March 31, 2018. In assessing whether it is more likely than not that our deferred tax assets will be realized, factors considered included: historical taxable income, historical trends related to advertiser usage rates, projected revenues and expenses, macroeconomic conditions, issues facing the industry, existing contracts, our ability to project future results and any appreciation of its other assets. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. We considered the future reversal of deferred tax liabilities, carryback potential, projected taxable income, and tax planning strategies as well as its history of taxable income or losses in the relevant jurisdictions in making this assessment. Based on the level of historical taxable losses and the uncertainty of projections for future taxable income over the periods for which the deferred tax assets are deductible, we concluded that it is not more likely than not that the gross deferred tax assets will be realized. Uncertain tax positions as of March 31, 2018 amounted to \$1.1 million.

From time to time, various state, federal, and other jurisdictional tax authorities undertake reviews of us and our filings. We believe any adjustments that may ultimately be required as a result of any of these reviews will not be material to the financial statements.

Results of Operations

The following table presents certain of our operating results as a percentage of revenue for the periods indicated:

	Three Months Ended March 31,	
	2017	2018
Revenue	100%	100%
Expenses:		
Service costs	56%	59%
Sales and marketing	20%	16%
Product development	22%	17%
General and administrative	16%	13%
Total operating expenses	114%	105%
Loss from operations	(14%)	(5%)
Interest income and other, net	0%	1%
Loss before provision for income taxes	(14%)	(4%)
Income tax expense	0%	0%
Net loss applicable to common stockholders	(14%)	(4%)

Comparison of the three months ended March 31, 2017 to the three months ended March 31, 2018.

Revenue

Revenue decreased 10% from \$24.4 million for the three months ended March 31, 2017 to \$21.9 million in the same period in 2018. The decrease was due primarily to fewer accounts and related performance-based advertising and platform revenues from reseller partners like DexYP, and to a lesser extent, larger advertiser budget reductions for our pay-for-call services.

We expect our revenues to be lower in the near term compared to the most recent quarters with fewer small business accounts on our local leads platform and reduced demand for calls from our call advertising customers.

Under our primary contract with YP, we generate revenues from our local leads platform to sell call advertising and/or search marketing packages through their existing sales channels, which are then fulfilled by us across our distribution network. We are paid account fees and agency fees for our products in the form of a percentage of the cost of every call or click delivered to their advertisers. We also have a separate pay-for-call relationship with YP. We charge an agreed-upon price for qualified calls or leads from our network. These agreements expire December 31, 2018. The primary local leads platform arrangement provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four-months prior notice. We expect YP may decrease the number of new advertiser accounts with us and may elect to migrate certain active accounts to itself or a third-party provider which would result in fewer small business accounts and related revenues, as well as reduced contribution and profitability. YP's small business account base utilizing our platform has declined, and to the extent declines occur in their business, their small business accounts may spend fewer dollars on our pay-for-call services. We expect YP and local leads platform advertisers in future periods will comprise lower total revenues compared to previous

periods and YP as a percentage of our total revenue may also comprise a smaller percentage of our total revenue with any revenue increase. In 2017, Dex Media, Inc. (“Dex”) acquired YP Holdings, which is the parent company of YP. We have separate partner reseller arrangements with Dex for pay-for-call and call analytics services. YP including Dex (collectively “DexYP”) is our largest reseller partner and was responsible for 22% and 18% of our total revenues for the three months ended March 31, 2017 and 2018, respectively. We also have a separate distribution partner agreement with YP. There can be no assurance that our business with DexYP in the future will continue at or near current revenue and contribution levels, that we will be able to renew and extend the contracts, and if renewed, the contracts may be on less favorable terms to us, any of which could have a material adverse effect on our future operating results.

We also have arrangements with advertising agencies, such as Resolution Media and OMD Digital, who act on an advertiser’s behalf and may represent more than one advertiser that utilizes our products and services. Our primary arrangement with Resolution Media is for pay-for-call services whereby we charge an agreed-upon price for qualified calls or leads from our network and call analytic services. Resolution Media accounted for 11% and 20% of total revenues for the three months ended March 31, 2017 and 2018, respectively, of which the majority related to a single advertiser, State Farm. State Farm, who utilizes our services through Resolution Media and OMD Digital, accounted for 17% and 27% of total revenues for the three months ended March 31, 2017 and 2018, respectively. Resolution Media and OMD Digital place insertion orders for our services on behalf of State Farm for campaigns which are generally for a set period of time and/or budget level. We expect in the near to intermediate term campaign spend levels related to State Farm to be lower compared to previous quarters, which will result in lower total revenues and contribution.

We have revenue concentrations with other certain large customers including reseller partners and advertising agencies. Many of these customers are not subject to long term contracts with us or may have contracts with near term expiration dates and are able to reduce or cease advertising spend at any time and for any reason. Reseller partners purchase various advertising and marketing services from us, as well as provide us with a large number of advertisers. A loss of reseller partners or a decrease in revenue from these resellers could adversely affect our business. In some cases, we engage with advertisers through advertising agencies, who act on behalf of the advertisers. Advertising agencies, such as Resolution Media and OMD Digital, may place insertion orders with us on behalf of advertisers (including State Farm) for particular advertising campaigns, which are typically short term and subject to a specified dollar amount and are not obligated to commit beyond the campaign governed by a particular insertion order and may also cancel the campaign prior to completion. Advertising agencies also have relationships with many different providers, each of whom may be running portions of the advertising campaign. We have call advertising arrangements with certain large customers which provide flexibility around financial commitments, termination rights, indemnification, and security obligations. Our large customers may vary spend levels and there can be no assurances that our large customers will continue to spend at levels similar to prior quarters. If any of our largest customers are acquired, such acquisition may impact its advertising spending or budget with us, including due to rebranding, change in advertising agency, or change in media tactics. A significant reduction in advertising spending or budgets by our largest customers, or the loss of one or more of these customers, if not replaced by new customers or an increase in business from existing customers, would have a material adverse effect on our future operating results.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new advertisers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability. For additional discussion of trends and other factors in our business, refer to Industry and Market Factors in Item 2 of this Quarterly Report on Form 10-Q.

Expenses

Expenses were as follows (in thousands):

	Three months ended March 31,			
	2017	% of revenue	2018	% of revenue
Service costs	\$ 13,598	56%	\$ 12,823	59%
Sales and marketing	4,992	20%	3,610	16%
Product development	5,270	22%	3,648	17%
General and administrative	4,030	16%	2,970	13%
	<u>\$ 27,890</u>	<u>114%</u>	<u>\$ 23,051</u>	<u>105%</u>

We record stock-based compensation expense under the fair value method. Stock-based compensation expense was included in the following operating expense categories as follows (in thousands):

	Three Months Ended March 31,	
	2017	2018
Service costs	\$ 125	\$ 128
Sales and marketing	406	214
Product development	91	91
General and administrative	735	518
Total stock-based compensation	<u>\$ 1,357</u>	<u>\$ 951</u>

See Note 4. *Stock-based Compensation Plans* of the Notes to Condensed Consolidated Financial Statements as well as our Critical Accounting Policies for additional information about stock-based compensation.

Service Costs. Service costs decreased 6% from \$13.6 million for the three months ended March 31, 2017 to \$12.8 million in the same period in 2018. As a percentage of revenues, service costs were 56% and 59% for the three months ended March 31, 2017 and 2018, respectively. The decrease in dollars was primarily due to an aggregate decrease in communication and network costs and personnel costs totaling \$640,000. The increase as a percentage of revenue in 2018 was primarily a result of our local leads platform comprising a lower proportion of revenue compared to the 2017 period. Our local leads platform revenues have a lower service cost as a percentage of revenue relative to our overall service cost percentage.

We expect that user acquisition costs and revenue shares to distribution partners are likely to increase prospectively given the competitive landscape for distribution partners. To the extent that payments to pay-for-call, or cost-per-action distribution partners make up a larger percentage of future operations, or the addition or renewal of existing distribution partner agreements are on terms less favorable to us, we expect that service costs will increase as a percentage of revenue. To the extent of revenue declines in these areas, we expect revenue shares to distribution partners to decrease in absolute dollars. Our other sources of revenues, such as our local leads platform have no corresponding distribution partner payments and accordingly have a lower service cost as a percentage of revenue relative to our overall service cost percentage. In addition, advertisers from whom we generate a portion of our call advertising revenues through our local leads platform generally have lower service costs as a percentage of revenue relative to our overall service cost percentage. To the extent our local leads platform makes up a smaller percentage of our future operations, we expect that service costs will increase as a percentage of revenue. We expect in the near and intermediate term for service costs as a percentage of revenue and in absolute dollars to be relatively stable to modestly higher relative to the most recent quarterly periods. We also expect service costs in absolute dollars to increase over the longer term in connection with any revenue increase and expansion in our communication and network infrastructure.

Sales and Marketing. Sales and marketing expenses decreased 28% from \$5.0 million for the three months ended March 31, 2017 to \$3.6 million in the same period in 2018. As a percentage of revenue, sales and marketing expenses were 20% and 16% for the three months ended March 31, 2017 and 2018, respectively. The net decrease in dollars and percentage of revenue was primarily attributable to an aggregate decrease in personnel costs, which included \$307,000 of employee separation related costs in the 2017 period, stock-based compensation, outside service provider costs, and outside marketing activities totaling \$1.2 million.

We expect some volatility in sales and marketing expenses based on the timing of marketing initiatives but expect sales and marketing expenses in the near and intermediate term to be relatively stable in absolute dollars relative to the most recent quarterly periods. We expect that sales and marketing expenses will increase in connection with any revenue increase to the extent that we also increase our marketing activities and correspondingly could increase as a percentage of revenue.

Product Development. Product development expenses decreased 31% from \$5.3 million for the three months ended March 31, 2017 to \$3.6 million in the same period in 2018. As a percentage of revenue, product development expenses were 22% and 17% for the three months ended March 31, 2017 and 2018, respectively. The net decrease in dollars and percentage of revenue was primarily due to an aggregate decrease in personnel costs, which included \$358,000 of employee separation related costs in the 2017 period, and facility related costs totaling \$1.6 million.

We expect product development expenditures to be relatively stable in the near and intermediate term in absolute dollars relative to our most recent quarterly periods. In the longer term, to the extent our revenues increase, we expect that product development expenses will increase in absolute dollars as we increase the number of personnel and consultants to enhance our service offerings.

General and Administrative. General and administrative expenses decreased 26% from \$4.0 million for the three months ended March 31, 2017 to \$3.0 million in the same period in 2018. As a percentage of revenue, general and administrative expenses were 16% and 13% for the three months ended March 31, 2017 and 2018, respectively. The net decrease in dollars and percentage of

revenue was primarily due to an aggregate decrease in personnel and outside service provider costs, stock-based compensation, and professional fees totaling \$902,000.

We expect our general and administrative expenses to be stable in the near and intermediate terms relative to our most recent quarterly periods. We expect that our general and administrative expenses will be stable to modestly higher in the longer term to the extent that we expand our operations, and incur additional costs in connection with being a public company, including expenses related to professional fees and insurance, and as a result of stock-based compensation expense. We also expect fluctuations in our general and administrative expenses to the extent the recognition timing of stock compensation is impacted by market conditions relating to our stock price.

Income Taxes. Income tax expense for the three months ended March 31, 2017 and 2018 was \$12,000 and \$11,000, respectively. Income tax expense consisted of state income taxes for all periods. The effective tax rate differed from the expected tax rate of 34% and 21% for 2017 and 2018, respectively, due to a full valuation allowance and to a lesser extent due to state income taxes, non-deductible stock-based compensation related to incentive stock options recorded under the fair-value method, federal research and development credits, and other non-deductible amounts.

Net Loss. Net loss was (\$3.5) million and (\$926,000) for the three months ended March 31, 2017 and 2018, respectively. The reduction in loss was primarily attributable to the effect of fewer personnel and lower overall operating costs in 2018, which were partially offset by lower revenues.

Liquidity and Capital Resources

As of March 31, 2018, we had cash and cash equivalents of \$84.6 million and we had current and long term contractual obligations of \$14.8 million, of which \$11.1 million is for rent under our facility leases.

Cash provided by operating activities for the three months ended March 31, 2018 of approximately \$3.0 million consisted primarily of a net loss of \$926,000, adjusted for non-cash items of \$1.6 million, which primarily includes depreciation and amortization, allowance for doubtful accounts and advertiser credits, and stock-based compensation, and approximately \$2.3 million provided by working capital and other activities.

Cash used in operating activities for the three months ended March 31, 2017 of approximately \$878,000 consisted primarily of a net loss of \$3.5 million, adjusted for non-cash items of \$2.4 million, which primarily includes depreciation and amortization, allowance for doubtful accounts and advertiser credits, stock-based compensation, and approximately \$217,000 provided by working capital and other activities.

With respect to a significant portion of our call-based advertising services, the amount payable to our distribution partners will be calculated at the end of a calendar month, with a payment period following the delivery of the phone calls or other actions. These services constituted a significant portion of revenues for the three months ended March 31, 2017 and 2018. We generally receive payment from advertisers in close proximity to the timing of the corresponding payments to the distribution partners who provide calls, other delivery actions, or placement for the listings. In certain cases, payments to distribution partners are paid in advance. We have no corresponding payments to distribution partners related to our local leads platform.

Nearly all of our reseller partner arrangements, including our arrangements with resellers such as DexYP, CDK Global, hibu Inc., and Web.com, are billed on a monthly basis following the month of our phone call or other action delivery. This payment structure results in our advancement of monies to the distribution partners who have provided the corresponding calls, other delivery actions, or placements of the listings. For these services, reseller partner payments are generally received two to four weeks or longer following payment to the distribution partners. We also have payment arrangements with advertising agencies such as Resolution Media and OMD Digital whereby we receive payment after the agency's advertiser pays the agency, which is generally between 60 and 120 days or longer, following the delivery of services. We expect that in the future periods, if the amounts from our reseller partner and agency arrangements account for a greater percentage of our operating activity, working capital requirements will increase as a result.

For the three months ended and as of March 31, 2018, amounts from these partners and agencies totaled 50% of total revenue and \$7.9 million in net accounts receivable. Based on the timing of payments, we generally have this level of amounts in outstanding accounts receivable at any given time from these partners and advertising agencies. A single advertiser, State Farm, who represented the majority of the revenue and accounts receivable generated by Resolution Media and OMD Digital, accounted for 27% of total revenues and 39% of accounts receivable for the three months ended and as of March 31, 2018, respectively. We expect in the near to intermediate term campaign spend levels related to State Farm to be lower compared to previous quarters, which will result in lower total revenues and contribution. Net accounts receivable balances outstanding as of March 31, 2018 from DexYP totaled \$1.2 million.

We have revenue concentrations with certain large advertisers including reseller partners and advertising agencies. Many of these customers are not subject to long term contracts with us or have contracts with near term expiration dates and are generally able to reduce or cease advertising spending at any time and for any reason. Reseller partners purchase various advertising and marketing services, as well as provide us with a large number of advertisers. This could have a material adverse effect on our results of operations and financial condition. There can be no assurances that these partners or other advertisers will not experience financial difficulty, curtail operations, reduce or eliminate spend budgets, change marketing strategies or agency affiliations, be acquired by parent companies with alternative media tactics, delay payments or otherwise forfeit balances owed.

Cash used in investing activities for the three months ended March 31, 2018 of approximately \$769,000 was attributable to purchases for property and equipment. Cash used in investing activities for the three months ended March 31, 2017 of approximately \$6,000 was attributable to purchases for property and equipment and purchases of domain names.

We expect property and equipment purchases in the near and intermediate term to be modestly higher compared to our most recent periods. We expect any increase to our operations to have a corresponding increase in expenditures for our systems and personnel. We expect our expenditures for product development initiatives will be stable to modestly higher in the near and intermediate term and increase in the longer term in absolute dollars with any acceleration in development activities and as we increase the number of personnel and consultants to enhance our service offerings. In the intermediate to long term, we also expect to increase the number of personnel supporting our sales, marketing and related growth initiatives.

Cash used in financing activities for the three months ended March 31, 2018 of approximately \$21.9 was primarily attributable to a common stock cash dividend payment in the amount of \$21.9 million, offset by proceeds from employee stock option exercises and the employee stock purchase plan of \$31,000. Cash provided by financing activities for the three months ended March 31, 2017 of approximately \$6,000 was primarily attributable to proceeds from the employee stock purchase plan.

The following table summarizes our contractual obligations as of March 31, 2018, and the effect these obligations are expected to have on our liquidity and cash flows in future periods (in thousands).

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>
Contractual Obligations:				
Operating leases	\$ 11,062	\$ 1,444	\$ 3,019	\$ 6,599
Other contractual obligations	3,758	2,836	918	4
Total contractual obligations (1)	<u>\$ 14,820</u>	<u>\$ 4,280</u>	<u>\$ 3,937</u>	<u>\$ 6,603</u>

(1) Our tax contingencies of \$1.1 million are not included due to their uncertainty.

We anticipate that we will need to invest working capital towards the development of our overall operations and to fund any losses from operations, and we expect that capital expenditures may increase in future periods, particularly with any increase in our operating activities. We may also pursue a significant number of acquisitions. As a result, we could experience a reduction of our cash balances or the incurrence of debt.

In April 2018 we provided a bank letter of credit to the lessor of our office space in Seattle, Washington in the amount of \$575,000 and pledged a certificate of deposit of \$575,000 as collateral for the letter of credit to the issuing bank. The letter of credit will be reduced by \$100,000 annually starting in April 2019.

In November 2014, our board of directors authorized a new share repurchase program (the "2014 Repurchase Program") which supersedes and replaces any prior repurchase programs. Under the 2014 Repurchase Program, we are authorized to repurchase up to 3 million shares of our Class B common stock in the aggregate through open market and privately negotiated transactions, at such times and in such amounts as we deem appropriate. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. The 2014 Repurchase Program does not have an expiration date and may be expanded, limited or terminated at any time without prior notice. We have made no repurchases under the 2014 Repurchase Program for the three months ended March 31, 2017 and 2018.

In December 2017, we declared a special cash dividend in the amount of \$0.50 per share on our Class A and B common stock and recorded a Dividends Payable of \$21.9 million in our consolidated balance sheet at December 31, 2017. We paid the total dividend of \$21.9 million in the first quarter of 2018. Our ability to pay dividends is dependent upon a variety of factors, including our financial results, liquidity and financial condition and capital requirements. There is no assurance that we will pay dividends in the future.

Based on our operating plans we believe that our resources will be sufficient to fund our operations for at least twelve months as well as potential strategic initiatives which could include acquisitions. Additional equity and debt financing may be needed to support our acquisition strategy, our long-term obligations and our company's needs. There can be no assurance that, if we needed additional funds, financing arrangements would be available in amounts or on terms acceptable to us, if at all. Failure to generate sufficient revenue or raise additional capital could have a material adverse effect on our ability to continue as a going concern and to achieve our intended business objectives.

Critical Accounting Policies

The policies below are critical to our business operations and the understanding of our results of operations. In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of our results.

Our condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States for interim financial information. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies relate to the following matters and are described below:

- Revenue;
- Stock-based compensation;
- Allowance for doubtful accounts and advertiser credits; and
- Provision for income taxes.

Revenue

We generate the majority of our revenues from advertisers for our performance based advertising services, which include the use of our call analytics technology and pay-for-call advertising products and services. Our revenue also consists of payments from our reseller partners for use of our local leads platform and marketing services, which they offer to their small business customers. Customers typically receive the benefit of our services as they are performed and substantially all of our revenue is recognized over time, as the services are performed. We adopted ASC Topic 606, *Revenue from Contracts with Customers*, (ASC 606) on January 1, 2018 using the modified retrospective approach for all contracts not completed as of the date of initial application, referred to as open contracts. Therefore, the comparative information has not been adjusted and continues to be reported under ASC 605.

We generate revenue from our call analytics technology platform when advertisers pay us a fee for each call or call related data element they receive from calls including call-based ads we distribute through our sources of call distribution or for each phone number tracked based on a pre-negotiated rate. For our call marketplace services, advertisers or advertising service providers are charged on a pay-for-call or cost-per-action basis. For pay-for-call advertising, revenue is recognized upon delivery of qualified and reported phone calls or other action to our advertisers or advertising service providers' listing which occurs when a mobile, online or offline user makes a phone call or clicks on any of their advertisements after it has been placed by us or by our distribution partners. Each qualified phone call or other specified action on an advertisement listing represents a completed transaction. For cost-per-action services, revenue is recognized when a user makes a phone call from our advertiser's listing or is redirected from one of our websites or a third-party website in our distribution network to an advertiser website and completes the specified action.

We generate revenue from reseller partners utilizing our local leads platform and are paid account fees and/or agency fees for our products in the form of a percentage of the cost of every call or click delivered to advertisers. Revenue is recognized over time as services are provided. The reseller partners engage the advertisers and are the principal for the transaction, and we, in certain instances, are only financially liable to the publishers in our capacity as a collection agency for the amount collected from the advertisers. We recognize revenue for these fees under the net revenue recognition method. In limited arrangements resellers pay us a fee for fulfilling an advertiser's campaign in its distribution network and we act as the principal and recognize revenue for these fees under the gross revenue recognition method.

We have entered into agreements with various distribution partners in order to expand our distribution network, which includes search engines, directories, product shopping engines, third-party vertical and branded websites, and mobile and offline sources. We generally pay distribution partners based on a specified percentage of revenue or a fixed amount per phone call or other action on these listings. We act as the principal, and we are responsible for providing customer and administrative services to the advertiser. The revenue derived from advertisers who receive paid introductions through us as supplied by distribution partners is reported gross based upon the amounts received from the advertiser. We also recognize revenue for certain agency or reseller contracts with advertisers under the net revenue recognition method. Under these specific agreements, we purchase listings on behalf of advertisers from search engines and directories. We are paid account fees and also agency fees based on the total amount of the purchase made on behalf of these advertisers. Under these agreements, our advertisers are primarily responsible for choosing the publisher and determining pricing, and we, in certain instances, are only financially liable to the publisher for the amount collected from our advertisers. This creates a sequential liability for media purchases made on behalf of advertisers. In certain instances, the web publishers engage the advertisers directly and we are paid an agency fee based on the total amount of the purchase made by the advertiser. In limited arrangements, resellers pay us a fee for fulfilling an advertiser's campaign in our distribution network and we act as the primary obligor. We recognize revenue for these fees under the gross revenue recognition method.

For arrangements that include multiple performance obligations, the transaction price from the arrangement is allocated to each respective performance obligation based on its relative standalone selling price and recognized when revenue recognition criteria for each performance obligation are met. The standalone selling price for each performance obligation is established based on the sales price at which we would sell a promised good or service separately to a customer or the estimated standalone selling price.

In certain cases, we record revenue based on available and reported preliminary information from third parties. Collection on the related receivables may vary from reported information based upon third-party refinement of the estimated and reported amounts owed that occurs subsequent to period ends.

Stock-Based Compensation

FASB ASC 718, *Compensation – Stock Compensation* requires the measurement and recognition of compensation for all stock-based awards made to employees, non-employees and directors including stock options, restricted stock issuances, and restricted stock units be based on estimated fair values. We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the vesting or service period, as applicable, of the stock-based award using the straight-line method. We account for forfeitures as they occur.

We generally use the Black-Scholes option pricing model as our method of valuation for stock-based awards with time-based vesting. Our determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the expected life of the award, our expected stock price, volatility over the term of the award and actual and projected exercise behaviors.

Although the fair value of stock-based awards is determined in accordance with FASB ASC 718, *Compensation – Stock Compensation*, the assumptions used in calculating fair value of stock-based awards and the use of the Black-Scholes option pricing model is highly subjective, and other reasonable assumptions could provide differing results. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. See Note 3 Stock-based Compensation Plans in the Condensed Notes to Consolidated Financial Statements for additional information.

Allowance for Doubtful Accounts and Advertiser Credits

Accounts receivable balances are presented net of allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our accounts receivable. We determine our allowance based on analysis of historical bad debts, advertiser concentrations, advertiser creditworthiness and current economic trends. We review the allowance for collectability on a quarterly basis. Account balances are written off against the allowance after all reasonable means of collection have been exhausted and the potential recovery is considered remote. If the financial condition of our advertisers were to deteriorate, resulting in an impairment of their ability to make payments, or if we underestimated the allowances required, additional allowances may be required which would result in increased general and administrative expenses in the period such determination was made.

We determine our allowance for advertiser credits and adjustments based upon our analysis of historical credits. Material differences may result in the amount and timing of our revenue for any period if our management made different judgments and estimates.

Provision for Income Taxes

We are subject to income taxes in the U.S. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We utilize the asset and liability method of accounting for income taxes. Under this

method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in results of operations in the period that includes the enactment date. Uncertain tax positions as of March 31, 2018 were \$1.1 million.

Recent Accounting Pronouncement Not Yet Effective

For discussion regarding recent accounting pronouncements not yet effective, see *Note 2. Significant Accounting Policies* of the notes to our condensed consolidated financial statements.

