

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

- (Mark One)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2021
- 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)  
**520 Pike Street, Suite 2000**  
**Seattle, WA**  
(Address of principal executive offices)

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

**98101**  
(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, \$0.01 par value per share	MCHX	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES  NO

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" 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 or 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of Class B common stock on The NASDAQ Stock Market on June 30, 2021 was \$103,936,159.

The number of shares of Registrant's Class A common stock outstanding as of March 29, 2022 was 4,660,927. The number of shares of Registrant's Class B common stock outstanding as of March 29, 2022 was 37,608,147.

Portions of the Registrant's Definitive Proxy Statement relating to the 2022 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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## FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K 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 the risks, uncertainties and assumptions described in Item 1A of this Annual Report on Form 10-K under the caption “Risk Factors” and elsewhere in this report, 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.*

## PART 1

### ITEM 1. BUSINESS.

#### 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’s conversation intelligence platform, that incorporates AI functionality to help with sales engagement and marketing solutions, helps businesses turn strategic insights into the actions that can drive their most valued sales outcomes. Our multichannel voice and text capabilities help enable sales and marketing teams to deliver the buying experiences that improves their customer experiences. Marchex provides its’ conversation intelligence solutions for market-leading companies in numerous industries, including several of the world’s most innovative and successful brands.

We have a set of tools for enterprises that depend on phone calls, texts and other communication channels to help convert prospects into customers, to deliver compelling customer experiences during the sales process and maximize returns. Our mission is to empower performance improvements for our customers to grow by giving them real-time insights into the conversations they are having with their customers across phone, text and other communication channels. Marchex leverages proprietary data and conversational insights to deliver artificial intelligence-powered functionality that drives solutions and helps enable brands to personalize customer interactions in order to accelerate sales and grow their business.

Our primary conversation intelligence 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. Businesses use this platform to understand which marketing channels, advertisements, search keywords, or other digital marketing advertising formats are driving calls to their business, allowing them to optimize their advertising expenditures across media channels. Marchex Call Analytics also includes technology that extracts data and insights about what is happening during a call and measures the outcome of the 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, Google, Kenshoo, Marin Software, Facebook and Instagram, in addition to other marketing dashboards and tools. Customers pay us a fee for each call/text or call/text related data element they receive from calls or texts, or for each phone number tracked based on pre-negotiated rates.
- **Marchex Call Analytics, Conversation Edition.** Marchex Call Analytics, Conversation Edition is a product that can enable actionable insights for enterprise, mid-sized and small businesses. It leverages our proprietary and patented speech recognition technology. Marchex Call Analytics, Conversation Edition incorporates machine and deep learning algorithms and AI-powered conversation analysis functionality that can give customers strategic, real-time visibility into company representative performance in customer interactions. The product includes customizable dashboards and visual analytics to make it easier for marketers, salespeople, and call center teams to realize actionable insights across a growing amount of call data. According to a January 2021 Markets and Markets report, the global conversational AI market is expected to grow at a compounded annual growth rate of 22% from \$6.8 billion in 2021 to \$18.4 billion by 2026.
- **Marchex Sales Engagement.** The Marchex Sales Engagement suite of products incorporate artificial intelligence-based functionality into each product, enabling businesses to understand customer conversations in phone calls and via text, in real-time and at scale, and helping them learn how to optimize the sales process in order to take the right actions to win more business. These sales engagement solutions can arm businesses with the data-driven intelligence they need to deliver on-

demand and personalized customer experiences. Marchex Sonar Intelligent Messaging also provides a sales engagement solution for SMS text message-based conversations. Marchex Sales Enablement products include:

- **Marchex Engage.** Marchex Engage combines Marchex artificial intelligence and machine learning with conversational call monitoring and scoring services and can alert businesses when potential buyers hang up without making an appointment or purchase, or when certain calls do not meet the business' sales or customer service standards. Marchex Engage, through Action Lists, can identify in real-time when potential high-value customer prospects engaged in conversations with sales representatives are mishandled in any number of ways and can give businesses the opportunity to re-engage immediately to capture these potentially lost opportunities, as well as avoid undesired customer experiences. In addition, it can give businesses a more complete picture of the in-bound opportunities they are missing, while also measuring the effectiveness and impact of capturing those opportunities through outbound engagement.
- **Marchex Spotlight.** Marchex Spotlight is a product for corporate and regional managers that can provide conversation performance insights and trends measured against corporate benchmarks across a brand or network of distributed business locations. The conversational data analyses can provide critical sales insights and proactive observations that can help enterprises boost outcomes across national and regional sales organizations.
- **Marchex Engage for Automotive.** This 2021-award-winning-sales engagement product for automotive dealers unlocks the content of conversations with car buyers who have shown high purchase consideration and enables sellers to prioritize their best leads, deliver a better buying experience for consumers and take the right actions to sell more vehicles. Integration with leading dealer CRM systems enables sellers to make outbound calls via click-to-call from within the CRM and frees up their time by automatically updating the CRM with enriched leads as they complete each inbound or outbound conversation. Marchex Engage for Automotive was the 2021 recipient of the Product of the Year award by the BIG Awards for Business and the Sales and Marketing Technology Awards.
- **Marchex Platform Services.** Marchex Platform Services is an API-based, easy to integrate solution that allows businesses to add Marchex conversation intelligence to their existing workflows, enabling them to decode what happens in their conversations with customers. It uses the company's conversation classification technology to deliver mission-critical conversation data for sales, customer engagement and marketing teams so they can take decisive action in the course of the customer journey when it matters most. Marchex Platform Services enables businesses to obtain Marchex's artificial intelligence-based functionality in Marchex's conversation intelligence platform directly from