Web site

Our web site, www.marchex.com, provides access, without charge, to our annual report on Form 10-K as amended, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such materials are electronically filed with the Securities and Exchange Commission. To view these filings, please go to our web site and click on “Investor Relations” and then click on “SEC Filings.” Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings, and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about us, our services, and other matters, and for complying with our disclosure obligations under Regulation FD:

- Marchex Twitter Account (<https://twitter.com/marchex>)
- Marchex Company Blog (<http://www.marchex.com/blog>)
- Marchex LinkedIn Account (<http://linkedin.com/company/marchex>)

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor the above account and the blog, in addition to following our investor relations website, press releases, SEC filings, and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk is limited to foreign currency and interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term, money market funds. We place our investments with high-quality financial institutions. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure. We do not have any material foreign currency or other derivative financial instruments. The effect of changes in foreign currency exchange rates on our operating results was not material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and our principal financial officer, of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and our principal financial officer have concluded that, as of the date of the evaluation, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2018, no change was made to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives.

In addition, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings. From time to time, however, we may be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights, and a variety of claims arising in connection with our products and services.

Item 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the SEC are risks and uncertainties that could cause our actual results to materially differ from the results contemplated by the forward-looking statements contained in this report and in other documents we file with the SEC. Some of the risk factors were previously disclosed in our December 31, 2017 Annual Report on Form 10-K as amended. They have been updated to include information as of May 9, 2018.

An investment in our Class B common stock involves various risks, including those mentioned below and those that are discussed from time to time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this report, before making an investment decision regarding our stock. There may be additional risks of which we are currently unaware, or which we currently consider immaterial. All of these risks could have a material adverse effect on our business, financial condition, results of operations, and the value of our stock.

Risks Relating to Our Company

We have largely incurred net losses since our inception, and we may incur net losses in the foreseeable future.

We had an accumulated deficit of \$254.4 million as of March 31, 2018. Our net expenses may increase based on the initiatives we undertake which for instance, may include increasing our sales and marketing activities, hiring additional personnel, incurring additional costs as a result of being a public company, acquiring additional businesses and making additional equity grants to our employees. This may result in the reduction of our cash balances or the incurrence of debt.

We have in the past and may in the future find it advisable to take measures to streamline operations and reduce expenses, including, without limitation, reducing our workforce or discontinuing certain products or businesses. Such measures may place significant strains on our management and employees, and could impair our development, marketing, sales, and customer support efforts. We may also incur liabilities from these measures. Such effects from streamlining could have a negative impact on our business and financial results.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new advertisers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

We are dependent on certain distribution partners, for distribution of our services, and we derive a significant amount of our total revenue through these distribution partners. A loss of distribution partners or a decrease in revenue from certain distribution partners could adversely affect our business.

A relatively small number of distribution partners currently deliver a significant percentage of calls and traffic to our advertisers. There was no distribution partner paid more than 10% of total revenues for the for the three months ended March 31, 2018. Our existing agreements with many of our larger distribution partners permit either company to terminate without penalty on short notice and are primarily structured on a variable-payment basis, under which we make payments based on a specified percentage of revenue or based on the number of paid phone calls or click-throughs. We intend to continue devoting resources in support of our larger distribution partners, but there are no guarantees that these relationships will remain in place over the short-or long-term. In addition, we cannot be assured that any of these distribution partners will continue to generate current levels of revenue for us or that we will be able to maintain the applicable variable payment terms at their current levels. A loss of any of these distribution partners or a decrease in revenue or contribution due to lower calls and traffic or less favorable variable payment terms from any one of these distribution relationships could have a material adverse effect on our business, financial condition and results of operations. Companies distributing advertising through mobile or online Internet have experienced, and will likely continue to experience, consolidation. This consolidation has reduced the number of partners that control the mobile and online advertising outlets with the most user calls and traffic. According to the comScore qSearch analysis of the U.S. desktop search marketplace for March 2018, Oath and Microsoft accounted for 11.6% and 23.9%, respectively, of the core search market in the United States and Google accounted for 63.4%. As a result, the larger distribution partners have greater control over determining the market terms of distribution, including placement of call and click-based advertisements and cost of placement. In addition, many participants in the performance-based advertising and search marketing industries control significant portions of mobile and online traffic that they deliver to advertisers. We do not believe, for example, that Google, Microsoft, and Oath are as reliant as we are on a third-party distribution network to deliver their services. This gives these companies a significant advantage over us in delivering their services, and with a lesser degree of risk.

We rely on certain advertiser reseller partners and agencies, including DexYP, Resolution Media, OMD Digital, CDK Global, hibu Inc., and Web.com for the purchase of various advertising and marketing services, as well as to provide us with a large number of advertisers. A loss of certain advertiser reseller partners and agencies or a decrease in revenue from these reseller partners and agencies could adversely affect our business. Such advertisers are subject to varying terms and conditions, which may result in claims or credit risks to us.

We benefit from the established relationships and national sales teams that certain of our reseller partners, who are leading reseller partners of advertisers and advertising agencies, have in place throughout the U.S. and international markets. These advertiser reseller partners and agencies refer or bring advertisers to us for the purchase of various advertising products and services. We derive a sizeable portion of our total revenue through these advertiser reseller partners and agencies. Additionally, these advertiser reseller partners and agencies may decide to operate the advertising services we perform internally with their own teams and technology. A loss of certain advertiser reseller partners and agencies or a decrease in revenue from these clients could adversely affect our business.

Under our primary contract with YP, we generate revenues from our local leads platform. This local leads platform arrangement, which expires December 31, 2018, provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four-months prior notice. We expect YP may decrease the number of new advertiser accounts with us and may elect to migrate certain active accounts to itself or a third-party provider which would result in fewer small business accounts and related revenues, as well as reduced contribution and profitability. YP's small business account base utilizing our platform has declined, and to the extent declines occur in their business, their small business accounts may spend fewer dollars on our pay-for-call services. We expect YP and local leads platform advertisers in future periods will comprise lower total revenues compared to previous periods and YP as a percentage of our total revenue may also comprise a smaller percentage of our total revenue with any revenue increase. In 2017, Dex Media, Inc ("Dex") acquired YP Holdings, LLC ("YP Holdings"), which is the parent company of YP. We also have separate pay-for-call services and distribution partner agreements with YP and separate reseller partner arrangements with Dex for pay-for-call and call analytics services. YP including Dex (collectively "DexYP") is our largest reseller partner and was responsible for 18% of our total revenues for the three months ended March 31, 2018. It is possible that this acquisition may result in changes to our relationship and arrangements with DexYP including changes that may result in a significant reduction in the paid account fees and agency fees that we receive from DexYP. There can be no assurance that our business with DexYP in the future will continue at or near current revenue and contribution levels, that we will be able to renew and extend the contracts, and if renewed, the contracts may be on less favorable terms to us, any of which could have a material adverse effect on our future operating results.

We also have arrangements with advertising agencies, such as Resolution Media and OMD Digital, who act on an advertiser's behalf and may represent more than one advertiser that utilizes our products and services. Our primary arrangements with Resolution Media and OMD Digital are for pay-for-call services whereby we charge an agreed-upon price for qualified calls or leads from our network and call analytic services. Resolution Media and OMD Digital accounted for 20% of total revenues and less than 10% of total revenues, respectively, for the three months ended March 31, 2018.

These reseller partners and agencies may in certain cases be subject to negotiated terms and conditions separate from those applied to advertising clients. In some cases, the applicable contract terms may be the result of legacy or industry association documentation or simply customized advertising solutions for large reseller partners and agencies. In any case, as a consequence of such varying terms and conditions, we may be subject to claims or credit risks that we may otherwise mitigate more efficiently across our automated advertiser management platform.

These claims and risks may vary depending on the nature of the aggregated client base. Among other claims, we may be subject to disputes based on third-party tracking information or analysis. We may also be subject to differing credit profiles and risks based on the agency relationship associated with these advertisers. For such advertisers, payment may be made on an invoice basis, unlike our retail platform, which in many instances is paid in advance of the service. In some limited circumstances, we may also have accepted individual advertiser payment liability in place of liability of the advertising agency or media advisor.

We received approximately 52% and 53% of our revenue from our five largest customers for the year ended December 31, 2017 and the three months ended March 31, 2018, respectively, and the loss of one or more of these customers could adversely impact our results of operations and financial condition.

Our five largest customers accounted for approximately 52% and 53% of our total revenues for the year ended December 31, 2017 and the three months ended March 31, 2018, respectively. DexYP was responsible for 18% of our total revenues for the three months ended March 31, 2018.

We have arrangements with Resolution Media and OMD Digital, who act as agents on advertisers' behalf, for pay-for-call services whereby we charge an agreed upon price for qualified calls or leads from our network and call analytic services. A single advertiser, State Farm who utilizes our services primarily through Resolution Media and OMD Digital, accounted for 28% of total revenues for the three months ended March 31, 2018. We expect in the near to intermediate term campaign spend levels related to State Farm to be lower compared to previous quarters, which will result in lower total revenues and contribution.

Many of our other large customers, including reseller partners, and advertising agencies are not subject to long term contracts with us or have contracts with near term expiration dates, and are able to reduce or cease advertising spend at any time and for any reason. Reseller partners purchase various advertising and marketing services from us, as well as provide us with a large number of advertisers. A loss of reseller partners or a decrease in revenue from these resellers could adversely affect our business. In some cases, we engage with advertisers through advertising agencies, who act on behalf of the advertisers. Advertising agencies, such as Resolution Media and OMD Digital, may place insertion orders with us on behalf of advertisers (including State Farm) for particular advertising campaigns, which are typically short term and subject to a specified dollar amount, and are not obligated to commit beyond the campaign governed by a particular insertion order and may also cancel the campaign prior to completion. Advertising agencies also have relationships with many different providers, each of whom may be running portions of the advertising campaign. We have call advertising arrangements with certain large customers, which provide flexibility around financial commitments, termination rights, indemnification, and security obligations. Our large customers may vary spend levels and there can be no assurances that our large customers will continue to spend at levels similar to prior quarters. If any of our largest customers are acquired, such acquisition may impact its advertising spending or budget with us, including due to rebranding, change in advertising agency, or change in media tactics. A significant reduction in advertising spending or budgets by our largest customers, or the loss of one or more of these customers, if not replaced by new customers or an increase in business from existing customers, would have a material adverse effect on our future operating results.

Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that may have an adverse effect on our business.

Our large customers have substantial purchasing power and leverage in negotiating contractual arrangements with us. These customers may seek for us to develop additional features, may require penalties for failure to deliver such features, may seek discounted product or service pricing, and may seek more favorable contractual terms. As we sell more products and services to this class of customer, we may be required to agree to such terms and conditions. Such large customers also have substantial leverage in negotiating resolution of any disagreements or disputes that may arise. Any of the foregoing factors could result in a material adverse effect on our business, financial condition and results of operations.

If some of our customers experience financial distress or suffer disruptions in their business, their weakened financial position could negatively affect our own financial position and results.

We have a diverse customer base and, at any given time, one or more customers may experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business. If a customer with whom we do a substantial amount of business experiences financial difficulty or suffers disruptions in their business, it could delay or jeopardize the collection of accounts receivable, result in significant reductions in services provided by us and may have a material adverse effect on our results of operations and liquidity.

We may incur liabilities for the activities of our advertisers, reseller partners, distribution partners and other users of our services, which could adversely affect our business.

Many of our advertisement distribution processes are automated. In some cases, advertisers or reseller partners use our online tools and account management systems to create and submit advertiser listings, and in other cases, we create and submit advertising listings on behalf of our advertisers or reseller partners using the distribution partners' user interface. Although we monitor our distribution partners on an ongoing basis primarily for traffic quality, these partners control the distribution of the advertiser listings provided in the user interface submissions.

We have a large number of distribution partners who display our advertiser listings on their networks. Our advertiser listings are delivered to our distribution partners in an automated fashion through the distribution partners' user interface. Our distribution partners are contractually required to use the listings created by our advertiser customers in accordance with applicable laws and regulations and in conformity with the publication restrictions in our agreements, which are intended to promote the quality and validity of the traffic provided to our advertisers. Nonetheless, we do not operationally control or manage these distribution partners or third parties they may contract with and any breach of these agreements on the part of any distribution partner or its affiliates could result in liability for our business. These agreements include indemnification obligations on the part of our distribution partners, but there is no guarantee that we would be able to collect against offending distribution partners or their affiliates in the event of a claim under these indemnification provisions. Alternatively, we may incur substantial costs as part of our indemnification obligations to distribution partners for liability they may incur as a result of displaying content we have provided them. Any costs incurred as a result of activities of our distribution partners and their third-party partners could have a material adverse effect on our business, operating results and financial condition.

We do not conduct a manual editorial review of a substantial number of the advertiser listings directly submitted by advertisers or reseller partners online, nor do we manually review the display of the vast majority of the advertiser listings by our distribution partners submitted to us by the distribution partners' user interface. Likewise, in cases where we provide editorial or value-added services for our large reseller partners or agencies, such as ad creation and optimization for local advertisers or landing pages and micro-sites for pay-for-call customers, we rely on the content and information provided to us by these agents on behalf of their individual advertisers. We do not investigate the individual business activities of these advertisers other than the information provided to us or in some cases review of advertiser websites. We may not successfully avoid liability for unlawful activities carried out by our advertisers or reseller partners and other users of our services or unpermitted uses of our advertiser listings by distribution partners and their affiliates.

Our potential liability for unlawful activities of our advertisers and other users of our services or unpermitted uses of our advertiser listings and advertising services and platform by distribution partners and reseller partners and agencies could require us to implement measures to reduce our exposure to such liability, which may require us, among other things, to spend substantial resources, to discontinue certain service offerings or to terminate certain distribution partner relationships. For example, as a result of the actions of advertisers in our network, we may be subject to private or governmental actions relating to a wide variety of issues, such as privacy, gambling, promotions, and intellectual property ownership and infringement. Under agreements with certain of our larger distribution partners, we may be required to indemnify these distribution partners against liabilities or losses resulting from the content of our advertiser listings, or resulting from third-party intellectual property infringement claims. Although our advertisers agree to indemnify us with respect to claims arising from these listings, we may not be able to recover all or any of the liabilities or losses incurred by us as a result of the activities of our advertisers.

Our insurance policies may not provide coverage for liability arising out of activities of users of our services. In addition, our reliance on some content and information provided to us by our large advertiser reseller partners and agencies may expose us to liability not covered by our insurance policies. Furthermore, we may not be able to obtain or maintain adequate insurance coverage to reduce or limit the liabilities associated with our businesses. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, operating results and financial condition. Our insurance policies may not provide coverage for liability arising out of activities of users of our services. In addition, our reliance on some content and information provided to us by our large advertiser reseller partners and agencies may expose us to liability not covered by our insurance policies.

Furthermore, we may not be able to obtain or maintain adequate insurance coverage to reduce or limit the liabilities associated with our businesses. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, operating results and financial condition.

If we do not maintain and grow a critical mass of advertisers and distribution partners, the value of our services could be adversely affected.

Our success depends, in large part, on the maintenance and growth of a critical mass of advertisers and distribution partners and a continued interest in our call analytics, pay-for-call, performance-based advertising, and search marketing services. Advertisers will generally seek the most competitive return on investment from advertising and marketing services. Distribution partners will also seek the most favorable payment terms available in the market. Advertisers and distribution partners may change providers or the volume of business with a provider, unless the product and terms are competitive. In this environment, we must compete to acquire and maintain our network of advertisers and distribution partners. If our business is unable to maintain and grow our base of advertisers, our current distribution partners may be discouraged from continuing to work with us, and this may create obstacles for us to enter into agreements with new distribution partners. Our business also depends in part on certain of our large reseller partners and agencies to grow their base of advertisers as these advertisers become increasingly important to our business and our ability to attract additional distribution partners and opportunities. Similarly, if our distribution network does not grow and does not continue to improve over time, current and prospective advertisers and reseller partners and agencies may reduce or terminate this portion of their business with us. Any decline in the number of advertisers and distribution partners could adversely affect the value of our services.

The mobile advertising market may develop more slowly than expected, which could harm our business.

If the market for mobile marketing and advertising develops more slowly than we expect, our business could suffer. Our future success is highly dependent on the commitment of advertisers and marketers to mobile communications as an advertising and marketing medium, the willingness of our potential advertisers to outsource their mobile advertising and marketing needs, and our ability to sell our mobile advertising services to reseller partners and agencies. The mobile advertising and marketing market is rapidly evolving. Businesses, including current and potential advertisers, may find mobile advertising or marketing to be less effective than traditional advertising media or marketing methods or other technologies for promoting their products and services. As a result, the future demand and market acceptance for mobile marketing and advertising is uncertain. Many of our current or potential advertisers may have little or no experience using mobile communications for advertising or marketing purposes and have allocated only a limited portion of their advertising or marketing budgets to mobile communications advertising or marketing, and there is no certainty that they will allocate more funds in the future, if any. Funds to these types of campaigns may fluctuate greatly as different agencies and advertisers test and refine their overall marketing strategies to include mobile advertising and analytics tools. The adoption rate and budget commitments may vary from period to period as agencies and advertisers determine the appropriate mix of media and lead sources in short term and longer term campaigns.

We are dependent upon the quality of mobile, online, offline and other traffic sources in our network to provide value to our advertisers and the advertisers of our reseller partners and agencies, and any failure in our quality control could have a material adverse effect on the value of our services to our advertisers and adversely affect our revenues.

We utilize certain monitoring processes with respect to the quality of the mobile, online, offline and other traffic sources that we deliver to our advertisers. Among the factors we seek to monitor are sources and causes of low quality phone calls such as unwanted telemarketer calls or other actions such as non-human processes, including robots or robocallers, spiders or other software, the mechanical automation of calling, and other types of invalid calls, call fraud, or call spam, the purpose of which is something other than to view the underlying content. Additionally, we also seek to identify other indicators which may suggest that a user may not be targeted by or desirable to our advertisers. Even with such monitoring in place, there is a risk that a certain amount of low quality mobile, online, offline and other traffic or traffic that is deemed to be less valuable by our advertisers will be delivered to such advertisers, which may be detrimental to those relationships. We have regularly refunded fees that our advertisers had paid to us which were attributed to low quality mobile, online, offline and other traffic. If we are unable to stop or reduce low quality phone calls and Internet traffic, these refunds may increase. Low quality mobile, online, offline and other traffic may further prevent us from growing our base of advertisers and cause us to lose relationships with existing advertisers, or become the target of litigation, both of which would adversely affect our revenues.

We depend on being able to secure enough phone numbers to support our advertisers and other users of our services and any obstacles that we face which prevent us from meeting this demand could adversely affect our business.

We utilize phone numbers as part of a number of information and analytic services to advertisers, such as our call analytics, call tracking, and pay-for-call services. Our services that utilize phone numbers are designed to enable advertisers and other users of our services to utilize mobile, online and offline advertising and to help measure the effectiveness of mobile, online and offline advertising campaigns. We secure a majority of our phone numbers through telecommunication carriers that we have contracted with and a smaller number through the 800 Service Management System, and such telecommunication carriers provide the underlying telephone service. Our telecommunications carriers and telephone number acquisition process are subject to the rules and guidelines established by the Federal Communications Commission. Furthermore, to the extent we offer call recording and pay-for-call services, we may be directly subject to certain telecommunications-related regulations. The Federal Communications Commission and our telecommunication carriers may change the rules and guidelines for securing phone numbers or change the requirements for retaining the phone numbers we have already secured. As a result, we may not be able to secure or retain sufficient phone numbers needed for our services. We may also be limited in the number of available telecommunications carriers or vendors to provide such phone numbers to us in the event of any industry consolidations.

Our automated voice and mobile advertising-based technologies are heavily reliant on vendors.

Certain voice and mobile advertising-based products are heavily reliant on vendors. The free directory product that we provide relies on technology provided by third-party vendors that include voice recognition software and business, government and residence data listings. We cannot guarantee that the technology, data and services provided by our third-party vendors will be of sufficient quality to meet the demands of our customers and partners. Further, we cannot guarantee that the technologies, data and services will be available to us in the future on acceptable terms, if at all. Any perception by our customers or partners that our voice and mobile advertising-based products are incomplete or not of sufficient quality could lead to a loss in confidence by our customers or partners, which in turn could lead to a decline in revenues. If we are unable to continue maintaining, advancing and improving our voice and mobile advertising-based products, our operating results may be adversely affected.

Our business strategy is evolving and may involve pursuing new lines of business or strategic transactions and investments, some of which may not be successful.

Our industry is undergoing significant change and our business strategy is continuing to evolve to meet these changes. In order to profitably grow our business, we may need to expand into new lines of business beyond our current focus of providing mobile advertising analytics products and services, which may involve pursuing strategic transactions, including potential acquisitions of, or investments in, related or unrelated businesses. In addition, we may seek divestitures of existing businesses or assets. There can be no assurance that we will be successful with our efforts to evolve our business strategy and we could suffer significant losses as a result, which could have a material adverse effect on our business, financial condition and results of operations.

Our acquisitions could divert management's attention, cause ownership dilution to our stockholders, cause our earnings to decrease and be difficult to integrate.

Our business strategy includes identifying, structuring, completing and integrating acquisitions. Acquisitions involve a high degree of risk. We may also be unable to find a sufficient number of attractive opportunities to meet our objectives which include revenue growth, profitability and competitive market share. Our acquired companies may have histories of net losses and may expect net losses for the foreseeable future. Acquisitions are accompanied by a number of risks that could harm our business, operating results and financial condition:

- We could experience a substantial strain on our resources, including time and money, and we may not be successful;
- Our management's attention could be diverted from our ongoing business concerns;
- We may seek to enter new markets where we have no or limited experience or where competitors may have stronger market positions;
- While integrating new companies, we may lose key executives or other employees of these companies;
- We may issue shares of our Class B common stock as consideration for acquisitions which may result in ownership dilution to our stockholders;
- Acquisitions of certain companies may result in us pursuing a diversified operating or holding company

structure to allow us to focus on running diverse businesses independently, but in such event we may not realize the anticipated strategic benefits;

- We could fail to successfully integrate our financial and management controls, technology, reporting systems and procedures, or adequately expand, train and manage our workforce;
- We could experience customer dissatisfaction or performance problems with an acquired company or technology;
- We could become subject to unknown or underestimated liabilities of an acquired entity or incur unexpected expenses or losses from such acquisitions, including litigation;
- We could incur possible impairment charges related to goodwill or other intangible assets resulting from acquisitions or other unanticipated events or circumstances, any of which could harm our business; and
- We may be exposed to investigations and/or audits by federal, state or other taxing authorities.

Consequently, we might not be successful in integrating any acquired businesses, products or technologies, and might not achieve anticipated revenue and cost benefits.

We may decide to dispose of assets or a business that may no longer help us meet our objectives.

If we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also dispose of a business at a price or on terms that are less desirable than we had anticipated. In addition, we may experience greater dis-synergies than expected, and the impact of the divestiture on our revenue may be larger than projected.

Our international operations and any expansion subjects us to additional risks and uncertainties and we may not be successful with our international operations.

We have limited operations, through our international subsidiaries, in other countries. We have international subsidiaries in Australia, Canada, Ireland, and the United Kingdom. Any international expansion presents unique challenges and risks. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions and could interfere with our ability to offer our products and services to one or more countries or expose us or our employees to fines and penalties. We may also have to offer our products and services in a modified format which may not be as compelling to certain customers, and we are subject to increased foreign currency exchange rate risks and our international operations and any expansion will require additional management attention and resources. We cannot assure you that we will be successful in our international operations. There are risks inherent in conducting business in international markets, including:

- the need to localize our products and services to foreign customers' preferences and customs, including the possibility of storing data locally if customers require;
- difficulties in managing operations due to language barriers, distance, staffing and cultural differences;
- application of foreign laws and regulations to us, in particular data and privacy regulations in Europe and other international jurisdictions, including the EU General Data Protection Regulation which goes into full force and effect in May 2018 and which supersedes the current EU data protection regulation, which continue to change and impose significantly more liability and product limitations on service providers in our industry;
- compliance with anti-bribery laws, such as the Foreign Corrupt Practices Act and the UK Anti-Bribery Act;
- tariffs and other trade barriers;
- fluctuations in currency exchange rates;
- establishing local offices, sales channels, management systems and infrastructures;
- reduced protection for intellectual property rights in some countries;
- changes in foreign political and economic conditions;
- compliance with the laws of numerous taxing jurisdictions, both foreign and domestic;
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States;
- the complexity and potentially adverse tax consequences of U.S. tax laws as they relate to our international

operations;

- increased costs to establish and maintain effective controls at foreign locations; and
- overall higher costs of doing business internationally.

Our failure to address these risks adequately could materially and adversely affect our business, revenue, results of operations and financial condition.

We may be subject to intellectual property claims, which could adversely affect our financial condition and ability to use certain critical technologies, divert our resources and management attention from our business operations and create uncertainty about ownership of technology essential to our business.

Our success depends, in part, on our ability to operate without infringing on the intellectual property rights of others. There can be no guarantee that any of our intellectual property will not be challenged by third parties. We may be subject to patent infringement claims or other intellectual property infringement claims, and claims of copyright infringement with respect to certain of our websites that would be costly to defend and could limit our ability to use certain critical technologies. Our call advertising business increases the potential intellectual property infringement claims we may be subject to, particularly in light of the large number of patents which have been issued (or are pending) in the telecommunications field over the last several decades, both in the U.S. and internationally. Jingle, which we acquired in 2011, was subject to patent infringement claims, which were unsuccessful at trial. We resolved this matter and obtained a license to the patents at issue.

We believe that a consolidation of patent portfolios by major technology companies and independent asset holding companies will increase the chances of aggressive assertions of patent and other intellectual property claims. Within the technology telecommunications and online sectors, among other related sectors, we have witnessed various claim holders and alleged rights holders pursue business strategies devoted to extracting settlements or license fees for a wide range of basic and commonly accepted methods and practices. We may be subject to those intellectual property claims in the ordinary course of our business. Also, our partners and customers may also find that they are subject to similar claims, in which case we may be included in any related process or dispute settlement. Any patent or other intellectual property litigation could negatively impact our business by diverting resources and management attention from other aspects of the business and adding uncertainty as to the ownership of technology, services and property that we view as proprietary and essential to our business. In addition, a successful claim of patent infringement against us and our failure or inability to license the infringed or similar technology on reasonable terms, or at all, could prevent us from using critical technologies which could have a material adverse effect on our business.

We may need additional funding to meet our obligations and to pursue our business strategy. Additional funding may not be available to us and our financial condition could therefore be adversely affected.

We may require additional funding to meet our ongoing obligations and to pursue our business strategy, which may include the selective acquisition of businesses and technologies. In addition, we have incurred and we may incur certain obligations in the future. There can be no assurance that, if we were to need additional funds to meet these obligations, additional financing arrangements would be available in amounts or on terms acceptable to us, if at all. Furthermore, if adequate additional funds are not available, we will be required to delay, reduce the scope of, or eliminate material parts of the implementation of our business strategy, including potential additional acquisitions or internally-developed businesses.

The loss of our senior management, including other key personnel, could harm our current and future operations and prospects.

We are heavily dependent upon the continued services of members of our senior management team and other key personnel. Each member of our senior management team and other key personnel are at-will employees and may voluntarily terminate his or her employment with us at any time with minimal notice. Following any termination of employment, each of these employees would only be subject to a twelve-month non-competition and non-solicitation obligation with respect to our customers and employees under our standard confidentiality agreement. The loss of the services of any member of our senior management, including other key personnel, for any reason, or any conflict among our senior management or other key personnel, could harm our current and future operations and prospects.

We have experienced turnover in certain senior executives, and the duties and responsibilities of the chief executive officer are performed by the Office of the CEO consisting of Michael Arends, Ethan Caldwell and Russell Horowitz and subject to oversight by our Chairman, Anne Devereux-Mills. We are assessing our current and future senior leadership needs, although we may not be successful in finding or hiring suitable additional senior leadership.

Additional turnover at the senior management level may create instability within the Company and our employees may decide to terminate their employment, which could further impede the maintenance of our day to day operations. Such instability could impede our ability to implement fully our business plan and growth strategy, which would harm our business and prospects.

We may have difficulty retaining current personnel as well as attracting and retaining additional qualified, experienced, highly skilled personnel, which could adversely affect the implementation of our business plan.

Our performance is largely dependent upon the talents and efforts of highly skilled individuals. In order to fully implement our business plan, we will need to retain our current qualified personnel, as well as attract and retain additional qualified personnel. Thus, our success will, in significant part, depend upon our retention of current personnel as well as the efforts of personnel not yet identified and upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. We are also dependent on managerial and technical personnel to the extent they may have knowledge or information about our businesses and technical systems that may not be known by our other personnel. There can be no assurance that we will be able to attract and retain necessary personnel. The failure to hire and retain such personnel could adversely affect the implementation of our business plan.

If we are unable to obtain and maintain adequate insurance, our financial condition could be adversely affected in the event of uninsured or inadequately insured loss or damage. Our ability to effectively recruit and retain qualified officers and directors may also be adversely affected if we experience difficulty in maintaining adequate directors' and officers' liability insurance.

We may not be able to obtain and maintain insurance policies on terms affordable to us that would adequately insure our business and property against damage, loss or claims by third parties. To the extent our business or property suffers any damages, losses or claims by third parties that are not covered or adequately covered by insurance, our financial condition may be materially adversely affected. We currently have directors' and officers' liability insurance. If we are unable to maintain sufficient insurance as a public company to cover liability claims made against our officers and directors, we may not be able to retain or recruit qualified officers and directors to manage our company, which could have a material adverse effect on our operations.

It may be difficult for us to retain or attract qualified officers and directors, which could adversely affect our business and our ability to maintain the listing of our Class B common stock on the NASDAQ Global Select Market.

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of changes in the rules and regulations which govern publicly-held companies, including, but not limited to, certifications from executive officers and requirements for financial experts on boards of directors. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting these roles. Further, applicable rules and regulations of the Securities and Exchange Commission and the NASDAQ Stock Market heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, our business and our ability to maintain the listing of our shares of Class B common stock on the NASDAQ Global Select Market could be adversely affected.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud, which could harm our brand and operating results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We have devoted significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. In addition, Section 404 under the Sarbanes-Oxley Act of 2002 requires that we assess and our auditors attest to the effectiveness of our controls over financial reporting. Our current and future compliance with the annual internal control report requirement will depend on the effectiveness of our financial reporting and data systems and controls across our operating subsidiaries. We expect these systems and controls to become increasingly complex to the extent that we integrate acquisitions and our business grows. To effectively manage this growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. We cannot be certain that these measures will ensure that we design, implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation or operation, could harm our operating results or cause us to fail to meet our financial reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

The recently passed Tax Cuts and Jobs Act of 2017 could adversely affect our business and financial condition.

On December 22, 2017, the U.S. government enacted comprehensive Federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The Tax Act, among other changes, makes a U.S. federal net operating loss less valuable as an asset due to a new flat U.S. federal corporate income tax rate of 21%, replacing a graduated rate with a maximum income tax rate of 35%, effective January 1, 2018 and the elimination of the corporate alternative minimum tax for taxable years beginning after December 31, 2017. The alternative minimum tax credit carryforward is refundable for any taxable year beginning after 2017 and before 2022 in an amount equal to 50% (100% in the case of taxable years beginning in 2021) of the excess of the minimum tax credit for the taxable year over the amount of the credit allowable for the year against regular tax liability. Net operating losses arising in taxable years beginning after December 31, 2017 are limited in use to offset eighty percent of taxable income, without the ability to carryback such net operating losses, but with an indefinite carryforward of such losses (instead of the former 2-year carryback and 20-year carryforward for net operating losses arising in taxable years beginning before December 31, 2017). The amount of the net interest expense deduction is generally limited to (a) 30% of adjusted taxable income, calculated without regard to depreciation, amortization or depletion, effective for tax years beginning after December 31, 2017 and before January 1, 2022 and (b) 30% of net interest expense exceeding earnings before income taxes (reduced by depreciation, amortization and depletion), effective for tax years beginning after January 1, 2022. Disallowed amounts may be carried forward indefinitely, subject to ownership change limitations. We continue to examine the impact this tax reform legislation may have on our business. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected.

We may experience unforeseen liabilities arising out of third-party domain names included in our distribution network, which could negatively impact our financial results.

We display pay-for-call listings on third-party domain names and third-party websites that are part of our distribution network, which could subject us to a wide variety of civil claims including intellectual property ownership and infringement. The potential violation of third-party intellectual property rights and potential causes of action under consumer protection laws may subject us to unforeseen liabilities including injunctions and judgments for money damages.

We may face risks related to litigation that could result in significant legal expenses and settlement or damage awards.

From time to time, we are subject to claims and litigation, which could seriously harm our business and require us to incur significant costs.

We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these types of lawsuits. Defending against litigation may require significant attention and resources of management. Regardless of the outcome, such litigation could result in significant legal expenses.

If we are a party to material litigation and if the defenses we claim are ultimately unsuccessful, or if we are unable to achieve a favorable settlement, we could be liable for large damage awards that could have a material adverse effect on our business and consolidated financial statements.

Risks Relating to Our Business and Our Industry

If we are unable to compete in the highly competitive performance-based advertising and search marketing industries, we may experience reduced demand for our products and services.

We operate in a highly competitive and changing environment. We principally compete with other companies which offer services in the following areas:

- sales to advertisers of call analytics and call tracking;
- sales to advertisers of pay-for-call services;
- delivery of pay-for-call advertising to end users or customers of advertisers through mobile and online destination websites or other offline distribution outlets;
- services and outsourcing of technologies that allow advertisers to manage their advertising campaigns across multiple networks and track the success of these campaigns;
- aggregation or optimization of online advertising for distribution through mobile and online search engines and

applications, product shopping engines, directories, websites or other offline outlets;

- provision of local and vertical websites containing information designed to attract users and help consumers make better, more informed local decisions, while providing targeted advertising inventory for advertisers; and
- local search sales training.

Although we currently pursue a strategy that allows us to potentially partner with all relevant companies in the industry, there are certain companies in the industry that may not wish to partner with us. Despite the fact that we currently work with several of our potential competitors, there are no guarantees that these companies will continue to work with us in the future.

We currently or potentially compete with leading search engines and digital advertising networks such as Google, Microsoft, and Oath. We also compete with call analytics technology providers such as Twilio, Telemetrics, Invoca, DialogTech and Convirza. As we continue to advance our data analytics technologies, we anticipate facing increased competition from companies providing more broad advertising solutions, such as data management companies like Datalogix. We also face competition on the call supply side, where competing mobile advertising companies like GroundTruth look to outbid, partner with or otherwise secure sources of call supply we utilize. Many of these actual or perceived competitors also currently or may in the future have business relationships with us, particularly in distribution. However, such companies may terminate their relationships with us. Furthermore, our competitors may be able to secure agreements with us on more favorable terms, which could reduce the usage of our services, increase the amount payable to our distribution partners, reduce total revenue and thereby have a material adverse effect on our business, operating results and financial condition. We expect competition to intensify in the future because current and new competitors can enter our market with little difficulty. The barriers to entering our market are relatively low. Further, if the consolidation trend continues among the larger media and search engine companies with greater brand recognition, the share of the market remaining for smaller search marketing services providers could decrease, even though the number of smaller providers could continue to increase. These factors could adversely affect our competitive position. Some of our competitors, as well as potential entrants into our market, may be better positioned to succeed in this market. They may have:

- longer operating histories;
- more management experience;
- an employee base with more extensive experience;
- better geographic coverage;
- larger customer bases;
- greater brand recognition; and
- significantly greater financial, marketing and other resources.

Currently, and in the future, as the use of the Internet and other mobile and online services increases, there will likely be larger, more well-established and well-financed entities that acquire companies and/or invest in or form joint ventures in categories or countries of interest to us, all of which could adversely impact our business. Any of these trends could increase competition and reduce the demand for any of our services.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to digital/online companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a very small portion of which is allocated to mobile or Internet advertising. We expect that large advertisers will continue to focus most of their advertising efforts on traditional media. If we fail to convince these companies to spend a portion of their advertising budgets with us, or if our existing advertisers reduce the amount they spend on our programs, our operating results would be harmed.

If we are not able to respond to the rapid technological change characteristic of our industry, our products and services may cease to be competitive.

The market for our products and services is characterized by rapid change in business models and technological infrastructure, and we will need to constantly adapt to changing markets and technologies to provide new and competitive products and services. If we are unable to ensure that our users, advertisers, reseller partners, and distribution partners have a high-quality experience with our products and services, then they may become dissatisfied and move to competitors' products and services. Accordingly, our future success will depend, in part, upon our ability to develop and offer competitive products and services for both our target market and for

applications in new markets. We may not, however, be able to successfully do so, and our competitors may develop innovations that render our products and services obsolete or uncompetitive.

Our technical systems are vulnerable to interruption and damage that may be costly and time-consuming to resolve and may harm our business and reputation.

A disaster could interrupt our services for an indeterminate length of time and severely damage our business, prospects, financial condition and results of operations. Our systems and operations are vulnerable to damage or interruption from:

- fire;
- floods;
- network failure;
- hardware failure;
- software failure;
- power loss;
- telecommunications failures;
- break-ins;
- terrorism, war or sabotage;
- computer viruses;
- denial of service attacks;
- penetration of our network by unauthorized computer users and “hackers” and other similar events;
- natural disasters, including, but not limited to, hurricanes, tornadoes, and earthquakes; and
- other unanticipated problems.

We may not have developed or implemented adequate protections or safeguards to overcome any of these events. We also may not have anticipated or addressed many of the potential events that could threaten or undermine our technology network. Any of these occurrences could cause material interruptions or delays in our business, result in the loss of data or render us unable to provide services to our customers. In addition, if a person is able to circumvent our security measures, he or she could destroy or misappropriate valuable information, including sensitive customer information, or disrupt our operations. We have deployed firewall hardware intended to thwart hacker attacks. Although we maintain property insurance and business interruption insurance, our insurance may not be adequate to compensate us for all losses that may occur as a result of a catastrophic system failure or other loss, and our insurers may not be able or may decline to do so for a variety of reasons. If we fail to address these issues in a timely manner, we may lose the confidence of our advertisers, reseller partners, and distribution partners, our revenue may decline and our business could suffer. In addition, as we expand our service offerings and enter into new business areas, we may be required to significantly modify and expand our software and technology platform. If we fail to accomplish these tasks in a timely manner, our business and reputation will likely suffer. Furthermore, some of these events could disrupt the economy and/or our customers’ business activities and in turn materially affect our operating results.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, unauthorized access to user data, and loss of customer confidence. In addition, we may be the target of email scams that attempt to acquire personal information or Company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber-attack that attempts to obtain our or our users' data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. In addition, any such breaches may result in negative publicity, adversely affect our brand, decrease demand for our products and services, and adversely affect our operating results and financial condition.

We rely on third-party technology, platforms, carriers, communications providers, and server and hardware providers, and a failure of service by these providers could adversely affect our business and reputation.

We rely upon third-party colocation providers to host our main servers. If these providers are unable to handle current or higher volumes of use, experience any interruption in operations or cease operations for any reason or if we are unable to agree on satisfactory terms for continued hosting relationships, we would be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the computer servers ourselves. We may also be limited in our remedies against these providers in the event of a failure of service. In the past, we have experienced short-term outages in the service maintained by one of our colocation providers.

We also rely on a select group of third-party providers for components of our technology platform and support for our call-based and advertising services, such as hardware and software providers, telecommunications carriers and Voice over Internet Protocol (VoIP) providers, credit card processors and domain name registrars. As a result, key operational resources of our business are concentrated with a limited number of third-party providers. A failure or limitation of service or available capacity by any of these third-party providers could adversely affect our business and reputation. Furthermore, if any of these significant providers are unable to provide the levels of service and dedicated resources over time that we required in our business, we may not be able to replace certain of these providers in a manner that is efficient, cost-effective or satisfactory to our customers, and as a result our business could be materially and adversely affected. Short term or repeat problems with any of these service providers could provide an interruption of service or service quality impairment to significant customers, which could also impact materially our revenue in any period due to credits or potential loss of significant customers.

If our security measures, including those of our vendors or partners, are breached or are perceived as not being secure, we may lose advertisers, reseller partners and distribution partners and as a result we may incur significant legal and financial exposure and suffer an adverse effect on our business.

We store and transmit data and information about our advertisers, reseller partners, distribution partners and their respective users. We also work with vendors and partners who may come into contact with certain data, such as carriers, colocation and data storage facilities and distribution partners referring callers. We deploy security measures to protect this data and information, as do third parties we utilize to assist in data and information storage. Our security measures and those of the third parties we partner with to assist in data and information storage, as well as to assist in the delivery of services to our advertisers, may suffer breaches. Security breaches of our data storage systems or our third-party colocation and technology providers we utilize to store data and information relating to our advertisers, reseller partners, distribution partners and their respective users could expose us to significant potential liability. Similarly, security breaches of our vendors and partners, or ineffective data security by our vendors or partners, may result in similar significant liability. In addition, security breaches, actual or perceived, could result in legal liability, government fines, and the loss of advertisers, reseller partners and distribution partners that could potentially have an adverse effect on our business.

We may not be able to protect our intellectual property rights, which could result in our competitors marketing competing products and services utilizing our intellectual property and could adversely affect our competitive position.

Our success and ability to compete effectively are substantially dependent upon our internally developed and acquired technology and data resources, which we protect through a combination of copyright, trade secret, and patent and trademark law. To date, we have had issued or have applications pending for the following patents:

- U.S. Patent Number 7,668,950 entitled “Automatically Updating Performance-Based Online Advertising System and Method” was issued February 23, 2010.
- U.S. Patent Number 8,442,862 entitled “Method and System for Tracking Telephone Calls” was issued on May 14, 2013 and a corresponding divisional Patent Application Number 13/294,436 was filed November 11, 2011.
- U.S. Patent Number 6,822,663 entitled “Transform Rule Generator for Web-Based Markup Languages” was issued November 23, 2004.
- U.S. Patent Number 8,583,571 entitled “Facility for Reconciliation of Business Records Using Genetic Algorithms” was issued November 12, 2013.
- U.S. Patent Number 8,433,048 entitled “System and Method to Direct Telephone Calls to Advertisers” was issued April 30, 2013.
- U.S. Patent Number 8,259,915 entitled “System and Method to Analyze Calls to Advertised Telephone Numbers” was issued September 4, 2012 and its continuation Patent Number 8,788,344 was issued July 22, 2014.
- U.S. Patent Number 8,630,393 entitled “System and Method for Blocking Telephone Calls” was issued January 14, 2014.
- U.S. Patent Number 7,212,615 entitled “Criteria Based Marketing For Telephone Directory Assistance” was issued May 1, 2007 and owned by Jingle Networks, which we acquired in 2011.
- U.S. Patent Number 7,702,084 entitled “Toll-Free Directory Assistance With Preferred Advertisement Listing” was issued April 20, 2010.
- U.S. Patent Number 7,961,861 entitled “Telephone Search Supported By Response Location Advertising” was issued June 14, 2011.
- U.S. Patent Number 9,367,846 entitled “Telephone Search Supported By Advertising Based On Past History Of Requests” was issued June 14, 2016.
- U.S. Patent Number 8,175,231 entitled “Toll-Free Directory Assistance With Automatic Selection Of An Advertisement From A Category” issued May 8, 2012.
- U.S. Patent Number 8,107,602 entitled “Directory Assistance With Data Processing Station” was issued January 31, 2012.
- U.S. Patent Number 8,929,522 entitled “System and Method to Customize a Connection Interface for Multimodal Connection to a Telephone Number” was issued January 16, 2015.
- U.S. Patent Number 8,634,520 entitled “Call Tracking System Utilizing an Automated Filtering Function” was issued January 21, 2014.
- U.S. Patent Number 8,671,020 entitled “Call Tracking System Utilizing a Pooling Algorithm” was issued March 11, 2014.
- U.S. Patent Number 8,687,782 entitled “Call Tracking System Utilizing a Sampling Algorithm” was issued April 1, 2014.
- U.S. Patent Application Number 13/865,966 entitled “Correlated Consumer Telephone Numbers and User Identifiers for Advertising Retargeting” was filed April 18, 2013, claiming priority to U.S. Provisional Patent Application Number 61/801,893 entitled “Cross-Channel Targeting Using Historical Online and Call Data” filed March 15, 2013, and its continuation Patent Application Number 15/019,826 entitled “Cross-Channel Correlation of Consumer Telephone Numbers and User Identifiers” was filed February 9, 2016.
- U.S. Patent Number 9,118,751 entitled “System and Method for Analyzing and Classifying Calls without Transcription” was issued August 25, 2015, its continuation Patent Number 9,614,962 was issued April 4, 2017, and its continuation Patent Application Number 15/475,456 was filed March 31, 2017.

- U.S. Patent Number 9,263,038 entitled “System and Method for Analyzing and Classifying Calls Without Transcription via Keyword Spotting” was issued February 16, 2016.
- U.S. Patent Number 9,484,026 entitled “System and Method for Analyzing and Classifying Calls Without Transcription via Keyword Spotting” was issued November 1, 2016.
- U.S. Patent Number 9,232,052 entitled “Analyzing Voice Characteristics to Detect Fraudulent Call Activity and Take Corrective Action Without Using Recording, Transcription or Caller ID” was issued January 5, 2016, and its continuation Patent Application Number 14/987,565 was filed January 4, 2016.
- U.S. Patent Application Number 14/550,089 entitled “Identifying Call Characteristics to Detect Fraudulent Call Activity and Take Corrective Action Without Using Recording, Transcription or Caller ID” was filed November 21, 2014.
- U.S. Patent Application Number 14/714,141 entitled “Call Analytics for Mobile Advertising” was filed May 15, 2015.
- U.S. Patent Number 9,485,354 912 entitled “Identifying Call Features and Associations to Detect Call Traffic Pumping and Take Corrective Action” was issued November 1, 2016.
- U.S. Patent Application Number 15/840,155 entitled “Source Agnostic Correlation of Consumer Telephone Numbers and User Identifiers” was filed December 13, 2017.

In the future, additional patent applications may be filed with respect to internally developed or acquired technologies. Our industry is highly competitive and many individuals and companies have sought to patent processes in the industry. We may decide not to protect certain intellectual properties or business methods which may later turn out to be significant to us. In addition, the patent process takes several years and involves considerable expense. Further, patent applications and patent positions in our industry are highly uncertain and involve complex legal and factual questions due in part to the number of competing technologies. As a result, we may not be able to successfully prosecute these patent applications, in whole or in part, or any additional patent filings that we may make in the future. We also depend on our trademarks, trade names and domain names. We may not be able to adequately protect our technology and data resources. In addition, intellectual property laws vary from country to country, and it may be more difficult to protect our intellectual property in some foreign jurisdictions in which we may plan to enter. If we fail to obtain and maintain patent or other intellectual property protection for our technology, our competitors could market competing products and services utilizing our technology.

Despite our efforts to protect our proprietary rights, unauthorized parties domestically and internationally may attempt to copy or otherwise obtain and use our services, technology and other intellectual property. We cannot be certain that the steps we have taken will prevent any misappropriation or confusion among consumers and advertisers. If we are unable to protect our intellectual property rights from unauthorized use, our competitive position could be adversely affected.

We may be involved in lawsuits to protect or enforce our patents, which could be expensive and time consuming.

We may initiate patent litigation against third parties to protect or enforce our patent rights, and we may be sued by others seeking to invalidate our patents or prevent the issuance of future patents. We may also become subject to interference proceedings conducted in the patent and trademark offices of various countries to determine the priority of inventions. The defense and prosecution, if necessary, of intellectual property suits, interference proceedings and related legal and administrative proceedings is costly and may divert our technical and management personnel from their normal responsibilities. We may not prevail in any of these suits. An adverse determination of any litigation or defense proceedings could put our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not being issued.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments in the litigation. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the trading price of our Class B common stock.

Our quarterly results of operations might fluctuate due to seasonality, which could adversely affect our growth rate and in turn the market price of our securities.

Our quarterly results have fluctuated in the past and may fluctuate in the future due to seasonal fluctuations in the level of mobile and Internet usage and seasonal purchasing cycles of many advertisers. Our experience has shown that during the spring and summer months, mobile and Internet usage is generally lower than during other times of the year and during the latter part of the fourth quarter of the calendar year we generally experience lower call volume and reduced demand for calls from our call advertising customers. The extent to which usage and call volume may decrease during these off-peak periods is difficult to predict. Prolonged or severe decreases in usage and call volume during these periods may adversely affect our growth rate and results, and in turn, the market price of our securities. Historically, we have seen this trend generally reversing in the first quarter of the calendar year with increased mobile and internet usage and often new budgets at the beginning of the year for many of our customers with fiscal years ending December 31. However, there can be no assurances such seasonal trends will consistently repeat each year. The current business environment and our industry has generally both resulted in, and we may continue to see, many advertisers and reseller partners reducing advertising and marketing services budgets or adjusting such budgets throughout the year, changing marketing strategies or agency affiliations, or advertisers being acquired by parent companies with alternative media initiatives, which we expect will impact our quarterly results of operations in addition to the typical seasonality seen in our industry.

We are susceptible to general economic conditions, and a downturn in advertising and marketing spending by advertisers could adversely affect our operating results.

Our operating results will be subject to fluctuations based on general economic conditions, in particular those conditions that impact advertiser-consumer transactions. Deterioration in economic conditions could cause decreases in or delays in advertising spending and reduce and/or negatively impact our short-term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact our results of operations.

We depend on the growth of mobile technologies, the Internet and the Internet infrastructure for our future growth and any decrease in growth or anticipated growth in mobile and Internet usage could adversely affect our business prospects.

Our future revenue and profits, if any, depend upon the continued widespread use of mobile technologies and the Internet as an effective commercial and business medium. Factors which could reduce the widespread use of mobile technologies (including mobile devices, in particular) and the Internet include:

- possible disruptions or other damage to the mobile, Internet or telecommunications infrastructure and networks;
- failure of the individual networking infrastructures of our advertisers, reseller partners, and distribution partners to alleviate potential overloading and delayed response times;
- a decision by advertisers and consumers to spend more of their marketing dollars on offline programs;
- increased governmental regulation and taxation; and
- actual or perceived lack of data security or privacy protection.

In particular, concerns over the security of online transactions and the privacy of users, including the risk of identity theft, may inhibit the growth of Internet usage, including commercial transactions. In order for the mobile and online commerce market to develop successfully, we and other market participants must be able to transmit confidential information, including credit card information, securely over public networks. Any decrease in anticipated mobile and Internet growth and usage could have a material adverse effect on our business prospects.

We are exposed to risks associated with credit card fraud and credit payment, and we may continue to suffer losses as a result of fraudulent data or payment failure by advertisers.

We have suffered losses and may continue to suffer losses as a result of payments made with fraudulent credit card data. Our failure to control fraudulent credit card transactions could reduce our net revenue and gross margin and negatively impact our standing with applicable credit card authorization agencies. In addition, under limited circumstances, we extend credit to advertisers who may default on their accounts payable to us or fraudulently “charge-back” amounts on their credit cards for services that have already been delivered by us.

Regulation of E-Commerce, Online Tracking, Online Data Collection, and Use of the Internet may adversely affect our business and operating results.

Mobile and online search, e-commerce and related businesses face uncertainty related to new or future government regulation at the federal, state, and international levels regarding e-commerce, online tracking, online data collection, and use of the Internet. Due to the rapid growth and widespread use of the Internet, state and federal legislatures (both domestically and abroad) have enacted and may continue to enact various laws and regulations relating to the Internet. Individual states may also enact consumer protection laws that are more restrictive than the ones that already exist.

Furthermore, the application of existing laws and regulations to companies that engage in e-commerce, or otherwise interact with the Internet remains somewhat unclear. For example, as a result of the actions of advertisers in our network, we may be subject to existing laws and regulations relating to a wide variety of issues such as consumer privacy, gambling, sweepstakes, advertising, promotions, defamation, pricing, taxation, financial market regulation, quality of products and services, computer trespass, spyware, adware, child protection and intellectual property ownership and infringement. In addition, it is not clear whether existing laws that require licenses or permits for certain of our advertisers' lines of business apply to us, including those related to insurance and securities brokerage, law offices and pharmacies. Existing federal, state, and foreign laws that may affect the growth and profitability of our business include, among others:

- The Digital Millennium Copyright Act (DMCA) provides protection from copyright liability for online service providers that list or link to third-party websites. We currently qualify for the safe harbor under the DMCA; however, if it were determined that we did not meet the safe harbor requirements, we could be exposed to copyright infringement litigation, which could be costly and time-consuming.
- The Children's Online Privacy Protection Act (COPPA) restricts the online collection of personal information about children and the use of that information. The Federal Trade Commission (FTC) has the authority to impose fines and penalties upon website operators and online service providers that do not comply with the law. We do not currently offer any websites or online services "directed to children," nor do we knowingly collect personal information from children.
- The Protection of Children from Sexual Predators Act requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.
- The Controlling the Assault of Non-Solicited Pornography and Marketing (CAN SPAM) Act of 2003 establishes requirements for those who send commercial e-mails, spells out penalties for entities that transmit noncompliant commercial e-mail and/or whose products are advertised in noncompliant commercial e-mail and gives consumers the right to opt-out of receiving commercial e-mails. The majority of the states also have adopted similar statutes governing the transmission of commercial e-mail. The FTC and the states, as applicable, are authorized to enforce the CAN-SPAM Act and the state-specific statutes, respectively. CAN-SPAM gives the Department of Justice the authority to enforce its criminal sanctions. Other federal and state agencies can enforce the law against organizations under their jurisdiction, and companies that provide Internet access may sue violators as well.
- The Electronic Communications Privacy Act prevents private entities from disclosing Internet subscriber records and the contents of electronic communications, subject to certain exceptions.
- The Computer Fraud and Abuse Act and other federal and state laws protect computer users from unauthorized computer access/hacking, and other actions by third parties which may be viewed as a violation of privacy. Courts may apply each of these laws in unintended and unexpected ways. As a company that provides services over the Internet as well as call recording and call tracking services, we may be subject to an action brought under any of these or future laws.
- Among the types of legislation currently being considered at the federal and state levels are consumer laws regulating for the use of certain types of software applications or downloads and the use of "cookies." These proposed laws are intended to target specific types of software applications often referred to as "spyware," "invasiveware" or "adware," and may also cover certain applications currently used in the online advertising industry to serve and distribute advertisements. In addition, the FTC has sought inquiry regarding the implementation of a "do-not-track" requirement. Federal legislation is also expected to be introduced that would regulate "online behavioral advertising" practices. If passed, these laws would impose new obligations for companies that use such software applications or technologies. At least one state already has enacted a law, which went into effect in January 2014, regarding online tracking.

Many Internet services are automated, and companies such as ours may be unknowing conduits for illegal or prohibited materials. It is possible that some courts may impose a strict liability standard or require such companies to monitor their customers'

conduct. Although we would not be responsible or involved in any way in such illegal conduct, it is possible that we would somehow be held responsible for the actions of our advertisers or distribution partners.

We may also be subject to costs and liabilities with respect to privacy issues. Several companies have incurred penalties for failing to abide by the representations made in their public-facing privacy policies. In addition, several states have passed laws that require businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and to provide notice to consumers in the event of a security breach. Further, it is anticipated that additional federal and state privacy-related legislation will be enacted. Such legislation could negatively affect our business. In addition, foreign countries may enact laws that could negatively impact our business and/or may prosecute us for violating existing laws. Such laws might include EU member country conforming legislation under applicable EU Privacy, eCommerce, Data Protection Directives (and similar legislation in other countries where we may have operations), and the recently enacted EU General Data Protection Regulation, which goes into full effect in May 2018 and which supersedes the current EU data protection regulation, which is directly applicable to all member states and which is expected to result in substantial changes to our compliance obligations and a significant increase in potential administrative fines for non-compliance. Any costs incurred in addressing foreign laws could negatively affect the viability of our business. Our exposure to this risk will increase to the extent we expand our operations internationally.

Federal, state, and foreign regulation of telecommunications may adversely affect our business and operating results.

We provide information and analytics services to certain advertisers and reseller partners that may include information services. In connection therewith, we obtain certain telecommunications products and services from carriers in order to deliver these packages of information and analytic services.

Telecommunications laws and regulations (and interpretations thereof) are evolving in response to rapid changes in the telecommunications industry. If our carrier partners were to be subject to any changes in applicable law or regulation (or interpretations thereof), or additional taxes or surcharges, then we in turn may be subject to increased costs for their products and services or receive products and services that may be of less value to our customers, which in turn could adversely affect our business and operating results. Furthermore, our call recording and pay-for-call services may directly subject us to certain telecommunications-related regulations. Finally, in the event that any federal or state regulators were to expand the scope of applicable laws and regulations or their application to include certain end users and information service providers, then our business and operating results could also be adversely affected. The following existing and possible future federal and state laws could impact the growth and profitability of our business:

- The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the “Act”), and the regulations promulgated by the Federal Communications Commission under Title II of the Act, may impose federal licensing, reporting and other regulatory obligations on the Company. To the extent we contract with and use the networks of voice over IP service providers, new legislation or FCC regulation in this area could restrict our business, prevent us from offering service or increase our cost of doing business. There are an increasing number of regulations and rulings that specifically address access to commerce and communications services on the Internet, including IP telephony. We are unable to predict the impact, if any, that future legislation, legal decisions or regulations concerning voice services offered via the Internet may have on our business, financial condition, and results of operations.
- The U.S. Congress, the FCC, state legislatures or state agencies may target, among other things, access or settlement charges, imposing taxes related to Internet communications, imposing tariffs or other regulations based on encryption concerns, or the characteristics and quality of products and services that we may offer. Any new laws or regulations concerning these or other areas of our business could restrict our growth or increase our cost of doing business.
- The FCC has initiated a proceeding regarding the regulation of broadband services. The increasing growth of the broadband IP telephony market and popularity of broadband IP telephony products and services heighten the risk that the FCC or other legislative bodies will seek to regulate broadband IP telephony and the Internet. In addition, large, established telecommunication companies may devote substantial lobbying efforts to influence the regulation of the broadband IP telephony market, which may be contrary to our interests.
- There is risk that a regulatory agency will require us to conform to rules that are unsuitable for IP communications technologies or rules that cannot be complied with due to the nature and efficiencies of IP routing, or are unnecessary or unreasonable in light of the manner in which we offer voice-related services such as call recording and pay-for-call services to our customers.

- Federal and state telemarketing laws including the Telephone Consumer Protection Act, the Telemarketing Sales Rule, the Telemarketing Consumer Fraud and Abuse Prevention Act and the rules and regulations promulgated thereunder.
- Laws affecting telephone call recording and data protection, such as consent and personal data statutes. Under the federal Wiretap Act, at least one party taking part in a call must be notified if the call is being recorded. Under this law, and most state laws, there is nothing illegal about one of the parties to a telephone call recording the conversation. However, several states (i.e., California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Montana, Nevada, New Hampshire, Pennsylvania and Washington) require that all parties consent when one party wants to record a telephone conversation. The telephone recording laws in other states, like federal law, require only one party to be aware of the recording. A Wiretap Act violation is a Class D felony; the maximum authorized penalties for a violation of section 2511(1) of the Wiretap Act are imprisonment of not more than five years and a fine under Title 18. Authorized fines are typically not more than \$250,000 for individuals or \$500,000 for an organization, unless there is a substantial loss. State laws impose similar penalties.
- The Communications Assistance for Law Enforcement Act may require that we undertake material modifications to our platforms and processes to permit wiretapping and other access for law enforcement personnel.
- Under various Orders of the Federal Communications Commission, we may be required to make material retroactive and prospective contributions to funds intended to support Universal Service, Telecommunications Relay Service, Local Number Portability, the North American Numbering Plan and the budget of the Federal Communications Commission.
- Laws in most states of the United States of America may require registration or licensing of one or more of our subsidiaries, and may impose additional taxes, fees or telecommunications surcharges on the provision of our services which we may not be able to pass through to customers.
- Our international operations may expose us to telecommunications regulations in the countries where we are operating and these regulations could negatively affect the viability of our business in those regions.

State and local governments may in the future be permitted to levy additional taxes on Internet access and electronic commerce transactions, which could result in a decrease in the level of usage of our services. In addition, we may be required to pay additional income, sales, or other taxes.

The federal government has placed a ban for now on state and local governments' imposition of new taxes on Internet access or electronic commerce transactions through the Internet Tax Freedom Act. The proposed Marketplace Fairness Act, if enacted into law, would allow states to require online and other out of state merchants to collect and remit sales and use tax on products and services that they may sell. An increase in taxes may make electronic commerce transactions less attractive for advertisers and businesses, which could result in a decrease in the level of usage of our services. Additionally, from time to time, various state, federal and other jurisdictional tax authorities undertake reviews of us and our filings. In evaluating the exposure associated with various tax filing positions, we may on occasion accrue charges for probable exposures. We cannot predict the outcome of any of these reviews.

Risks Relating to Ownership of our Class B common stock

Our Class B common stock prices have been and are likely to continue to be highly volatile.

The trading prices of our Class B common stock have been and are likely to continue to be highly volatile and subject to wide fluctuations and has more recently declined significantly. Our stock prices may fluctuate in response to a number of events and factors, which may be the result of our business strategy or events beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- developments concerning proprietary rights, including patents, by us or a competitor;
- announcements by us or our competitors of significant contracts, acquisitions, financings, commercial relationships, joint ventures or capital commitments;
- loss of senior management or other key personnel;
- registration of additional shares of Class B common stock in connection with acquisitions;
- lawsuits initiated against us or lawsuits initiated by us;

- announcements of acquisitions or technical innovations;
- potential loss or reduced contributions from distribution partners, reseller partners and agencies, or advertisers;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- changes in growth or earnings estimates or recommendations by analysts;
- changes in the market valuations of similar companies;
- changes in our industry and the overall economic environment;
- volume of shares of Class B common stock available for public sale, including upon conversion of Class A common stock or upon exercise of stock options;
- Class B common stock repurchases under our share repurchase program;
- sales and purchases of stock by us or by our stockholders, including sales by certain of our executive officers and directors pursuant to written pre-determined selling and purchase plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- short sales, hedging and other derivative transactions on shares of our Class B common stock; and
- an adverse impact on us from any of the other risks cited in this Risk Factors section.

In addition, the stock market in general, and the NASDAQ Global Select Market and the market for mobile and online commerce companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry factors may seriously harm the market price of our Class B common stock, regardless of our operating performance. In the past, following periods of volatility in the market, securities class action litigation has often been instituted against these companies.

Litigation against us, whether or not judgment is entered against us, could result in substantial costs and potentially economic loss, and a diversion of our management’s attention and resources, any of which could seriously harm our financial condition. Additionally, there can be no assurance that an active trading market of our Class B common stock will be sustained.

If securities analysts do not continue to publish research or publish negative research about our business, our stock price and trading volume could decline.

The trading market for our Class B common stock depends in part on the research and reports that securities analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes negative research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Our founders control the outcome of stockholder voting, and there may be an adverse effect on the price of our Class B common stock due to the disparate voting rights of our Class A common stock and our Class B common stock.

As of March 31, 2018, Russell C. Horowitz and Ethan A. Caldwell, two of our founders, beneficially owned 100% of the outstanding shares of our Class A common stock, which shares represented 77% of the combined voting power of all outstanding shares of our capital stock. These founders together controlled 77% of the combined voting power of all outstanding shares of our capital stock as of March 31, 2018. The holders of our Class A common stock and Class B common stock have identical rights except that the holders of our Class B common stock are entitled to one vote per share, while holders of our Class A common stock are entitled to twenty-five votes per share on all matters to be voted on by stockholders. This concentration of control could be disadvantageous to our other stockholders with interests different from those of these founders. This difference in the voting rights of our Class A common stock and Class B common stock could adversely affect the price of our Class B common stock to the extent that investors or any potential future purchaser of our shares of Class B common stock give greater value to the superior voting rights of our Class A common stock. Further, as long as these founders have a controlling interest, they will continue to be able to elect all or a majority of our board of directors and generally be able to determine the outcome of all corporate actions requiring stockholder approval. As a result, these founders will be in a position to continue to control all fundamental matters affecting our company, including any merger involving, sale of substantially all of the assets of, or change in control of, our company. The ability of these founders to control our company may result in our Class B common stock trading at a price lower than the price at which such stock

would trade if these founders did not have a controlling interest in us. This control may deter or prevent a third-party from acquiring us which could adversely affect the market price of our Class B common stock.

Anti-takeover provisions may limit the ability of another party to acquire us, which could cause our stock price to decline.

Our certificate of incorporation, as amended, our by-laws and Delaware law contain provisions that could discourage, delay or prevent a third-party from acquiring us, even if doing so may be beneficial to our stockholders. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our Class B common stock. The following are examples of such provisions in our certificate of incorporation, as amended, or our by-laws:

- the authorized number of our directors can be changed only by a resolution of our board of directors;
- advance notice is required for proposals that can be acted upon at stockholder meetings;
- there are limitations on who may call stockholder meetings; and
- our board of directors is authorized, without prior stockholder approval, to create and issue “blank check” preferred stock.

We are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock. The application of Section 203 of the Delaware General Corporation Law could have the effect of delaying or preventing a change of control of our company.

We may not pay dividends on our Class B common stock in the future.

Under Delaware law, dividends to stockholders may be made only from the surplus of a company, or, in certain situations, from the net profits for the current fiscal year or the fiscal year before which the dividend is declared. We recently declared and paid a special dividend. Special dividends generally result in a reduction in stock price with the dividend distributed. In addition, we paid a quarterly dividend on our Class B common stock from November 2006 through May 2015. Our ability to pay dividends is dependent upon a variety of factors, including our financial results, liquidity and financial condition and capital requirements. There is no assurance that we will pay dividends in the future. Furthermore, the payment by us of special dividends or dividends in general may have an impact on our stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In November 2014, we established a 2014 share repurchase program, which supersedes and replaces any prior repurchase programs, and authorized the Company to repurchase up to 3 million shares in the aggregate of the Company’s Class B common stock. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. During the three months ended March 31, 2018, we did not have any share repurchases and 1,319,128 of Class B common shares may yet be purchased under the plan.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

Exhibit Number	Description
+†10.43	<u>Amendment No. 5 to the Master Services and License Agreement, effective January 1, 2018, by and between Marchex Sales, LLC, a Delaware limited liability company (formerly, Marchex Sales, Inc.) and Dex Media, Inc., successor in interest to YellowPages.com LLC (formerly d/b/a AT&T Interactive or ATTi).</u>
+†10.44	<u>Dex Media Call Advertising Program Agreement, effective October 24, 2017, by and between Dex Media, Inc., a Delaware corporation, and Marchex Sales, LLC, a Delaware limited liability company.</u>
+†10.45	<u>Master Services Agreement, dated January 1, 2018, by and between Marchex Sales, LLC, a Delaware limited liability company and Dex Media, Inc., a Delaware corporation.</u>
+†10.46	<u>Statement of Work No. 1, effective January 1, 2018, by and between Dex Media, Inc. and Marchex Sales, LLC pursuant to the Master Services Agreement, dated January 1, 2018, by and between Dex Media, Inc. and Marchex Sales, LLC.</u>
†31.1	<u>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.</u>
†31.2	<u>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.</u>
+†32	<u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
+†101.INS	XBRL Instance Document.
+†101.SCH	XBRL Taxonomy Extension Schema Document.
+†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
+†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
+†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
+†101.PRE	XBRL Taxonomy Presentation Linkbase Document.
†	Filed herewith.
+†	Furnished herewith.
(+)	Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SIGNATURE

Pursuant to the requirements 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.

Date: May 9, 2018

By: _____ /s/ MICHAEL A. ARENDS
Name: **Michael A. Arends**
Title: **Chief Financial Officer and member of the
Office of the CEO
(Principal Financial and Accounting Officer)**

**AMENDMENT NO. 5 TO
MASTER SERVICES AND LICENSE AGREEMENT**

This Amendment No. 5 ("**Amendment**"), effective as of January 1, 2018 (the "**Amendment Effective Date**"), is being entered into by and between Marchex Sales LLC, a Delaware limited liability company formerly known as Marchex Sales, Inc., which is a wholly-owned subsidiary of Marchex, Inc. ("**Marchex**"), and Dex Media, Inc, successor in interest to YellowPages.com LLC formerly doing business as AT&T Interactive or ATTi, ("**DexYP**"), to amend the Master Services and License Agreement entered between DexYP and Marchex effective as of October 1, 2007 (as amended by all prior amendments, Change Rule Sheets, and Project Addenda, as amended, thereto, and including all attachments, collectively the "**Agreement**"). DexYP and Marchex may hereinafter be referred to individually as "**Party**" and collectively as "**Parties**." Capitalized terms used herein but not defined shall have the respective meanings ascribed to them in the Agreement.

WHEREAS, Marchex provides certain Advertising Services to DexYP pursuant to the terms of the Agreement and certain Project Addenda thereunder; and

WHEREAS, the Parties desire to amend certain provisions of the Agreement;

NOW, THEREFORE, in consideration of the mutual acknowledgements and agreements hereinafter contained, including to be legally bound, the Parties agree as follows:

1. **Section 1 (a) (***) of Exhibit B:** The following shall be added to the end of subsection 1(a):

3. **Party References.** Any reference to YPC in the Agreement shall be replaced with or deemed to refer to DexYP.
4. **Other Terms of the Agreement.** All other terms and conditions of the Agreement shall remain unchanged and in full force and effect.
5. **Authority.** Each person signing this Amendment hereby represents and warrants that he or she has full authority to execute this Amendment for the Party on whose behalf he or she is signing.
6. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. A signature received electronically via facsimile or email shall be as legally binding for all purposes as an original signature.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 5 to Master Services and License Agreement effective as of the Amendment Effective Date.

DEX MEDIA, INC.

BY: /s/ John Gregory
Name: John Gregory
Title: VP

MARCHEX SALES LLC

By: /s/ Brendhan Hight
Name: Brendhan Hight
Title: Director

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**DEX MEDIA
CALL ADVERTISING PROGRAM AGREEMENT**

THIS AGREEMENT (this "Agreement") is made and entered into effective as of October 24, 2017 (the "Effective Date"), by and between Dex Media, Inc. ("Dex Media"), a Delaware corporation whose principal offices are located at 2200 West Airfield Drive, P.O. Box 619810, DFW Airport, Texas 75261, and Marchex Sales, LLC "**Distributor**", "**you**", "**your**" or "**yourself**", a Delaware limited liability company, whose principal offices are located at 234 5th Avenue Suite 301 New York, NY 10001. The parties, intending to be legally bound, agree as follows:

I. Dex Media Acceptance.

For purposes of this Agreement, Dex Media is deemed to have accepted your Network Apps and Sites and authorized placement of PFP Ads across Your Network subject to the terms and requirements herein.

II. Security/Passwords.

You agree to comply with any commercially reasonable security processes and procedures provided in writing (email sufficient) by Dex Media from time to time with respect to access to or use of Dex Media's Distributor Interface. You agree that you will not disrupt the functioning of Dex Media's Distributor Interface or otherwise act in a way that interferes with other users' use of Dex Media's Distributor Interface. You shall maintain the security of any passwords, user IDs and/or other access code(s) which are assigned to you (whether provided by Dex Media or created by you) ("**Distributor's Password(s)**"), and shall hold any and all of Distributor's Passwords in strict confidence, and shall not disclose any of Distributor's Passwords to any third party. You shall ensure that none of Distributor's Passwords are used by anyone under the age of 18. If you suspect, or become aware of, any unauthorized use of Dex Media's Distributor Interface or the disclosure of any passwords, user IDs or other access code(s) to anyone other than the person or entity to which it was assigned, then you shall immediately notify Dex Media. Dex Media may temporarily or permanently suspend Distributor's Password(s) at any time, for any reason, in its sole discretion. You will be directly responsible for the conduct of any one accessing Dex Media's Distributor Interface with any of Distributor's Passwords, and any damages, harm and loss that Dex Media incurs as a result thereof prior to its receipt of written notice under this Agreement of unauthorized use or disclosure, and further knowingly waive any claims or defenses alleging that you are not responsible for such conduct.

III. Background.

A. Dex Media owns and operates an Internet-based, interactive information service (the "**Dex Service**") from its Internet Web sites located at <http://www.Superpages.com> (the "**Superpages Web Site**") and <http://Dexknows.com> (the "**DK Web Site**"), through which users can access, among other things, information relating to businesses with local telephone service in the United States of America. The Superpages Web Site and the DK Web Site are hereinafter together referred to as the "**Dex Web Site**").

B. ***

C. You desire to distribute Dex Media's performance-based advertisements on the Network Apps and Sites, and Dex Media desires to allow you to do so, subject to the terms and conditions set forth in this Agreement and the Dex Media Feed Requirements for PFP Advertising (defined below), a copy of which may be sent to you via email or posted on the Dex Web Site.

IV. Terms and Conditions.

1. Definitions. Key terms used herein are defined below:

a. "**Affiliates**" means related companies which directly or indirectly control, are controlled by, or are under the common control with a party, through the possession, directly or indirectly, of the power to direct or exercise a controlling influence over the management and policies of such person or entity, but in the your case, shall also be deemed to include any and all owners and operators of any Network Apps and Sites other than Dex Media and its Affiliates.

b. "**Bid Program**" means an Internet and/or mobile advertising sales program through which Dex Media's advertisers are able to purchase Internet and mobile advertising using a competitive bid platform.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

c. **“Category Descriptions”** means the business category and subcategory classifications, descriptions and related taxonomy and architecture prescribed by Dex Media for use in connection with the PFP Ads.

d. **“Change of Control”** means (i) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of a party; or (ii) the acquisition of more than fifty percent (50%) of the issued and outstanding equity of a party.

e. **“Confidential Information”** means any information that a party discloses to the other about its business or activities that is proprietary or confidential, including, without limitation, technical, business, financial, and customer information, and any information which is marked or disclosed as being as “confidential” or “proprietary”, or which the receiving party knows is confidential or proprietary, or should otherwise recognize as being confidential or proprietary given the circumstances surrounding the disclosure. Dex Media’s Confidential Information shall be deemed to include, without limitation, its Dex Media Feed Requirements for PFP Advertising, Category Descriptions, all PFP Ads and data and information related thereto and all reports provided by Dex Media under this Application. Confidential Information does not include information which (i) is in, or enters the public domain without breach of this Application, (ii) the receiving party lawfully receives from a third party without restriction on disclosure and without breach of any other nondisclosure obligation, or (iii) the receiving party knew prior to receiving such information from the disclosing party, or otherwise develops independently of any knowledge or information received from the disclosing party.

f. **“Dex Database”** means the database that supports the Dex Service and which includes PFP Ads.

g. **“Dex Media Data”** means Data collected or created hereunder, during the Term and through Dex Media’s account.

h. **“Dex Media Feed”** means the data feed provided by Dex Media through which Distributor will obtain the information related to the PFP Ads.

i. **“Dex Media Feed Requirements for PFP Advertising”** means the document containing Dex Media’s technical requirements, a copy of which may be sent to you via email or posted on the Dex Web Site, as such document may be modified by Dex Media from time to time upon notice to you or by posting on the Dex Web Site.

j. **“Invalid Calls”** means telephone calls that are invalid or fraudulent or which do not otherwise constitute Qualified Calls as determined by Dex Media in its reasonable discretion and communicated to you in accordance with Section 4 below.

k. **“Launch Date”** means the first date after the Effective Date upon which you begin placing PFP Ads on the Network Apps and Sites.

l. ***

m. **“Pay For Performance Bid Amount”** or **“PFP Bid Amount”** means the amount bid by the advertiser in accordance with the Bid Program for Qualified Calls.

n. **“Qualified Calls”** means a call generated from the SEM Product, based on the call records associated with the Numbers inserted by you in the PFP Ads, that meets the following requirements:

- 1) Minimum of *** in duration
- 2) Callers intent matches *** of the PFP advertiser
- 3) Call is generated by a human (not a robotic dialer)

o. **“SEM Product”** means an advertising sales program through which Dex Media’s advertisers are able to purchase advertising to generate Qualified Calls.

Terms which are used herein, but not otherwise defined above, will have the meaning ascribed to them in the context in which they are first used.

2. **Term.** This Agreement is made and entered into effective as of the date on which it is executed by both parties (the **“Effective Date”**). Unless sooner terminated in accordance with this Agreement, the initial term of this Agreement will commence on the Effective Date and continue for a period of *** (the **“Initial Term”**). Upon the expiration of the Initial Term, the Term of this Agreement will

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

automatically renew and extend *** (each, a “**Renewal Term**”), unless sooner terminated in accordance with Section 6 below. (“**Term**” means, collectively, the Initial Term and any Renewal Terms.)

3. Distribution and Display of PFP Ads.

a. ***

b. Limited Licenses. From the Launch Date through the remainder of the Term, and for so long as you remain in compliance with your duties and obligations under this Agreement during such period, Dex Media grants you the limited, non-assignable, non-transferable, non-exclusive right and license, without the right to sublicense, to submit Searches to Dex Media and to display the corresponding Search Results on the Network Apps and Sites from which the Searches originated.

c. Your Obligations.

i. Implementation and Launch Date. You shall use your commercially reasonable efforts to implement the mechanisms and application interfaces more particularly described in the Dex Media Feed Requirements for PFP Advertising and such other systems as may be necessary for you to receive and display PFP Ads from the Dex Service as soon as reasonably possible following the Effective Date of this Agreement.

ii. Hosting.

(1) You are solely responsible for all costs and expenses you may incur in connection with the implementation, maintenance and ongoing hosting and operation of your systems, regardless of any changes by Dex Media to the Dex Media Feed Requirements for PFP Advertising or the Bid Program.

(2) With respect to each PFP Ads displayed on Network Apps and Sites, you shall transmit and provide to Dex Media all data required by the Dex Media Feed Requirements for PFP Advertising that is relevant to the implementation hereunder.

iii. Display of PFP Ads. The parties will mutually agree on the technical parameters for your implementation of the PFP Ads on Network Apps and Sites, provided that PFP Ads will be displayed based on matching to queries from Network Apps and Sites associated with the relevant category, geography, and keyword(s) of the PFP advertiser..

iv. ***

v. Negative Covenants. You covenant and agree that you will not (1) redirect, redistribute, transfer, transmit, distribute or otherwise disseminate all or any portion of any PFP Ads to any Web sites or mobile applications other than Network Apps and Sites, (2) store or otherwise use (as part of any interactive on-line, CD-Rom, or other derivative product or service, or otherwise), or permit any other person or entity to store or otherwise use (except as necessary to display on Network Apps and Sites in accordance with this Agreement), any PFP Ads, (3) sublicense (except as necessary to display on Network Apps and Sites in accordance with this Agreement), sell, or rent any PFP Ads in any way, (4) authorize or permit any third party (including your end users) to reproduce or sell any PFP Ads (5) store Dex Media Feed data containing the PFP Ads except in a temporary memory cache which is emptied not less than once every ***, (6) edit, modify or create any derivative works of all or any part of any PFP Ads (except as necessary to (i) keep records of associated Qualified Call pricing information from the Dex Media Feed; and (ii) display the PFP Ads on Network Apps and Sites in accordance with this Agreement including but not limited to modifying or supplementing keywords and/or service descriptions based on quality media placement practices, industry standards, or performance issues) or the Dex Service without Dex Media’s express prior written consent in each instance, (7) use, or allow the use of, any PFP Ads in connection with any marketing solicitation, other than placement on Network Apps and Sites in accordance with this Agreement, without Dex Media’s prior written consent in each instance, (8) use, or allow the use of, any hyperlink to the Dex Web Site or other device to “datamine” the Dex Database in any way, ((9) serve, or permit any third party to serve unauthorized, “pop-up”, or “pop-under” advertising, or any other similar forms of advertising on any page which includes PFP Ads, (10) display (or allow any third party to display) any banner advertising or other content on any page which includes PFP Ads which violates the guidelines set forth in Schedule A attached hereto (as such guidelines may be modified by Dex Media from time to time in its sole discretion), (11) use, or permit any third party to use, any tool, program, routine, algorithm or other process, method or mechanism of any kind, including without limitation, spiders, bots, Web crawlers, data miners or other similar programs or devices, to access, copy, sift, warehouse or analyze any information contained in the Dex Database, or (12) establish, maintain or operate any links to the Dex Service (from any Web site, application or otherwise), except as expressly provided in this Agreement. The provisions of this Section will survive the completion, expiration, termination or cancellation of this Agreement.

d. Dex Media Obligations.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(i) Dex Media shall use the Services and any Dex Media Data acquired in connection therewith in full compliance with all applicable laws and regulations and rules of any governmental or regulatory body, and including those relating to advertising, privacy, marketing and telephone solicitation (for the avoidance of doubt, this shall include federal “Do-Not-Call” rules). Dex Media will not (and will not cause any third party to), directly or indirectly: reverse engineer, decompile or disassemble any Services or any software, documentation or data you provide in connection therewith (collectively, “**Your Materials**”); modify or create derivative works based on any Services or Your Materials or any aspect or portion thereof; or copy (except for archival purposes), lease, distribute or otherwise transfer rights to any Services or any of Your Materials; or remove any proprietary notices or labels.

(ii) Dex Media shall use all product functionality made available by Distributor hereunder or such other means available to Dex Media to ensure that its use of the call recording features is in full compliance with all laws and regulations applicable to recording, monitoring, storing and/or divulging telephone calls as well as to the language used in any automated whisper file or interactive voice response that may be implemented by Dex Media or by Distributor at Dex Media’s direction.

4. Compensation.

a. Pricing Per Qualified Call. For so long as you and your Affiliates remain in material compliance with your material obligations hereunder, Dex Media will pay Distributor the price per Qualified Call that is specified in the Dex Media Feed. The price per Qualified Call may fluctuate daily and will fluctuate by Dex Media advertiser.

b. Time and Manner of Payment; Reporting. *** Dex Media will make payment by check payable to you at the remittance address set forth in your completed W-9 form provided to Dex Media, or if agreeable to both parties, by electronic funds transfer in accordance with your written instructions. All amounts payable under this Agreement are denominated in United States dollars and are exclusive of all applicable domestic and foreign taxes, duties and excises in connection therewith. Dex Media shall be responsible for all such taxes, other than taxes based on your net income. In the event that payment is past due, you may suspend all or any portion of your performance under this Agreement until such time as all outstanding amounts are paid in full. Dex Media shall notify you of any billing disputes no later than *** after the end of the month in which the Qualified Calls occurred. Unpaid invoices will be subject to a finance charge of ***. Termination of this Agreement and/or payment of late payment charges shall not prejudice any other rights or remedies that may be available to you. The provisions of this Section will survive any termination of this Agreement.

c. Invalid Calls. *** You shall (i) use your best efforts to prevent automated processes or mechanisms from executing calls on PFP Ads on Network Apps and Sites and mobile devices anywhere within the Your Network, and (ii) block the originating phone number or mobile device which Dex Media asks you to block, as soon as reasonably practical following such request, and no later than ***. In an effort to detect, identify, and eliminate low quality calls (including that generated by automated tools, robots or other deceptive software) from Your Network, you may make use of filtering and monitoring techniques. The Dex Media Data will include reporting of any calls where your system has detected and blocked an auto dialer or other similar process or mechanism that has dialed PFP Ads. Dex Media reserves the right to block any originating phone numbers which it deems to be a threat to the Dex Service, with or without prior notice and with no liability whatsoever to you or any of your Affiliates hereunder.

d. Reports. The parties acknowledge and agree that you are responsible for tracking and calculating the performance, delivery, and other metrics in connection with this Agreement, including collecting and providing the Dex Media Data for all Qualified Calls. The parties further understand and agree that the Dex Media Data will be the only and definitive measure thereof. *** In the event that the parties’ Qualified Call measurements differ by more than *** for any calendar month, as reported by Dex Media within the period set forth in Section 4(b) above, the parties will work together in good faith to resolve the discrepancy. Notwithstanding the foregoing, the Dex Media Data shall be determinative of Dex Media’s payment obligations hereunder.

5. Intellectual Property.

a. Dex Media’s Reservation of Rights. Dex Media retains all intellectual property rights in and to the Dex Service, and all portions and elements thereof including, without limitation, the Dex Database, the Dex Web Site, the PFP Ads and any modifications and enhancements to any of the foregoing. Except as, and only to the extent, expressly provided herein, nothing contained herein will be interpreted so as to transfer any right, title or interest in any intellectual property right of Dex Media, nor to grant you nor any of your Affiliates any rights or licenses in any intellectual property right of Dex Media. Dex Media reserves the express right to revoke any licenses granted to you hereunder with respect to the use of the Dex Media Licensed Marks, in whole or in part, upon written notice to you. Dex Media Data is the intellectual property of Dex Media. Dex Media grants Distributor the non-exclusive right to use Dex Media Data in connection with the delivery of Services to Dex Media. Dex Media also grants Distributor the non-exclusive right to use Dex Media Data in the operation of your business, provided the Dex Media Data is aggregated and anonymized such that (i) Dex Media is

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

not identified as the source thereof, and (ii) personally identifiable information is not disclosed. For the avoidance of doubt, Distributor uses all Data collected in connection with its business and operations, which may include certain aggregated Dex Media Data, in an unidentifiable form, for purposes that include: (a) creation of operational statistics for internal use only; (b) creation and inclusion in financial reporting of aggregate statistics regarding services performed; (c) creation and inclusion in marketing materials of aggregate statistics highlighting the capabilities of the Services; and (d) advancing and improving existing products and services, creating new and enhanced products and services, and development and publication of market and industry intelligence and expertise, all of which in such form shall be and remain the intellectual property of Distributor. Notwithstanding the foregoing, Distributor shall use the Dex Media Data acquired in connection herewith in full compliance with all applicable laws and regulations and rules of any governmental or regulatory body, and including those relating to advertising, privacy, marketing and telephone solicitation.

b. Your Reservation of Rights. You retain all intellectual property rights in and to the Services, Your Materials, Your Network, excluding the PFP Ads and any and all other content, data, trademarks, logos and materials of any kind provided by Dex Media hereunder. Further, Distributor reserves all rights to any Numbers provided in connection with this Agreement, and Dex Media acquires no rights with respect to such Numbers. Distributor is not a telecommunications carrier; Distributor purchases telecommunications services and uses such services in connection with the Services provided to Dex Media. Except as, and only to the extent, expressly provided herein, nothing contained herein will be interpreted so as to transfer any of your right, title or interest in any intellectual property right, nor to grant Dex Media any rights or licenses in any of your intellectual property rights.

c. Licensed Marks. Dex Media owns, or has a license to use those certain marks depicted in Schedule B attached (the “**Dex Media Licensed Marks**”) and you own, or have a license to use those certain marks related to Your Network (“**Your Licensed Marks**”) (the Dex Media Licensed Marks and Your Licensed Marks are sometimes hereinafter collectively referred to as the “**Licensed Marks**”). Subject to the terms and conditions of this Application, Dex Media hereby grants you a non-transferable, royalty-free license, without the right to sublicense, to use Dex Media’s Licensed Marks solely in connection with (i) the performance of obligations under this Agreement, and (ii) the promotion and marketing of the relationship contemplated by this Agreement during the Term (each, a “**Licensed Use**” and, collectively, the “**Licensed Uses**”). Upon your consent, Dex Media shall have a non-transferable, royalty-free license, without the right to sublicense, to use Your Licensed Marks solely in connection with the Licensed Uses. Each party has the right to control the nature and quality of the other's use of such party's Licensed Marks in connection with the Licensed Uses. The parties further agree that any and all uses of the other's Licensed Marks will inure to the other's benefit, and that they will not use any trademark, service mark, domain name or trade name that is identical, or confusingly similar, to any one or more of the other's Licensed Marks, except as permitted by this Agreement. For purposes of this Agreement, “**Licensor**” means the party granting the foregoing licenses, and the “**Licensee**” means the party to whom the forgoing licenses are granted.

d. Form of Use of Licensed Marks.

i. You agree that the style of use of the Dex Media Licensed Marks will be in the form and style conforming to such trademark usage guidelines, brand identity standards, and other restrictions as may be updated and/or imposed from time to time by Dex Media, and as Dex Media may approve in writing from time to time.

ii. Dex Media agrees that the style of use of Your Licensed Marks will be in the form and style conforming to your trademark usage guidelines, as updated from time to time, and as approved by you in writing.

iii. You shall submit to Dex Media for review and approval all materials that use any of the Dex Media Licensed Marks, at least *** prior to the proposed publication, use or distribution of such materials. You shall not publish, distribute or use any materials in which any one or more of the Dex Media Licensed Marks are used without the prior written approval of the following representative of Dex Media (or such other representative as Dex Media may designate from time to time):

Dex Media
Attn: Marketing Communications and Branding
2200 West Airfield Drive
D/FW Airport, TX 75261-9810

iv. Dex Media will submit any advertising, promotional, sales collateral or marketing material in which any of Your Licensed Marks are used for your prior review or approval, at least *** prior to the proposed publication, use or distribution of such materials, and may only publish, distribute and/or otherwise use any such materials in which any one or more of the Your Licensed Marks are used with your prior written approval.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

v. Each Licensee also agrees that it shall cause to appear on all advertisements, promotions and other displays on or in connection with which the Licensor's Licensed Marks are used, such legends, markings and notices as the Licensor may reasonably require in order to give appropriate notice of any trademark rights therein.

e. Ownership and Goodwill. Each Licensee acknowledges and agrees that:

i. The Licensor is either the sole and exclusive owner of rights in the Licensor's Licensed Marks, or otherwise has the right and license to use the Licensed Marks. The Licensee undertakes not to challenge the validity of the Licensor's Licensed Marks, or the registration and ownership of the Licensed Marks (by Licensor or any of its Affiliates), and agrees that it will not do anything that is inconsistent with such ownership.

ii. All use of the Licensor's Licensed Marks by Licensee and all goodwill developed therefrom will inure to the benefit of and be on behalf of the Licensor.

iii. Nothing in this Agreement gives Licensee any right, title or interest in or to the Licensor's Licensed Marks other than the right to use the Licensor's Licensed Marks in the manner contemplated by this Agreement, and only for so long as this Agreement is in force.

iv. It will not utilize the Licensor's Licensed Marks or any confusingly similar trademarks, service marks, trade names or domain names, except in connection with the Licensed Uses contemplated by this Agreement, and then only during the term of this Agreement and as permitted hereunder.

v. It will not hereafter seek registration of the Licensor's Licensed Marks or any similar trademarks, service marks, trade names or domain names in its own name or in the name of any of its Affiliates.

vi. It will cooperate reasonably with Licensor, at Licensor's expense, in the procurement of any registration of the Licensor's Licensed Marks which Licensor may choose to undertake at Licensor's sole discretion, including, but not limited to supplying Licensor with evidence of its use of the Licensor's Licensed Marks.

f. Infringement.

i. In the event that either party becomes aware of any unauthorized use of the other's Licensed Marks, or infringing uses or acts of unfair competition or dilution or of any uses of confusingly or substantially similar trademarks, service marks, trade names or domain names, on or in connection with the marketing, advertising or provision of similar goods or services (each, an "**Unauthorized Use**"), such party shall promptly provide the other with written notice thereof.

ii. Licensor will have the right, but not the obligation, to challenge and attempt to eliminate each Unauthorized Use. Licensee, at Licensor's expense, shall reasonably cooperate with Licensor in investigating, prosecuting and settling any infringement action instituted by Licensor against any person or entity engaging in an Unauthorized Use. Licensee, at its own expense, will have the right to participate with counsel of its own choice in the investigation, prosecution and/or settlement of any such infringement action instituted by Licensor.

iii. Any recovery obtained in connection with or as a result of any infringement action contemplated under this Section, whether by settlement or otherwise, will be retained by the Licensor.

iv. Each party agrees that it will not utilize the other's Licensed Marks except in connection with the Licensed Uses, and only in the form and manner approved in advance by the other in writing, and further agrees to include any legal notice evidencing ownership of or registration of the Licensed Marks by the other. The parties agree never to directly or indirectly challenge, contest or call into question or raise any questions concerning the validity or ownership of the other's Licensed Marks or any registration or application for registration of the other's Licensed Marks. All use of the Licensed Marks shall be in accordance with all applicable laws and regulations and in compliance with any regulatory agency that has jurisdiction over such matters. The parties shall promptly notify one another of any conduct on the part of third parties, of which they have actual knowledge, which they deem to be an infringement, an act of unfair competition or dilution of the other's Licensed Marks. The owner of such Licensed Marks will thereafter have the sole right and discretion to bring proceedings alleging infringement, unfair competition or dilution of its Licensed Marks, or to take any other action, related thereto, and the other shall reasonably cooperate and assist the owner with respect to any such proceedings, at the owner's expense. The licenses provided for herein will automatically expire if not sooner revoked, immediately upon the expiration or earlier termination of this Agreement, at which time each party will cease using the other's Licensed Marks.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

6. Termination; Suspension.

a. Convenience. Either party may terminate this Agreement for convenience at any time, with or without cause, upon not less than *** prior written notice to the other party.

b. Breach. Either party may terminate this Application immediately upon written notification to the other if the other party materially breaches its obligations hereunder, and thereafter fails to cure such breach within *** following its receipt of written notice of the existence thereof from the other.

c. Cessation of Service. You may terminate this Agreement upon written notice to Dex Media in the event you permanently cease operation of Your Network. Dex Media may terminate this Agreement upon written notice to you in the event it ceases operation of the Dex Web Site, or upon the occurrence of any significant change in its business or operations relative to the Dex Service and/or its Bid Program.

d. Other. Either party may terminate this Agreement immediately and without further notice upon the occurrence of any significant, material change in its business or operations, or if:

i. the other party assigns this Agreement or any of its rights hereunder, except as expressly authorized by the terms of this Agreement, or if the other party experiences a Change in Control;

ii. It becomes aware of the existence of any claim or allegation that the other party or any of its Affiliates have infringed upon the intellectual property rights of any third party, and such party or such Affiliates thereafter fail to immediately cease and desist from any further use of the allegedly infringing mark or material, until such claim or allegation has been finally adjudicated or resolved in favor of the allowance of such usage; provided, however, that the noninfringing party's failure to terminate this Agreement in such event will not have any effect whatsoever on the indemnity obligations hereunder;

iii. the other party or any of its Affiliates engage in any unlawful business practice related to the performance of its obligations under this Agreement;

iv. A receiver or similar party is appointed for the other party or its property, or if the other party becomes insolvent, acknowledges its insolvency in any manner, ceases to do business, or makes an assignment for the benefit of creditors; or

v. the other party files a voluntary petition for relief under any applicable bankruptcy laws or insolvency laws, or is otherwise adjudged insolvent or bankrupt under any such laws applicable in the United States of America or any of its states.

e. Effect of Termination. Upon the termination or expiration of this Agreement, you shall cease any and all storage and use of all PFP Ads. Dex Media will pay in full for the Qualified Calls that are not in dispute as noted in section 4.b. up to and including the last day on which the Services are provided. Subject to the foregoing, upon termination hereof, at the request of the other party, each party shall return to the other party or destroy, and certify in writing as to such destruction, the other party's Confidential Information. Upon any termination, unless otherwise limited or restricted by applicable law or regulation, Distributor may maintain archived Dex Media Data for at least thirty (30) days following termination of the Agreement, and, upon written request by Dex Media, will deliver such archived Dex Media Data to Dex Media in a mutually agreed upon format (at Dex Media's expense).

7. Confidential Information.

a. Covenant Not to Disclose. Each of the parties covenants and agrees that (i) it will not disclose the other's Confidential Information to any third party, or use such information for its own benefit except as expressly permitted in this Agreement without the prior written consent of the other party, and further, that (ii) it will use its reasonable efforts, or such greater efforts as it may use to maintain and protect the confidentiality of its own confidential information, to maintain and protect the confidentiality of the other party's Confidential Information received hereunder. Each disclosing party agrees that the foregoing shall not apply with respect to any information that the receiving party can document (a) is or becomes generally available to the public without fault of the receiving party, or (b) was in its possession or known by it prior to receipt from the disclosing party, or (c) was rightfully disclosed to it without restriction by a third party, or (d) was independently developed without use of any Confidential Information of the disclosing party or (e) is otherwise required to be disclosed by court order, law, regulation, securities exchange requirement, receipt of a criminal or civil subpoena, or written request from governmental authorities requesting information in connection with a criminal proceeding, or (f) any and all exigent circumstances involving individual or public health, rescue or safety.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

b. Confidential Agreement. Each of the parties hereby acknowledges and agrees that the terms and conditions of this Agreement are confidential and must not be disclosed without the other's prior written consent.

8. Representations and Warranties.

a. Mutual. Each party represents and warrants to the other that:

i. It is duly incorporated and validly existing in its jurisdiction of incorporation or organization, and duly authorized and qualified to do business and in good standing in all states in which it is conducting business.

ii. It has all requisite power and authority to enter into, execute and deliver this Agreement, and to consummate the transactions contemplated by this Agreement in accordance with the provisions hereof, and that this Agreement has been duly and validly executed by an authorized representative of such party and constitutes a valid and binding obligation of such party enforceable in accordance with its terms.

iii. Its execution of this Agreement and performance of its obligations hereunder will not cause it to be in violation of any other agreement it may have with any third party.

iv. It will perform its obligations hereunder in accordance with the requirements of any applicable laws.

b. You. You further represent, warrant, covenant and agree on behalf of yourself and your Affiliates, that neither you nor any such Affiliates will engage in, or knowingly permit any third party to engage in any conduct which: (i) results in the generation of Invalid Calls, (ii) provides users with any pecuniary rewards, points or other unrelated benefit for calling the subject of PFP Ads (including, without limitation, offering an incentive), or (iii) increases or inflates the number of calls without providing any corresponding benefit to the advertiser, including without limitation, conduct intended to increase the compensation payable to you hereunder, or any other compensation payable by you to your Affiliates.

c. Dex Media. Dex Media further represents, warrants, covenants and agrees on behalf of itself and its Affiliates, that:

i. it has all the necessary rights, licenses and approvals which may be lawfully required in order for Dex Media to use and make the PFP Ads available to Distributor for placement in the manner contemplated herein, without any further consent on the part of any third party, and that it will further maintain such rights during the Term.

ii. it has in place with each advertiser for which it provides PFP Ads for distribution hereunder contractual terms that: (A) include representations and warranties from the advertiser that it is responsible for its use of any consumer data acquired in connection with its PFP Ad and its compliance with all applicable laws and regulations in its jurisdiction with respect to such consumer data (including, if applicable, Recorded Call Services); and (B) limit the liability of Dex Media's suppliers and vendors to the same extent as Dex Media's.

9. Indemnification.

a. General. Each party shall and does hereby agree to indemnify, defend and hold the other party harmless from and against any and all awards, costs, damages, expenses (including reasonable attorneys' fees and court costs), final judgments, settlements and other losses and harm of any kind (collectively, "**Damages**") suffered or incurred by the other in connection with any allegation, claim, demand, cause of action, lawsuit, arbitration, mediation or other proceeding of any kind (collectively, "**Proceeding**") by a third party against the other arising from the indemnifying party's and/or its Affiliates':

i. breach of any representation, warranty, covenant or material obligation set forth in this Agreement;

ii. negligence, gross negligence or willful misconduct in the performance of its obligations under this Agreement, or that of its authorized employees, agents, subcontractors or representatives; or

iii. Infringement upon any third party's intellectual property rights (including without limitation, any third party trademark, trade secret, copyright, patent rights, right of attribution and any other statutory and common law intellectual property rights of any kind), privacy rights or other rights of any third party in connection with its performance under this Agreement. In addition, each

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party acknowledges and agrees that the other party will have no obligation under this Agreement to use or publish any materials that are the subject of any such infringement Proceeding.

b. You. You shall indemnify, defend and hold Dex Media and its Affiliates harmless from and against any and all Damages suffered or incurred by Dex Media in connection with any Proceeding by a third party against Dex Media arising from or relating to (i) any infringement, or claim of infringement of any trade secret, patent, trademark, copyright or other proprietary interest of any third party relating to Distributor's or its Affiliate's performance under this Agreement, (ii) Distributor's or its Affiliate's failure to comply with all applicable federal, state, county and local statutes, laws, ordinances, regulations and codes in its performance under this Agreement, and (iii) Network Apps and Sites (except as to any PFP Ads displayed in accordance with the terms of this Agreement), including, without limitation, any content thereon which violates any applicable local, state or federal licensing requirement or any applicable law, laws prohibiting false, fraudulent, deceptive or misleading advertising, defamation, obscenity, indecency and pornography.

c. Notice of Claim. A party seeking indemnification from the other must promptly notify the other of any Proceeding giving rise to such right (provided, however, that any delay in notice shall not relieve an indemnifying party of its indemnification obligations except, and only to the extent that, the delay materially, adversely impacts the indemnifying party), and must reasonably cooperate with the other in the defense and/or settlement of any such Proceedings; provided that, if any settlement requires an affirmative obligation of, results in any ongoing liability to, or prejudices or detrimentally impacts the indemnified party in any way, and such obligation, liability, prejudice or impact can reasonably be expected to be material, then such settlement will require the indemnified party's prior written consent, which may not to be unreasonably withheld or delayed, and such party may have its own counsel in attendance at all proceedings and substantive negotiations relating to such Proceeding.

10. Insurance.

a. Professional Liability. You shall procure and maintain insurance providing coverage for, among other losses, (i) any and all errors, omissions or negligent acts on the part of you and your Affiliates in the delivery of PFP Ads under this Agreement, (ii) network risks (such as data breaches, unauthorized access/use, ID theft, invasion of privacy, damage/loss/theft of data, degradation, downtime, etc.), and (iii) intellectual property infringement (such as copyrights, trademarks, service marks and trade dress assumed under contract, but excluding patents and trade secrets). The Professional Liability Insurance retroactive coverage date shall be no later than the Effective Date.

b. Technology Liability (Including Internet Media Liability). In addition to the foregoing, you shall also procure and maintain insurance providing coverage for, among other losses, any actual or alleged breach of duty, neglect, act, error, misstatement, misleading statement or omission in the conduct of its business, including but not limited to any such actual or alleged conduct which constitutes (i) any form of defamation or other tort related to disparagement or harm to character, including libel, slander, product disparagement, trade libel, infliction of emotional distress, outrage or outrageous conduct; (ii) infringement of copyright, title, slogan, trademark, trade name, trade dress or service name; plagiarism piracy or misappropriation of ideas of property rights, ideas or information, but excluding any claims of trade secret or patent infringement; (iii) any form of invasion, infringement or interference with rights of privacy, including false light, public disclosure of private facts, intrusion and commercial appropriation of name, persona or likeness; or (iv) any liability arising from obtaining and/or using data secured by electronic means (e.g. "cookies", spyware, etc.); and which arises from or out of Internet advertising, Webcasting, electronic publishing, transmission, republication, retransmission utterance, dissemination, distribution, serialization, creation, production, organization, exhibition, displaying, researching or preparation of any materials in connection with the Services provided hereunder, but excluding any claims of any unauthorized collection of personal data arising or alleged to have arisen from any failure to obtain appropriate consents in respect of the collection, storage or sharing or any personal data including internet search histories and online purchasing profiles.

c. Policy Requirements. Each such policy of insurance must have combined single limits of not less than *** per occurrence. All insurance must be issued by one or more insurance carriers Best's rated A-, V or better. Your insurance will be deemed primary with respect to all obligations assumed by you under this Agreement.

d. Certificate of Insurance. Upon Dex Media's written request, you shall also provide Dex Media with a Certificate of Insurance confirming the existence of coverage in the scope and amounts specified above, and further stating that such coverage (i) will not be materially changed, cancelled or terminated without at least *** prior written notice to Dex Media, and (ii) will be primary with respect to any claims arising from any errors or omissions on the part of you, your Affiliates, or their respective employees, agents or representatives.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

e. **Retentions.** Any deductibles, self-insured retentions, loss limits, retentions, or similar coverage limitations (collectively, “**Retentions**”) must be disclosed on a certificate of insurance provided to Dex Media, and reasonably acceptable to Dex Media. All Retentions shall be your responsibility.

11. **Limitation of Liability; Disclaimers.**

- a. EXCEPT WITH RESPECT TO THE PARTIES’ OBLIGATIONS UNDER SECTION 5 (INTELLECTUAL PROPERTY), SECTION 7 (CONFIDENTIAL INFORMATION), AND SECTION 9 (INDEMNIFICATION) AS TO CLAIMS BROUGHT BY THIRD PARTIES, , IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION, LOST PROFITS) ARISING FROM THIS AGREEMENT, WHETHER BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, REGARDLESS OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. EXCEPT WITH RESPECT TO THE PARTIES’ OBLIGATIONS UNDER SECTION 5 (INTELLECTUAL PROPERTY), SECTION 7 (CONFIDENTIAL INFORMATION), SECTION 9 (INDEMNIFICATION) AS TO CLAIMS BROUGHT BY THIRD PARTIES AND SECTIONS 8.b and 8.c (YOUR AND DEX MEDIA’S REPRESENTATIONS AND WARRANTIES) OF THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY’S AGGREGATE LIABILITY UNDER THIS AGREEMENT FOR ALL CAUSES OF ACTION ON A CUMULATIVE BASIS EXCEED THE GREATER OF (i) \$*** and (ii) THE TOTAL AMOUNTS PAYABLE BY DEX MEDIA UNDER THIS AGREEMENT DURING THE 12 MONTHS PRIOR TO THE ACT THAT GAVE RISE TO THE LIABILITY. NEITHER PARTY WILL BE LIABLE FOR, OR CONSIDERED TO BE IN BREACH OR DEFAULT OF ANY OF ITS OBLIGATIONS HEREUNDER, ON ACCOUNT OF ANY DELAY OR FAILURE TO PERFORM AS ANTICIPATED BY THE OTHER PARTY, OR IF ITS PRODUCT OR SERVICE BECOMES INOPERABLE OR INCAPABLE OF PERFORMING AS INTENDED. NEITHER PARTY MAKES ANY REPRESENTATIONS THAT THE OPERATION OF ITS SERVERS, SITE OR SERVICE WILL BE UNINTERRUPTED OR ERROR-FREE, AND WILL NOT BE LIABLE FOR THE CONSEQUENCES OF ANY INTERRUPTIONS OR ERRORS.
- b. EACH OF THE PARTIES, ACTING ON BEHALF OF THEMSELVES AND THEIR AFFILIATES, HEREBY DISCLAIMS, AND THE OTHER HEREBY WAIVES, ON BEHALF OF ITSELF AND ITS AFFILIATES, ALL IMPLIED WARRANTIES OF ANY KIND, INCLUDING WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER PARTY HAS MADE ANY REPRESENTATIONS OR WARRANTIES EXCEPT THOSE SET FORTH HEREIN.

12. **Dispute Resolution.**

a. **Injunctive Relief.** The parties agree that the breach by either of them of their respective obligations regarding the other’s Confidential Information could result in irreparable injury for which there is no adequate remedy at law. Therefore, in the event of any such breach or threatened breach by either party of such obligations or covenants, the other party will be entitled to seek temporary and permanent injunctive relief, in addition to any other remedies to which it may be entitled, at law or in equity.

b. **Negotiations.** The parties will use their commercially reasonable efforts to resolve any controversy or dispute arising out of or relating to this Agreement promptly by negotiations between the parties prior to the commencement of formal legal proceedings. Consequently, the parties agree to use the following alternative procedure prior to the commencement of any formal legal proceedings. At the written request of a party, each party shall appoint a knowledgeable, responsible representative to meet and negotiate in good faith to resolve any dispute arising under this Agreement. The parties intend for these negotiations to be conducted by non-lawyer business representatives. The discussions will be left to the discretion of the representatives. Upon agreement, the representatives may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the representatives for purposes of these negotiations will be treated as confidential information developed for purposes of settlement and therefore be deemed inadmissible in any litigation that may ensue. In the event that one party does not respond to the other party’s request for such negotiations within 5 business days of such request, then the requesting party may commence formal legal proceedings. Notwithstanding anything to the contrary, with respect to any dispute giving rise to a claim for injunctive relief, the provisions of this Section will apply only upon the written request of the party possessing such claim, and such party may elect to commence legal proceedings regarding such claim at any time (and nothing contained in this Agreement will be construed to require such party to provide any notice thereof).

13. **General.**

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

a. Press Releases and Public Announcements. Neither party may make or issue any public announcement or press release about this Agreement or its business relationship with the other party without the prior written consent of the other party, which may be granted or withheld by the other party at its sole discretion. The form and content of any such announcement will be subject to prior written approval of both parties. The provisions of this Section will survive any termination of this Agreement.

b. Assignment. Neither party may assign or sublicense your rights under this Agreement, in whole or in part, to any third party without the other party's prior written consent except that either party may freely assign this Agreement to any Affiliate or to the surviving entity of a merger, consolidation or plan or reorganization in which it participates or to the purchaser of all or substantially all of its assets. Any assignment of (or attempt to assign) this Agreement other than as permitted above will be voidable at the sole election of the non-assigning party.

c. Governing Law. This Agreement and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of, or relate to this Agreement, or the negotiation, validity, execution, interpretation or performance of this Agreement (collectively, "Causes of Action") will be governed by, and construed, interpreted and resolved exclusively in accordance with, the laws of the State of Delaware, without regard to its principles of conflicts of law which would require or permit the application of the laws of another jurisdiction. All Causes of Action shall be heard and determined exclusively in the state district and federal courts of the State of Delaware, and those courts shall have exclusive jurisdiction over such Causes of Action. **The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, (i) any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute, and (ii) any right it might have to demand a jury trial.** Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

d. Attorneys' Fees. If a party commences legal action against the other, the prevailing party in any such action will be entitled to recover all costs, including reasonable attorneys' fees, associated with the action, in addition to such other relief as may be awarded to the prevailing party.

e. Notice. Notices must be in writing and delivered by personal delivery, overnight courier, or certified mail, return receipt requested to the parties at their respective addresses set forth below, and will be deemed to have been given upon receipt. A copy of any notice sent to Dex Media must be sent to its General Counsel, as well, by personal delivery, certified mail or overnight courier, to the same address. Either party may change its notice address at any time upon not less than ten (10) days prior written notice to the other.

If to Dex Media:

Dex Media
Attn: General Counsel
2200 West Airfield Drive
DFW Airport, Texas 75261-9810

If to you:

Marchex Sales, LLC
c/o Marchex, Inc.
Attn: General Counsel
520 Pike Street, Suite 2000
Seattle, WA 98101

f. Relationship. The parties are independent contractors and neither have any powers or authority to assume or create any obligation or responsibility on behalf of one another. This Agreement will not be construed to create or imply any partnership, agency or joint venture, and each party will be solely responsible for any costs and expenses it may incur in the performance of its obligations under this Agreement or in the operation of its respective services, Web sites, and mobile applications, and neither party will have any duty or obligation to the other with respect to any such costs or expenses. Neither party nor its employees will be eligible for any employment benefits provided by the other to its employees.

g. Cumulative Remedies. Except where otherwise specified, the rights and remedies granted to a party under this Application are cumulative and in addition to, and not in lieu of, any other rights or remedies which the party may possess at law or in equity.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

h. **Entire Agreement.** This Agreement is the complete and exclusive agreement between the parties with respect to the subject matter hereof, superseding any prior agreements and communications (both written and oral) regarding such subject matter. No amendment of any provision of this Agreement shall be effective unless set forth in a writing signed by an authorized representative of each party, and then only to the extent specifically set forth therein.

i. **Severability.** In the event that any of the provisions of this Agreement are held to be unenforceable by a court or arbitrator, the remaining portions of the Agreement will remain in full force and effect.

j. **Force Majeure.** Except for payment obligations, no delay in or failure of performance by either party under this Application will be considered a breach to the extent caused by the occurrence of any event beyond its reasonable control, including but not limited to Acts of God, natural disasters, power outages, third party connection or utilities outages, interruption or failure of ISP, and carrier lines governmental restrictions, strike, catastrophic or unusual internet delays, outages or congestion, denial of service attacks, and other “hacker” activity.

k. **Waiver.** No waiver of any breach of any agreement or provision in this Agreement, nor any failure to assert any right or privilege in this Agreement, will be deemed a waiver of any preceding or succeeding breach of any agreement or provision. No extension of time for performance of any obligations or acts will be deemed an extension of the time for performance of any other or future obligations or acts.

l. **Descriptive Headings.** All section headings, titles and subtitles are in this Agreement for convenience of reference only, and are to be ignored in any constructions of this Agreement’s provisions.

m. **Survival.** Any Section of this Agreement that contemplates survival after the Term will survive the completion, expiration, termination or cancellation of this Agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the Effective Date:

Marchex Sales, LLC

Dex Media, Inc.

Signature: /s/ Brendhan Hight

Signature: /s/ Gordon Henry

Name: Brendhan Hight

Name: Gordon Henry

Title: Director

Title: EVP & CMO

Date: 10/25/2017

Date: 11/17/2017

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule A

Content Guidelines

Neither you nor any of your Affiliates will display PFP Ads on any Web page or mobile application on the Network Apps and Sites or otherwise that includes any content that contains, advertises, or links to content that:

- Is inappropriate, obscene, defamatory, libelous, slanderous, profane, indecent or unlawful;
- Infringes or misappropriates third party intellectual property rights;
- Constitutes “hate speech”, whether directed at an individual or a group, and whether based upon the race, sex, creed, national origin, religious affiliation, sexual orientation or language of such individual or group;
- Promotes or contains viruses, worms, corrupted files, cracks or other materials that are intended to or may damage or render inoperable software, hardware or security measures of Dex Media or you, or any user of the Dex Web Site or any Network Apps and Sites, or any third party;
- Facilitates or promotes gambling, or the sale or use of liquor, tobacco products or illicit drugs or any other illegal activity; or
- Facilitates, promotes or forwards illegal contests, pyramid schemes or chain letters.

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Schedule B
Dex Media Licensed Marks



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MASTER SERVICES AGREEMENT

This Master Services Agreement (the “Agreement”) dated January 1, 2018 (the “Effective Date”), is by and between Marchex Sales, LLC, a Delaware limited liability company with its principal place of business at 234 5th Avenue, Suite 301, New York, NY 10001 (“**Marchex**” or “**Supplier**”) and Dex Media, Inc., a Delaware corporation d/b/a DexYP™ with its principal place of business at 2200 West Airfield Drive, P.O. Box 619810, DFW Airport, Texas 75261 (“**DexYP**”).

BACKGROUND

WHEREAS, DexYP desires to obtain access to enhanced information and call-related data services to measure the performance of its marketing efforts (as further defined herein, the “**Services**”);

WHEREAS, Marchex is in the business of providing such Services; and

WHEREAS, the parties desire to set forth terms and conditions under which DexYP may obtain the Services from Marchex;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. MARCHEX SERVICES.

- a. **Description.** Subject to the terms and conditions of this Agreement, Marchex shall provide DexYP with the Services described in this Section 1 pursuant to Statements of Work (each a “**Statement of Work**” or “**SOW**”) outlining the specific Services to be performed and the fees for such Services. Each Statement of Work must be in writing, executed by both parties, and will be incorporated into and become a part of this Agreement (including any appendices, exhibits and other documents attached to this Agreement) as it may be amended from time to time. *** Marchex’s service level obligations are set forth on Exhibit A attached hereto.
- b. **Professional Services:** *** To the extent that a Statement of Work includes one or more professional services projects (each a “**Project**”), the parties agree to work together in good faith to achieve completion of each Project in a timely and professional manner. DexYP acknowledges and agrees that a successful Project may depend on completion of certain actions by DexYP and/or adherence to schedules within DexYP’s control; consequently, the schedule for completion of the Project or any portion thereof may require adjustments if such DexYP responsibilities are not completed as anticipated or DexYP’s schedules change. Marchex shall bear no liability or otherwise be responsible for delays in the Project occasioned by DexYP’s failure timely to complete a required task or adhere to a DexYP schedule. Unless otherwise agreed to by the parties in the applicable Statement of Work, Customer will reimburse Marchex for all reasonable expenses incurred by Marchex while performing the Professional Services, including relevant transportation, lodging, meal and out-of-pocket expenses, in accordance with the provisions of EXHIBIT B, Expense Reimbursement. Professional Services requested by DexYP shall be billed on a time and materials basis at such rate as agreed in a subsequent Statement of Work. Marchex may require that certain Professional Services are subject to specific terms and conditions depending on the nature of the request(s). Furthermore, Marchex may require that certain expenses and fees shall be paid in advance, in its reasonable discretion.
- c. **Recorded Call Services.** *** To the extent that DexYP elects to use Recorded Call Services, DexYP shall use product functionality made available by Marchex hereunder or, to the extent not using product functionality made available by Marchex as intended, shall use such other means available to DexYP to ensure that its particular use of the Recorded Call Services is in full compliance with all laws and regulations applicable to recording, monitoring, storing and/or divulging telephone calls as well as to the language used in any automated whisper file or interactive voice response that may be implemented by DexYP or by Marchex at DexYP’s direction. DexYP shall ensure that the purpose for which DexYP and its Clients use the Recorded Call Services is consistent with the language by which notice of recording is given to or consent obtained from, as applicable, the necessary parties to the call via said whisper file message and/or interactive voice response (“**Recording Notice**”) and Marchex shall ensure that each Recording Notice implemented on behalf of DexYP hereunder includes DexYP’s specified wording therefor. Except as to explicit exclusions set forth herein, Marchex’s provision of the Recorded Call Services shall include functionality to enable DexYP to use such Services in compliance with all laws and regulations applicable to recording, monitoring, storing and/or divulging telephone calls in the Covered Regions. “**Covered Regions**” shall mean the contiguous United States (i.e. excluding Alaska and Hawaii and offshore territories and possessions). The Recorded Call Services are an optional part of advertising and marketing services provided for multiple purposes, one of which is assisting advertisers and marketers in measuring return on investment (ROI) in connection with acquiring new customers under advertising campaigns

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and media placement. DexYP acknowledges and agrees that the Services are not intended to be used for the purposes of using, collecting, accessing or disclosing personally identifiable health information, including without limitation Protected Health Information (“PHI”), as defined in 45 C.F.R. §160.103 under the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA Rules**”). To the extent that any Client is a “covered entity” as defined in the Health Insurance Portability and Accountability Act of 1996, any exposure to PHI hereunder will be random, infrequent and incidental to Marchex’s provision of Recorded Call Services and is not meant for the purpose of accessing, managing the PHI or creating or manipulating PHI. As such, Marchex shall not be deemed to be a “Business Associate” or “Covered Entity” under the HIPAA Rules for the purposes of this Agreement. In addition, with respect to Clients that may collect information from callers that would be subject to a privilege (e.g. accountants or attorneys) DexYP will be responsible for requiring by means of the Client Terms (as defined below) or otherwise that that such Clients acknowledge and agree that they may use Recorded Call Services only if they fully assume the risk that using a call recording service provided by a third party may jeopardize or preclude the application of the applicable professional privilege with respect to information exchanged during telephone conversations that are recorded.

- d. **Use of Services.** DexYP shall be responsible for obtaining and maintaining any computer and phone equipment (and the like) and ancillary products (collectively, the “**Equipment**”) needed to access and use the Services. DexYP shall also be responsible for maintaining appropriate security safeguards with respect to property for which it maintains ownership, control, use under license and/or access, including its Equipment; its DexYP account, passwords and files; any Data acquired hereunder; and any Marchex Confidential Information. DexYP shall be solely responsible for its use of the DexYP Data. DexYP will not (and will not cause any third party to), directly or indirectly: reverse engineer, decompile or disassemble any Services or any software, documentation or data provided by Marchex (specifically excluding DexYP Data) in connection therewith (collectively, “**Marchex Materials**”); modify or create derivative works based on any Services or any Marchex Materials or any aspect or portion thereof; or copy (except for archival purposes), lease, distribute or otherwise transfer rights to any Services or any Marchex Materials; or remove any proprietary notices or labels. DexYP agrees not to interfere with the proper working of any Marchex website. DexYP will be deemed responsible for each of its agents, representatives, subcontractors, licensees, and any other DexYP designees (collectively, “**DexYP Representatives**”) that have access to or otherwise use the Services or any Marchex Materials, and their respective compliance with the terms of this Agreement.
- e. **DexYP Clients.** The terms of this subsection shall apply to the extent that DexYP intends to offer use of CTNs or any other Services obtained under a Statement of Work to its own advertiser or merchant clients or other customers (collectively, “**Clients**”). Subject to the terms of this Agreement, DexYP may re-allocate CTNs for the same limited use by its Clients as described in Section 1(a) above with respect to Ad Media that is determined by Clients. As between the parties, DexYP shall be responsible for all use of the CTNs and Services by its Clients and shall have in place with each of its Clients, written contractual terms (“**Client Terms**”) that include: (i) representations and warranties from Client that Client is responsible for its use of all Services and its compliance with all applicable laws and regulations in its jurisdiction with respect to its use of such Services (including, if applicable, Recorded Call Services) and/or relevant professional or industry-specific rules and regulations applicable to such Client; (ii) disclaimers of warranties on behalf of Marchex and its suppliers or DexYP’s suppliers or vendors in general, that are substantially similar to those set forth herein and in any applicable Statement of Work; (iii) a limitation of liability of Marchex and its suppliers or DexYP’s suppliers or vendors in general, substantially similar to that set forth in Section 7 hereof; and (iv) Marchex and its suppliers, or DexYP’s suppliers or vendors in general, as indemnitees;. The Client Terms shall be consistent with this Agreement with respect to any reservation of rights and confidentiality terms between and among the parties. DexYP shall be responsible for all marketing materials, advertising and informational content, and any oral or written representation that DexYP or DexYP affiliates may make to any current or potential Clients; and DexYP shall neither make nor include in the Client Terms any representations or warranties on behalf of Marchex or with respect to Marchex, its suppliers, affiliates or the Services. Upon expiration or termination of this Agreement and/or the applicable Client Terms, DexYP shall: (i) cause its Clients to take all reasonable steps thereafter to remove, amend or cancel all publications, advertisements, promotions and other items bearing any CTN; and (ii) prohibit its Clients from thereafter distributing or selling any Ad Media or other item whatsoever bearing any CTN.

2. RESERVATION OF RIGHTS; GOVERNMENT MATTERS.

- a. **Reservation of Rights.** This Agreement is not intended to, and shall not, affect ownership by either party of, or rights of either party in, any of its intellectual property rights, content, products and services, and nothing set forth in this Agreement shall be construed as the assignment or transfer of any ownership rights in any of the foregoing from one party to the other. Other than the express licenses set forth herein, nothing in this Agreement, and nothing in any statement made in connection with this Agreement, will be deemed a license (by implication, estoppel or otherwise) under either party's patent rights or other intellectual property rights. Both parties reserve all rights not expressly granted. Any Data collected or created hereunder, during the Service Term and through DexYP's account is the intellectual property of DexYP (collectively, the “**DexYP Data**”), subject to Marchex's

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non-exclusive right to use such DexYP Data as necessary to provide the Services hereunder to DexYP. Subject to Marchex's compliance with its representations and warranties in this Agreement, Marchex may use DexYP Data for its own internal business purposes, provided such use is on an aggregated basis, and without identifying DexYP or any DexYP Client as the source thereof and without disclosing Personal Information. For the avoidance of doubt, Marchex uses all Services Data collected in connection with its business and operations, which may include certain aggregated DexYP Data, in an unidentifiable form, in connection with the conduct of its business and operations which includes (a) creation of operational statistics for internal use only; (b) creation and inclusion in financial reporting of aggregate statistics regarding services performed; (c) creation and inclusion in marketing materials of aggregate statistics highlighting the capabilities of the Services; and (d) advancing and improving existing products and services, creating new and enhanced products and services, and development and publication of market and industry intelligence and expertise, all of which in such form shall be and remain the intellectual property of Marchex.

- b. **CTNs.** DexYP shall not have the right to use the CTNs, other than as explicitly set out herein, without the prior written consent of Marchex. As between the parties, all CTNs remain the property of Marchex, pursuant to agreements with its various telephone carriers and vendors, and are made available to DexYP solely for use in accordance with the terms and conditions of this Agreement and subject to applicable law and regulation. The parties acknowledge that Marchex is not a telecommunications or other type of carrier and that any Marchex CTNs are provided by a carrier to Marchex as an end-user. In the event that DexYP requests that Marchex port any CTN used in connection with the Services provided hereunder, whether during the Service Term or upon expiration or termination of this Agreement, then in consideration of the applicable porting fee to be billed on a pass-through basis, with no mark up by Marchex, to the extent charged by the carrier, Marchex, as the end-user, will require that the carrier port the designated CTNs and will use its commercially reasonable efforts to effect the porting of such CTNs by the relevant carrier as designated by DexYP within *** of DexYP's request or within *** or termination or expiration of this Agreement, as applicable. Marchex makes no guarantees as to the delivery by the applicable carrier. With respect to any Marchex CTNs that are not requested to be ported out in accordance with this Section, all rights of DexYP to use such Marchex CTNs as well as the Services shall cease absolutely upon expiration or termination of this Agreement (for whatever reason). Thereafter, DexYP shall take all reasonable steps to remove, amend or cancel all publications, advertisements, promotions and other items bearing any CTN and shall not thereafter distribute or sell any Ad Media or other item whatsoever bearing any CTN. The parties acknowledge and agree that DexYP's use of any CTNs may be further limited by, among other factors, changes to telephone carrier terms, changes in carrier relationships, guidelines recommended by Federal, state or local regulators, or changes to applicable law and regulation from time to time. Additionally, Marchex reserves the right to set limits on the volume of CTNs made available hereunder and makes no guarantee that local CTNs will be available for specific area codes, provided, however, Marchex will undertake all commercially reasonable efforts to maintain a sufficient inventory of CTNs for DexYP markets in the Covered Regions. Notwithstanding anything to the contrary herein, DexYP shall have no obligation to recall, destroy, or cease distribution of any DexYP printed products which contained the CTNs prior to the expiration or termination of this Agreement.
- c. **Government Matters.** DexYP may not remove or export from DexYP's jurisdiction or allow the export or re-export of the Services or anything related thereto in violation of any applicable export control or similar restrictions, laws or regulations. Marchex is not a telephone company. Marchex purchases telecommunications services and uses such services to provide enhanced service products to DexYP. If at any time Marchex's right to allocate CTNs or otherwise provide the Services to DexYP is impaired or regulated by any governmental or quasi-governmental entity, including, the U.S. Federal Trade Commission, the U.S. Federal Communications Commission or any state public utility commission (or equivalent or similar agencies in non-U.S. jurisdictions, if applicable under the Statement of Work), then solely to the extent required by changes in applicable laws or regulations or as required by such agency described above, Marchex shall have the right to terminate, suspend or amend this Agreement automatically upon written notice and to cause DexYP to remove or withdraw any digital advertising material containing any CTN. Marchex shall have no liability or obligation to DexYP of any kind arising out of such a termination, suspension or change in Services, as the case may be.
3. **PAYMENT.** DexYP agrees to pay Marchex the then-applicable fees for the Services as set forth in the applicable Statement of Work and any relevant attachment(s) thereto (the "**Fees**"). Unless otherwise set forth in a Statement of Work, all dollar amounts referred to in this Agreement or the Statement of Work are in the lawful money of the United States of America. *** After the end of the Initial Term or then-current Renewal Term, Marchex reserves the right to change the Fees or applicable charges and to institute new charges and Fees for the upcoming Renewal Term, upon *** prior written notice to DexYP. If DexYP's use of the Services exceeds any applicable volume limitations set forth in a Statement of Work, DexYP agrees to pay the additional fees that apply. DexYP shall be responsible for all applicable surcharges and taxes associated with the Services, other than taxes based on Marchex's net income. DexYP will make payment no later than *** after receipt of invoice (the "Due Date"). In the event of a bona fide dispute regarding any specific charges contained in an invoice DexYP shall notify Marchex thereof in writing (email sufficing) no later than the Due Date. If Marchex does not receive any payment by the Due Date, Marchex will provide notice of such non-payment (email sufficing). If the payment is not received by Marchex within *** of notice of non-payment, then Marchex may suspend all or any

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portion of the Services until such time as all outstanding amounts are paid in full. Late amounts that are not disputed in good faith will bear interest from the Due Date until paid at a per annum rate of interest equal to ***. Termination of this Agreement and/or payment of late payment charges shall not prejudice any other rights or remedies that may be available to Marchex related to unpaid Fees.

4. MUTUAL CONFIDENTIALITY AND DEXYP DATA.

- a. **Definition. “Confidential Information”** means (i) the existence and terms of this Agreement, and (ii) any information that a party (the “Disclosing Party”) discloses to the other party (the “Receiving Party”) about the Disclosing Party’s business activities that is, or is considered by the Disclosing Party to be, proprietary or confidential, and includes, without limitation, any and all business, financial, technical, and other information relating to the Disclosing Party, its clients, customers, suppliers, and/or affiliates which is provided by the Disclosing Party to the Receiving Party, and which is marked or designated as “confidential” or “proprietary”, or which is otherwise known by the Receiving Party to be confidential or proprietary, or which the Receiving Party should otherwise recognize as being confidential or proprietary due to the nature of the information and/or the circumstances surrounding the disclosure.
- b. **Exceptions.** The restrictions contained in this Section 4 shall not apply to any information which (i) was publicly available or otherwise known to the Receiving Party at the time of disclosure; (ii) subsequently becomes publicly available through no act or omission by the Receiving Party or any of its employees, agents or contractors; (iii) is or has been independently developed by the Receiving Party without violation of this Agreement; (iv) subsequently becomes otherwise known to the Receiving Party other than through disclosure by the Disclosing Party or its employees, agents or contractors; (v) is required to be disclosed in connection with any and all exigent circumstances involving individual or public health, rescue or safety; or (vi) is generally made available by the Disclosing Party to third parties without any restriction on disclosure. If a Receiving Party becomes legally compelled to disclose any Confidential Information of Disclosing Party (whether by judicial or administrative order, law, regulation, securities exchange requirement, receipt of a criminal or civil subpoena, or written request from governmental authorities requesting information in connection with a criminal proceeding), that Receiving Party shall use all reasonable efforts to provide the Disclosing Party with prior notice thereof (unless prohibited by law) so that the Disclosing Party may seek a protective order or other appropriate remedy to prevent such disclosure. If such protective order or other remedy is not obtained prior to the time such disclosure is required, the Receiving Party required to make the disclosure will only disclose that portion of such Confidential Information which it is legally required to disclose.
- c. **Protection of Confidential Information.** The Receiving Party shall (i) not disclose Confidential Information to any third party without the prior written consent of the Disclosing Party and binding such third party to a confidentiality agreement with terms no less restrictive than the terms contained herein, (ii) use Confidential Information only for the purposes of this Agreement, (iii) use the same degree of care that it uses to protect the confidentiality of its own confidential information of like kind (but in no event less than reasonable care), and (iv) restrict access to Confidential Information to employees on a need-to-know basis, and only in order to perform any Services or analysis necessary to fulfill the Receiving Party’s obligations hereunder. In the event of inadvertent or other unauthorized disclosure of Confidential Information, the Receiving Party will promptly notify the Disclosing Party and will take necessary steps to prevent further disclosure. Supplier will permit DexYP to review Supplier’s procedures and methods for protecting Confidential Information and will use commercially reasonable efforts to comply with all of DexYP’s reasonable requirements for security resulting from such review, but lack of such review request by DexYP shall not limit Supplier’s obligations hereunder. For the purposes of this agreement “**Personal Information**” shall mean non-public personally identifiable or other personal records or information. Without limiting any other provision of this Agreement, each party shall retain all right, title and interest in and to its Confidential Information, including all intellectual property rights inherent therein or appurtenant thereto. For the avoidance of doubt, the parties acknowledge and agree that Confidential Information includes Personal Information, including call-related, caller related and call-receiver related Personal Information that may be included in the Data processed under this Agreement and that each of the parties shall treat such Confidential Information in accordance with the terms of this Section, in addition to, and without limiting, the requirements that each of the parties has with respect to the Data generally under this Agreement and applicable law.
- d. **Data Security.** During the Service Term, Marchex will maintain commercially reasonable administrative, physical, and technical safeguards designed to prevent unauthorized access, use, or disclosure of DexYP Data collected, stored, and/or processed by Marchex pursuant to this Agreement. Marchex’s information security program includes: (i) physical security of all premises in which DexYP Data will be processed and/or stored; (ii) reasonable precautions taken with respect to the employment of and access given to Marchex personnel, including background checks and security clearances that assign specific access privileges to individuals; and (iii) a network security program with (a) access controls and data integrity controls; (b) testing and auditing of all controls; and (c) corrective action and incident response plans. In the event of inadvertent or other unauthorized disclosure of

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DexYP Data that includes Personal Information, Marchex will promptly notify DexYP and will take necessary steps to prevent further disclosure and assist DexYP in notifying any data subjects affected by the disclosure, as necessary under applicable laws, rules or regulations.

- e. **DexYP Data.** All archived DexYP Data shall be governed by the then-effective Marchex storage and deletion protocols for data, including, without limitation, maximum storage volumes, automatic and mandatory deletion protocols, maximum storage periods, among others. Marchex's storage policy for the DexYP Data as of the Effective Date is at least ***. Notwithstanding the foregoing, unless otherwise limited or restricted by applicable law or regulation, Marchex may, but shall not be obligated to, maintain archived DexYP Data following termination of the Agreement. Furthermore, in the event that Marchex in its reasonable professional discretion determines that such DexYP Data may not be deleted due to any outstanding compliance or regulatory matters, Marchex reserves the right to maintain such storage until the matter has been resolved to its satisfaction. Each party shall comply with the applicable Agreement terms and applicable laws and regulations, as each may apply to the party and their respective obligations thereunder. Marchex may disclose any DexYP Data to law enforcement or other governmental authorities upon receipt of request therefrom, without incurring any liability for such action. DexYP acknowledges that Marchex may change its practices and limitations concerning storage of DexYP Data, at any time and that notification of any such changes will be provided to DexYP in writing no less than *** prior to such change taking effect. DexYP shall download and maintain a backup of any information or data that DexYP requires to be subject to its own storage protocols, subject to the terms hereof.

5. REPRESENTATIONS.

- a. **Authority and Obligations.** Each party represents and warrants that: (i) it has full power and authority to enter into this Agreement; (ii) as of the Effective Date and at all times throughout the Service Term, it has all consents, approvals, licenses and permissions, necessary for such party to perform all of its obligations hereunder and for the other party to exercise all of its rights hereunder; (iii) this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and (iv) its performance of its obligations under this Agreement do not violate any law or breach any other agreement to which such party is bound.
- b. **DexYP Representations.** DexYP further represents and warrants during the Service Term that: (i) it shall use the Services (and any DexYP Data acquired in connection therewith) in full compliance with all applicable laws and regulations and rules of any governmental or regulatory body, including those relating to advertising, privacy, marketing and telephone solicitation (for the avoidance of doubt, this shall include the Telephone Consumer Protections Act (TCPA), federal "Do-Not-Call" rules); (ii) it shall obtain and maintain throughout the Service Term, the full right and authority (including by way of any consents or appropriate advance notifications as may be required under applicable law) for any monitoring of calls that may be enabled by DexYP, its Clients and/or Marchex at DexYP's direction as part of the Services; and (viii) as to DexYP Data under the control of DexYP or its Clients, it has established proper procedures to protect the privacy of its Clients' and consumers' Personal Information, and otherwise comply with all applicable laws with respect to the DexYP Data acquired by DexYP hereunder.
- c. **Marchex Representations.** Marchex further represents and warrants during the Service Term that: (i) it shall provide the Services in full compliance with all applicable laws and regulations and rules of any governmental or regulatory body, and including those relating to call blocking, advertising, privacy, marketing and telephone solicitation (for the avoidance of doubt, this shall include federal "Do-Not-Call" rules and any state or federal laws related to call blocking or "wiretapping"); (ii) it has established proper procedures to protect the privacy of its customers' and consumers' Personal Information, and otherwise comply with all applicable laws with respect to the DexYP Data stored or processed on behalf of DexYP hereunder; (iii) it will not infringe on or misappropriate the intellectual property rights of any third party in the performance of the Services; and (iv) any aggregated use of call recordings by Marchex pursuant to Section 2(a) shall be in full compliance with all applicable laws and regulations and rules of any governmental or regulatory body, and including those relating to call recording, privacy, and any state or federal laws related to call recording).
- d. **Use of Information.** To the extent required by applicable law and regulation for certain regulated financial and other entities in their use of consumer data, DexYP represents and warrants that all consumer information received from Marchex will be used for marketing-related purposes only. By way of example and not limitation, consumer information will not be used, in whole or in part, for purposes of (i) establishing a consumer's eligibility for credit or insurance or for employment purposes; or (ii) collecting, accessing, using, or disclosing personally identifiable health information, including without limitation Protected Health Information ("PHI"), as defined in 45 C.F.R. §160.103 under the Health Insurance Portability and Accountability Act of 1996.

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6. DISCLAIMERS. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, MARCHEX, ITS SUPPLIERS AND VENDORS DISCLAIM ANY AND ALL WARRANTIES AND MAKE NO REPRESENTATIONS WITH RESPECT TO THE AVAILABILITY, QUALITY, ACCURACY, USEFULNESS, INTEROPERABILITY OR CONTENT OF ANY DATA THAT MAY BE PROVIDED TO OR OTHERWISE OBTAINED BY DEXYP IN CONNECTION WITH THE SERVICES PROVIDED HEREUNDER INCLUDING THIRD PARTY DATA AND CONSUMER DATA. EXCEPT AS EXPRESSLY PROVIDED HEREIN, THE SERVICES (INCLUDING THE INTEGRATED CTNS) ARE PROVIDED "AS IS" AND "AS AVAILABLE" AND MARCHEX, ITS SUPPLIERS, AND VENDORS DISCLAIM ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THOSE ARISING BY USAGE OF TRADE, COURSE OF DEALING, OR COURSE OF PERFORMANCE AS WELL AS IMPLIED WARRANTIES OF MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE.

7. LIMITATION OF LIABILITY. EXCEPT WITH RESPECT TO A PARTY'S INDEMNIFICATION OR CONFIDENTIALITY/DATA SECURITY OBLIGATIONS HEREUNDER, NEITHER MARCHEX, ITS SUPPLIERS, AND VENDORS, ON THE ONE HAND, NOR DEXYP, ON THE OTHER HAND, SHALL BE LIABLE WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER THEORY AND NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY: (A) FOR COST OF PROCUREMENT OF SUBSTITUTE GOODS, SERVICES OR TECHNOLOGY OR LOSS OF BUSINESS; (B) FOR ANY INDIRECT, EXEMPLARY, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE; (C) FOR ANY MATTER BEYOND SUCH PARTY'S REASONABLE CONTROL; OR (D) FOR ANY AMOUNTS THAT, TOGETHER WITH AMOUNTS ASSOCIATED WITH ALL OTHER CLAIMS, EXCEED THE GREATER OF (I) THE FEES PAID BY DEXYP TO MARCHEX FOR THE SERVICES UNDER THIS AGREEMENT IN THE *** PRIOR TO THE ACT THAT GAVE RISE TO THE LIABILITY, OR (II) \$***.

8. INDEMNIFICATION.

- a. Each party (the "**Indemnifying Party**"), at its own expense, shall indemnify, defend and hold harmless the other party (the "**Indemnified Party**") and the Indemnified Party's affiliates, employees, representatives and agents from and against any claim, demand, action, investigation or other proceeding, including all damages, losses, liabilities, judgments, costs and expenses arising therefrom, brought by any third party against the Indemnified Party (collectively, a "**Claim**") to the extent that the Claim is based on, or arises out of (i) any alleged breach by the other party of its respective representations or warranties provided in this Agreement; (ii) the gross negligence or willful misconduct of that party; or (iii) any infringement, or claim of infringement of any trade secret, patent, trademark, copyright or other proprietary interest of any third party relating to the Indemnifying Party's performance under this Agreement and/or materials furnished to the Indemnified Party; provided, however, that no Party will have any liability for any Claim that arises out of (i) use of the allegedly infringing item(s) not in accordance with this Agreement; (ii) use of the allegedly infringing item(s) in combination with third-party technology, data, products, processes, or other materials and the infringement would not have occurred but for such combination; (iii) where the alleged infringement arises from or relates to modifications to the allegedly infringing item(s) not made or authorized by the Party furnishing them hereunder, or modifications to the allegedly infringing item(s) developed pursuant to the other Party's instructions; or (iv) to the extent the liability arises from the other Party's continuance of the activity or use allegedly contributing to the infringement after notification thereof by the providing Party.
- b. DexYP at its own expense, shall indemnify, defend and hold harmless Marchex, its affiliates, suppliers, as well as their respective employees, representatives and agents from and against any Claim that arises from or in connection with: (i) DexYP's particular use of the Services including its use or disclosure of any information obtained through the Services; (ii) DexYP's use of the DexYP Data and the Ad Media; and (iii) DexYP's website including contents therein.
- c. In the event that the Services or any portion thereof, is held, or in Marchex's reasonable, good faith judgment is likely to be held, to infringe the intellectual property rights of any third party, Marchex may, at its option, either: (A) secure for Customer the right to continue the use of such infringing item; or (B) replace such item with a substantially similar non-infringing item or modify such item (without materially affecting the functions or features of such item) so that it is no longer infringing or reduces the likelihood that it will be determined to be infringing. If Marchex determines that it is unable to procure for Customer the right to continue to use the allegedly infringing item or to replace the allegedly infringing item in accordance with this Section, then either Party will be entitled to terminate this Agreement upon written notice to the other without penalty.
- d. **Requirements for Indemnification.** Any party seeking indemnification under this Section shall (a) promptly notify the Indemnifying Party in writing regarding any facts that may give rise to a claim for indemnification under this Agreement (provided that any delay in notification will not relieve the Indemnifying Party of its obligations hereunder except to the extent

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that the delay impairs its ability to defend); (b) provide the Indemnifying Party with reasonable information, assistance and cooperation in defending the lawsuit or proceeding (at the Indemnifying Party's expense, to the extent of any out-of-pocket expenses); and (c) give the Indemnifying Party full control and sole authority over the defense and settlement of such claim, subject to the indemnified party's approval of any such settlement, which approval will not be unreasonably withheld or delayed.

9. **TERM AND TERMINATION.**

- a. **Term.** The term of this Agreement will begin on the Effective Date, and will continue for a period of *** (the "**Initial Term**"), unless otherwise sooner terminated as provided below. Upon the expiration of the Initial Term, the term of this Agreement will automatically renew for successive *** (each a "**Renewal Term**", and the Initial Term and any Renewal Term(s) together the "**Service Term**") unless and until terminated by either party upon written notice to the other received not less than *** prior to the expiration of the Initial Term or then-current Service Term, as applicable.
- b. **Termination for Cause.** In addition to any other remedies it may have, either party may also terminate this Agreement, including any and all Statements of Work, upon *** prior written notice, if the other party breaches any of the terms or conditions of this Agreement (including Marchex's right to terminate in the event of DexYP's failure to pay any Fees when due as set forth in the applicable Statement of Work), and such breach remains uncured at the end of such *** period. In the event a party makes an assignment for the benefit of creditors, has any petition under bankruptcy law filed against it; or has a trustee or receiver appointed for its business or assets or any part thereof, the other party may immediately, as applicable, suspend its provision of Services hereunder or terminate this Agreement.
- c. **Termination for Reasons specified in Statements of Work or Exhibits/Attachments Hereto.** DexYP may terminate this Agreement, and/or the applicable Statement(s) of Work for the reasons set forth in the applicable Statement of Work, Exhibit and/or attachment to this Agreement.
- d. **Additional Termination Right.** Notwithstanding anything contained in the Agreement or any Statement of Work to the contrary, in the event that DexYP acquires, is acquired by, or merges with a third party ("Third Party Entity"), then:
 - (i) if such Third Party Entity is a customer of Marchex which purchases substantially similar services to the Services provided hereunder for the same Covered Regions, DexYP shall determine which agreement (the "**Selected Agreement**"), as between the Agreement or the Third Party Entity's agreement with Marchex (the "**TPE Agreement**"), will govern the relationship between Marchex on the one hand and both DexYP and Third Party Entity on the other hand, including all CTNs under this Agreement and all call tracking numbers under the TPE Agreement. For the avoidance of doubt, if DexYP determines that (x) the Agreement is the Selected Agreement, then Marchex shall take whatever actions necessary to enter into an agreement with the Third Party Entity to terminate the TPE Agreement without further penalties or liabilities, or (y) the TPE Agreement is the Selected Agreement, then Marchex shall enter into an agreement with DexYP to terminate the Agreement without further penalties or liabilities; or
 - (ii) if Third Party Entity is not a customer of Marchex which purchases substantially similar services to the Services provided hereunder for the same Covered Regions, then at DexYP's option (x) the definition of DexYP shall be modified to include such Third Party Entity, or (y) DexYP shall have the right to terminate this Agreement upon *** written notice to Marchex.
- e. **Effect of Termination.** DexYP will pay in full for the Services up to and including the effective date of termination. Subject to the foregoing, upon termination hereof, at the request of the other party, each party shall return to the other party or destroy, and certify in writing as to such destruction, the other party's Confidential Information, provided, however, that upon any termination, unless otherwise limited or restricted by applicable law or regulation, Marchex shall, at the request of DexYP, maintain archived DexYP Data for at least *** following termination of the Agreement, and, upon written request by DexYP, will deliver such archived DexYP Data to DexYP in a mutually agreed upon format (at DexYP's expense). All sections of this Agreement which by their nature should survive termination will survive termination, including, without limitation, accrued rights to payment, confidentiality obligations, warranty disclaimers, indemnification, and limitations of liability.

10. DISASTER RECOVERY. Marchex shall use commercially reasonable efforts to: (i) provide disaster recovery services for the Services, (ii) protect its systems from uncontrollable events, (iii) have failover capability in the event of a system failure, and (iv) maintain the capability to continue operations in the event Marchex experiences a major facility failure. "Major facility failure" means the interruption of Services resulting directly or indirectly from fire, strike, civil unrest, terrorist action, government regulation, acts of

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God, or any other causes beyond the reasonable control of Marchex. Marchex shall review and test not less often than annually Marchex's disaster recovery plans, procedures and capabilities, which shall be reasonably commensurate with call tracking and call analytics industry standards for services that are the same or similar to those furnished by Marchex to DexYP.

11. MISCELLANEOUS.

- a. If any provision of this Agreement is found to be unenforceable or invalid, that provision will be limited or eliminated to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect and enforceable.
- b. The word "include" or any variants thereof used herein shall be construed non-exclusively to mean "including without limitation."
- c. This Agreement is governed by Delaware state law without regard to its conflict of laws rules. DexYP and agent (if applicable) irrevocably submit to venue and personal jurisdiction in the federal and state courts in the State of Delaware for any dispute arising out of or related to this Agreement, and waive all objections to jurisdiction or venue of such courts and agree not to commence nor prosecute any such dispute other than in such courts.
- d. The prevailing party is entitled to recover its costs, including reasonable attorneys' fees, in any action or suit to enforce any right or remedy under this Agreement, or to interpret any provision of this Agreement.
- e. Marchex shall not assign its rights or interests nor delegate its duties under this Agreement to any third party without DexYP's prior written consent in each instance; except that Marchex may assign this Agreement to any entity controlling, controlled by or under common control with Marchex or to the surviving entity in a merger, consolidation or plan or reorganization in which it participates or to the purchaser of all or substantially all of its assets if such purchaser is not a competitor of DexYP and its subsidiaries and if such surviving entity or purchaser expressly assumes in writing all Marchex's obligations and liabilities under the Agreement. DexYP shall not assign its rights or interests nor delegate its duties under this Agreement to any third party without Marchex's prior written consent in each instance; except that DexYP may assign its rights, interests and obligations hereunder to any entity controlling, controlled by or under common control with DexYP or to the surviving entity of a merger, consolidation or plan or reorganization in which it participates or to the purchaser of all or substantially all of its assets if such purchaser is not a competitor of Marchex and its subsidiaries and if such surviving entity or purchaser expressly assumes in writing all DexYP's obligations and liabilities under the Agreement. Any attempted assignment requiring prior consent, which occurs without such prior consent, will be voidable at the sole and absolute discretion of the non-assigning party. This Agreement binds and inures to the benefit of the parties' successors and lawful assigns.
- f. Any notice required or permitted by this Agreement shall be made in writing and will be deemed given as of the earlier of the day the notice is received or the day sent if by messenger, two days after sending via overnight or 2-day delivery service or 5 days after sent via certified mail, postage prepaid and such notice must be addressed (i) if to Marchex, to Marchex c/o Marchex, Inc., Attn: General Counsel, 520 Pike Street, Suite 2000, Seattle, WA 98101; (ii) if to DexYP, to DexYP at address set forth in the introductory paragraph of this Agreement, Attn: Contract Management with a copy to Attn: General Counsel.
- g. No waiver of a breach of any provision hereof shall be deemed a waiver of any succeeding breach of such provision.
- h. Neither party may make any public announcement relating to the relationship established by this Agreement without the prior written consent of the other party.
- i. Except for payment obligations not affected by such force majeure event, neither party is liable for failure or delay resulting from a condition beyond the reasonable control of the party, including acts of God, government, terrorism, natural disasters, labor conditions, power failures, third party connection or utilities outages, Internet disruption or latency, interruption or failure of ISP and carrier lines.
- j. This Agreement constitutes the entire and exclusive agreement between the parties with respect to the Services specified in the corresponding Statement of Work, superseding and replacing any other agreements, or terms and conditions applicable to such Services.
- k. Neither party has relied upon any statements or promises in entering into this Agreement except as expressly set forth herein.
- l. If any provision of a Statement of Work conflicts with any provision of this Agreement, the provision of the Agreement shall prevail to the extent of the conflict unless the Parties mutually agree otherwise by way of referencing the relevant section of the Agreement to be overridden.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the Effective Date.

Marchex Sales, LLC

Signature: /s/ Brendhan Hight

Name: Brendhan Hight

Title: Director

Date: 12/22/2017

Dex Media, Inc.

Signature: /s/ Gordon Henry

Name: Gordon Henry

Title: EVP & CMO

Date: 12/22/2017

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EXHIBIT A

Maintenance and Support Services

This Exhibit A sets forth the complete terms of Marchex's obligations related to maintenance and support services (the "Service Level Obligations") during the Service Term and only for those periods in which DexYP is in material compliance with its obligations under the Agreement.

This Exhibit A shall be effective as of the Effective Date of the Agreement and terminate upon termination or expiration of the Agreement.

Furthermore, the following Service Level Obligations of Marchex are contingent on the proper use of the products and services offered by Marchex under the Agreement, and, for the avoidance of doubt, failure by DexYP and its Clients to use these products and services in the manner contemplated by the Agreement shall relieve Marchex of any Service Level Obligation associated with such unpermitted use of the products and services ("Service Level Contingencies").

The parties acknowledge and agree that this Exhibit sets forth the exclusive rights, remedies and procedures that apply to any failure by Marchex to meet such Service Level Obligations.

1. Call Routing and API Availability.

In accordance with the terms of the Agreement, Marchex will provide (i) call routing from local and Toll-Free CTNs to the domestic local telephone numbers designated by DexYP; and (ii) API-enabled Services detailed in the applicable SOW according to the following Service Level Obligations, in each case subject to Excluded Outages:

Performance Obligation	Service Level Obligation
Call routing availability	*** Availability***.
API availability	*** Availability***.

"Availability" will be calculated as follows:

Marchex will measure the availability of its call servers (which includes the extent to which incoming calls to Marchex CTNs can be connected to a functional termination numbers) excluding Excluded Outages (as defined below).

Marchex will measure API availability, which shall be those periods without an API Outage; an "API Outage" occurs when any system-wide outage occurs and prevents API availability to Customer, excluding Excluded Outages.

2. Excluded Outages:

All Availability calculations shall exclude for the purpose of calculating downtime the following ("Excluded Outages"): (a) outages approved by DexYP; (b) planned outages for service updates, fixes, improvements, upgrades, backups and maintenance during the Maintenance Window described below ("Scheduled Downtime"); (c) third party connection or utilities outages; and (d) Internet disruption or latency outside of the commercially reasonable control of Marchex (e.g., ISP outages, Force Majeure, etc.); provided that, with respect to any lack of availability attributable to (c) and (d) above, such lack of availability shall be excluded only to the extent that it does not exceed three (3) days.

3. Scheduled Downtime:

- Marchex will endeavor to limit Scheduled Downtime for call routing services to no more than ***.
- Marchex will schedule Scheduled Downtime during lower call volume and Web traffic times (11:00 PM to 6:00 AM Pacific time during weekdays and 10 PM to 6 AM Pacific time during weekends) (the "Maintenance Window"), subject in each case to the scheduling requirements of third party vendors, if applicable.
- When practicable, Marchex will provide DexYP *** notice of Scheduled Downtime.

4. Escalation and Support.

Marchex will maintain the availability of help desk services for the Services during normal business hours (M-F, 9:00 AM – 6:00 PM

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Pacific time, excluding Marchex-recognized and US-national holidays) and for notification of Major Issues (as described below) only outside of normal business hours, a phone number or other method of contact monitored outside normal business hours, and use commercially reasonable efforts to respond within a reasonable timeframe consistent with the applicable Severity Level set forth in the following chart:

Severity Level	Name	Description	Time to Response
1	Major Issue	Significant business impact (e.g. the Service is experiencing downtime or degradation in performance; end users are affected).	***
2	Minor Issue	Some business impact (e.g. end users are not significantly impacted and Service is not impaired).	***
3	Future Issue	Little to no immediate business impact (e.g. a cosmetic issue or a potential problem that DexYP is requesting be addressed).	***

The “Time to Response” set forth in the chart above begins when DexYP notifies Marchex of an issue. In addition to a system or general number for support, Marchex will provide at least one designated contact person who will be responsible for receiving notifications from DexYP and for notifying DexYP on issues related to subject matter within this Exhibit, as necessary outside the regular support channels (e.g., outside the normal business hours, or in the event a response is not received via the normal support channels within a reasonable time, or in the event of a critical Major Issue) and Marchex shall provide the name, telephone number, email address and alternate or back-up email address and/or telephone number for such contact person. The parties will mutually assign a Severity Level based on the above criteria. The above chart will only apply so long as DexYP has timely responded to any questions by Marchex. Marchex will use its best efforts to resolve issues within a commercially reasonable time.

5. Termination Right

In the event that Marchex fails to meet the Service Level Obligations, and no Service Level Contingencies apply for the period in which such Service Level Obligations are not met, ***, then no later than *** after the end of either such events, DexYP may terminate the Agreement ***.

6. DexYP Contact Information

In order to facilitate Marchex’s compliance with its obligations under this Exhibit, DexYP will provide Marchex up to two (2) designated contact persons, each of which will be responsible for receiving notifications from Marchex and for notifying Marchex on issues related to subject matter within this Exhibit. For each contact person, DexYP shall provide the corresponding name, telephone number, an email address and alternate email address. Designated contacts of DexYP will be available during all times for which Marchex is required to provide notice hereunder. Such designated contacts will acknowledge and return calls and email inquiries from Marchex as soon as possible.

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EXPENSE REIMBURSEMENT**1. Reimbursement of Actual Expenses**

If expenses are reimbursable to Supplier under the terms of this Agreement, DexYP will reimburse Supplier for reasonable and actual expenses incurred by them on behalf of DexYP in carrying out authorized work assignments under the Agreement, a Statement of Work or Purchase Order. Under no circumstances shall Supplier seek reimbursement for expenses in excess of those actually incurred solely for the purpose of performing the services.

2. Authorized Activities

The terms "Authorized Work Assignments" or "Authorized Travel", or any other authorized activity as used in this Exhibit shall mean those authorized under the terms and conditions of the Agreement to which this Exhibit is attached or by DexYP in writing prior to actually incurring the expense.

3. Documentation

Documentary evidence must be submitted for all expenditures of any amount for lodging, airline transportation, inner-city railroad and bus transportation, and auto rental. In addition, documentary evidence must be submitted for any other expenditure of Ten Dollars (\$10) or more to establish the amount, date, place, and essential character of the expenditure. Original or photocopies of credit or charge card receipts are acceptable as documentary evidence.

4. Non-reimbursable Expenditures

Non-reimbursable expenses and charges which are included in the submitted receipts, paid bills or documents shall be identified. Deduction of such items shall be made directly on the receipts and bills. Only the amount representing DexYP's reimbursable expenses shall be claimed and included on any invoices.

5. Allowable Expenses

Expenditures shall be appropriate to the DexYP business undertaken and reasonable in the judgment of DexYP. The most common allowable expenses include, but are not limited to the following.

- a. Meals - Reimbursement for personal meals can only be claimed when a Supplier is away from his/her normal work place on DexYP's business as evidenced by a receipt for lodging.
- b. Reimbursable expenses for meals shall in no case exceed the following per person per day (including tips):
 - i. \$75 in Manhattan;
 - ii. \$65 in the metropolitan areas of New York City boroughs (e.g., Brooklyn, Bronx, Queens, Staten Island), Westchester County, Boston, Chicago, Honolulu, Los Angeles, Philadelphia, San Jose, and Washington D.C.; and
 - iii. \$45 in all other domestic areas.

The daily meal limits above are not per diems. Only actual meal expenses are reimbursed and documentary evidence is required per Section 3 above.

- c. Hotel/Motel Room
 - i. DexYP has negotiated rates with many hotel/motel chains ("Preferred Hotels"). Suppliers should inquire and utilize these DexYP Preferred Hotels whenever possible for hotel/motel accommodations.
 - ii. Suppliers are entitled to a single room with bath when traveling outside their normal reporting location. Suppliers are expected to use neither inadequate nor luxurious quarters. Hotel/Motel accommodations should be obtained in the Supplier's name and the bill settled at checkout time. Only lodging bills marked "PAID" or those accompanied by receipts indicating payment of the hotel/motel charge will be considered sufficient documentation for reimbursement purposes.
 - iii. The room rate in U.S. locations must not exceed One Hundred Fifty Dollars (\$150) excluding state and local taxes; with the exception of lodging in

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- (a) New York City, where the maximum reimbursable rate is Three Hundred Seventy Five Dollars (\$375),
- (b) San Francisco, where the maximum reimbursable rate is Two Hundred Sixty Five Dollars (\$265), and
- (c) Boston where the maximum reimbursable rate is One Hundred Seventy Five Dollars (\$175).

If an expense is submitted with lodging that exceeds the One Hundred Fifty Dollar (\$150) limit, the expense will not be processed for payment. If you are unable to meet the criteria listed above, exceptions may be obtained when pre-approved in writing by DexYP.

- iv. Suppliers traveling outside their normal reporting location that are providing Services to DexYP at its DFW Airport location shall be **required** to use accommodations at the onsite hotel, the DexYP Hotel and Conference Center, subject to availability, unless alternate accommodations are approved in advance by DexYP. To secure a room at the DexYP Hotel and Conference Center, Suppliers should contact:

DexYP Hotel and Conference Center - Reservations

Phone: 800-731-6131

Fax: 972.615.5349

Please identify yourself as a DexYP supplier when you make the reservation.

- d. Laundry and Valet - Reimbursement is permitted in a reasonable amount, while on a trip of more than 5 consecutive business days duration.
- e. Gratuities - Reimbursement is permitted, in reasonable amounts, paid in accordance with the following guidelines: meals - 15%; taxis - 10%; porters and bellhops – one dollar (\$1) per bag. Tips for meals shall be included with the cost of meals.
- f. Telephone - Telephone expense reimbursement shall be limited to business expenditures necessary for Supplier's performance of its obligations (including reasonable charges for online access necessary to perform the Supplier's obligations). When possible, telephone calls should be made from other than hotel telephones to avoid surcharges that most hotels impose.

6. Unallowable Expenses

- a. Unallowable Expenses
 - i. Unless pre-approved in writing, expenses for administrative support, office overhead, office supplies, copying, printing, fax transmissions, and secretarial or clerical support shall not be reimbursable.
 - ii. Travel insurance under a travel accident insurance policy shall not be reimbursable.
 - iii. Personal expenses incurred while traveling, i.e., haircuts, shoeshines, movies, newspapers, etc., shall not be reimbursable.
 - iv. The cost of traveler's checks is not reimbursable.
 - v. Alcoholic beverages of any kind are not reimbursable unless consumed in connection with a regular meal and are included in the meal limits described above.

7. Transportation

- a. Air Travel
 - i. Domestic air travel shall be at coach rates unless prior written approval is obtained from DexYP. Cost of unused tickets shall not be reimbursable.

Checked baggage fees for up to 2 bags are reimbursable for trips that are of 3 consecutive business days or more. Baggage fees for personal items such as golf clubs, etc. are not reimbursable.

Special fees for early boarding, exit row seats, pillows, blankets, etc. are not reimbursable.
 - ii. Travel Accommodations

Unless preapproved in writing by DexYP all Suppliers will use economy/tourist accommodations.

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Railroad and Bus Travel

Rail or Bus ticket expense in lieu of air travel is reimbursable.

c. Auto Rental

- i. Mid-size or compact cars are to be rented in most circumstances. Full-size cars are only to be rented in extraordinary circumstances when pre-approved in writing.
- ii. Collision damage waiver insurance is not reimbursable.
- iii. Accident insurance with medical expense benefits is not reimbursable.
- iv. When submitting the charge for reimbursement, the customer's copy of the rental agreement shall be attached.
- v. The Supplier must purchase gasoline for the rental car before returning it. Fuel charges from the car rental company are not reimbursable unless preapproved in writing by DexYP.

d. Personal Automobile

- i. Mileage from the person's home to the departing airport is not reimbursable. Remote airport parking is reimbursable for up to 2 days duration. For trips that exceed 2 days the supplier should make other travel arrangements to the departing airport. Public transportation costs such as public shuttle service is reimbursable. Car or limousine service from the person's home to the departing airport is not reimbursable unless preapproved in writing by DexYP.
- ii. Personal cars may be used on business trips provided the Supplier's employee's automobile insurance covers business use and public liability coverage is at least One Hundred Thousand Dollars/Three Hundred Thousand Dollars (\$100,000/\$300,000) and property damage coverage is at least Fifty Thousand Dollars (\$50,000).
- iii. Since travel time may be lengthened due to the use of this means of travel, any additional lodging and meal expense will not be considered as a reimbursable expense.
- iv. This expense is to be recorded and reimbursement at the then current rate per mile as defined by the IRS for the round trip distance between the base location and the city being visited. Total reimbursement will not exceed allowed round trip airfare.
- v. Any increase in the Supplier's insurance premiums resulting from accidents during the use of a personal automobile on authorized business travel is not reimbursable.
- vi. Collision insurance is not provided by DexYP, and any physical damage to the Supplier's automobile is not reimbursable. Premiums for obtaining such coverage are not reimbursable.
- vii. DexYP will not reimburse a Supplier for commuting miles between the employee's home and office.

8. International

This portion defines the requirements with respect to reporting expenses and receiving reimbursement for U.S. personnel traveling to international locations.

- a. Each Supplier traveling overseas is responsible for his/her own expenses including meals, lodging, transportation and miscellaneous expenses.
- b. Actual and reasonable expenses will be reimbursed. Daily meal allowances are not applicable to international travel.
- c. Foreign Currency Transactions
 - i. For control purposes, credit cards should be used for payment of all expenses where possible. Use of cash as payment for expenses should be kept to a minimum.
 - ii. Suppliers are responsible for translating expenses into U.S. dollars. The Supplier must write the exchange rate on all receipts and calculate the U.S. dollar amount.
 - iii. Suppliers traveling to one of the above countries must attach a foreign currency exchange receipt to their report. Receipts are given by airport currency exchanges, banks and hotels when you convert U.S. dollars to local currency or local currency to U.S. dollars.
 - iv. The following documents must be provided to document the exchange rate(s).
 - (a) A copy of the original receipt showing the exchange rate used or a copy of the currency exchange receipt.
 - (b) A copy of the credit card statement showing the exchange rate used.

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Statement of Work No. 1

THIS STATEMENT OF WORK No. 1 (this "**SOW**") is made and entered into effective as of January 1, 2018 (the "**SOW Effective Date**"), by and between Dex Media, Inc. ("**DexYP**") and Marchex Sales, LLC ("**Marchex**") pursuant to the term and conditions of the Master Services Agreement between the parties dated January 1, 2018 (together with any amendments thereto, the "**Agreement**"). All capitalized terms used herein, but not defined, shall have the respective meanings ascribed to them in the Agreement.

1) Services.

- a) **Recorded Call and Analytics Services:** DexYP elects to use Recorded Call Services. During the SOW Term (defined below), subject to the timely payment by DexYP of its obligations under this SOW, Marchex will provide the Services and Recorded Call Services in accordance with Section 1(a), 1(b) and 1(c) of the Agreement and this SOW. Account configuration including on-demand CTN provisioning and reporting of DexYP Data will be made available via API integration and/or through an online user interface as detailed on Attachment 1 to this SOW, which is incorporated herein by reference and covers features made commercially available by Marchex as of the SOW Effective Date. Any feature customization and/or development requested by Customer will be subject to additional fees to be mutually agreed upon by the parties in a separate Statement of Work. Marchex shall use commercially reasonable efforts to ensure that CTNs assigned by Marchex to DexYP's account have not received any calls during the *** assignment. For the avoidance of doubt, the preceding sentence shall not apply to the assignment of any pre-existing CTNs that DexYP will work with Marchex to port to the applicable Marchex carrier accounts for purposes of provision of Services hereunder.
- b) **Features:** For the purposes of this SOW, the definitions and descriptions set forth on Attachment 1 hereto shall apply to the respective product functionality and/or options within the Services made available under this SOW, each only to the extent offered by or made commercially available by Marchex in the applicable region or market. In each case, the product functionality and/or features are subject to change or in some cases may be eliminated at the sole discretion of Marchex. Marchex will endeavour to provide at least ***, but in no event will provide ***, to DexYP of expected material changes to overall functionality of Services due to planned eliminations of features unless otherwise legally required to be effectuated sooner. In the event Marchex limits the functionality and/or features of the Services such that in DexYP's reasonable determination the overall functionality of the Services is materially decreased or degraded and DexYP's provision of related services to Clients is thereby materially impacted, DexYP shall provide Marchex written notice of such determination ("**Notice of Impact**") and Marchex will have *** to offer DexYP comparable features of like functionality such that DexYP's provision of related services to Clients is not materially impacted. If the Parties are not able to mutually agree regarding the foregoing within *** of the Notice of Impact, DexYP will have a limited option to terminate the Agreement with *** written notice to Marchex that must be exercised no later than *** from the date of the original Notice of Impact unless otherwise agreed by the Parties in writing. For clarity, DexYP may tender such notice of termination as soon as *** after the Notice of Impact if Marchex has by that time not yet offered to DexYP any alternative that would reasonably mitigate the material impact to DexYP's provision of related services to its Clients.
- c) **Allocation for SMS:** If requested by DexYP, Marchex will facilitate enabling a mutually agreed upon number of toll-free CTNs for DexYP's use in connection with a third party vendor that provides short message service ("SMS") related functionality. The parties acknowledge and agree that any such use by DexYP and its third-party vendor may be subject to carrier restrictions; and DexYP shall remain liable for any and all use of such SMS services (or associated uses) and the corresponding compliance with applicable law and regulation in connection therewith. Marchex will provide an initial sub-set listing of toll-free CTNs if so requested by DexYP and the third party vendor for SMS enablement, and Marchex will dedicate an individual for several days to coordinate and communicate with the third party vendor and DexYP to facilitate the third party vendor's relevant logistics if the third party vendor so requests. For the avoidance of doubt, the parties acknowledge that the third party vendor may not require this coordination. Work for monitoring or modifying and replacing or re-implementing third-party vendor SMS-related functionality will require a separate arrangement but is not expected to be significant. Depending on the third party vendor's ability to enable SMS-related functionality on local CTNs and requests for assistance with carrier enablement of such local CTNs (if such requests are not directed by the third party vendor to the carrier), Marchex will also be available to facilitate although the specific requests will require a separate arrangement (not expected to be significant), provided that Marchex reserves the right to evaluate such requested levels of effort to determine the pricing.

2) Term.

SOW Term. Subject to earlier termination as provided herein or in the Agreement, the effective term of this SOW shall first be for *** from the SOW Effective Date (the "**SOW Initial Term**"), and thereafter shall be automatically renewed for additional periods of *** (each a "**SOW Renewal Term**"), unless either party provides notice of non-renewal at least *** prior to any such renewal date. The SOW Initial Term and the SOW Renewal Terms, if any, shall herein be referred to as the "**SOW Term**".

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3) **Service Fees**

a) Per-Call Fees for Included Services. DexYP shall pay for the Services at the rates described in in the following schedule:

Monthly Total Call Volume	Fees for Services per Call
***	*** per call
***	*** per call

For the avoidance of doubt, the Fees set forth above will apply by tier only. For example, in the event of *** calls in a billing month, the first *** calls shall be billed at the first tier rate and those above shall be billed at the second tier rate.

b) Potential Overage Fees. The above per-call pricing is based on (i) a monthly average call duration of ***; and (ii) *** CTNs being provisioned for DexYP’s account. In the event that monthly average call durations exceed *** and/or more than *** CTNs are provisioned for DexYP’s account, ***.

c) Minimum Annual Commitment. The Annual Service Fee Commitment of this Agreement will be *** for year 1, *** for year 2, *** for year 3 of the SOW Term, and *** for each year during the SOW Term thereafter. The Annual Service Fee Commitment is the minimum amount that DexYP agrees to be billed for the total Services offered hereunder for each year during the SOW Term. In the event that, as of the end of each full year of the SOW Term, DexYP’s billings for per-Call Fees for Services and any Overage Fees, as applicable, have not reached the amount of the Annual Service Fee Commitment set forth herein, then DexYP agrees to make payment of the applicable shortfall amount within *** days from the end of the applicable annual period. Notwithstanding the foregoing, the Annual Service Fee Commitment amount (or remaining balance if applicable) shall be due and payable in the event of any termination for cause by Marchex in accordance with the terms of the Agreement or shall be due and payable *** in the event of a termination of this SOW or the Agreement prior to the end of the then-current billing year for any other reason. The parties agree that in the event DexYP’s usage does not reach the Annual Service Fee Commitment amount due to material volume limitations on the number of CTNs that could be provisioned based on commercially reasonable requests by DexYP in the Covered Regions in that year, per Marchex’s right in Section 2(b) of the Agreement, or due to a material government restriction on Marchex’s right to allocate CTNs based on commercially reasonable requests by DexYP in the Covered Regions as per Section 2(c) of the Agreement, the parties *** the application of the Annual Service Fee Commitment for such year.

d) Covered Regions. The above Fees apply only to those Services within the Covered Regions and excludes any non-U.S. jurisdictions. Services provided outside of the Covered Regions shall be subject to the then applicable fees or those otherwise agreed in advance in writing by the parties.

e) Services/Features Included for Per-Call Fees. Upon full onboarding, the following Services and/or features (each as defined and described in Attachment 1 hereto) will be included for the above-specified Fees for Services per Call:

4) **Professional Services Fees**

Marchex will provide up to *** of Professional Services related to initial onboarding set-up of Services at no additional cost to DexYP. Any additional Professional Services specifically related to initial onboarding and set-up will be billed on a time and materials basis at the rate of \$*** per hour, plus expenses. Onboarding set-up will be mutually arranged by Marchex and DexYP. Any other Professional Services not related to onboarding and set-up requested by Customer will be subject to a separate arrangement with the fees/rates to be mutually agreed upon by the parties in a separate Statement of Work.

5) **Execution in Counterparts**

This SOW may be executed in multiple counterparts, each of which shall be individually effective as provided herein, and all of which taken together shall constitute one and the same instrument. If this SOW is executed in multiple counterparts, it will be effective and enforceable by a party against the other party upon receipt by a party of either (i) the original executed counterpart of the other party, or (ii) a facsimile transmission (or other type of electronic transmission) of the original executed counterpart of the other party.

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, the parties have executed and delivered this SOW as of the SOW Effective Date.

Marchex Sales, LLC

Signature: /s/ Brendhan Hight

Name: Brendhan Hight

Title: Director

Date: 12/22/2017

Dex Media, Inc.

Signature: /s/ Gordon Henry

Name: Gordon Henry

Title: EVP & CMO

Date: 12/22/2017

[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Attachment 1



[***] Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Principal Executive Officer

I, Ethan Caldwell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marchex, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2018

By: _____ /s/ ETHAN CALDWELL

Ethan Caldwell

**Chief Administrative Officer, General Counsel and Corporate Secretary
and member of the Office of the CEO and designated Principal Executive
Officer for SEC reporting purposes
(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Principal Financial Officer

I, Michael A. Arends, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marchex, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2018

By: _____ /s/ MICHAEL A. ARENDS

Michael A. Arends
Chief Financial Officer and member of the Office of the CEO
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Marchex, Inc. (the "Company") for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ethan Caldwell, as Chief Administrative Officer, General Counsel and Corporate Secretary of the Company, and Michael A. Arends, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, respectively, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2018

By: _____ /s/ ETHAN CALDWELL
Name: **Ethan Caldwell**
Title: **Chief Administrative Officer, General Counsel and Corporate Secretary and member of the Office of the CEO and designated Principal Executive Officer for SEC reporting purposes (Principal Executive Officer)**

Date: May 9, 2018

By: _____ /s/ MICHAEL A. ARENDS
Name: **Michael A. Arends**
Title: **Chief Financial Officer and member of the Office of the CEO (Principal Financial Officer)**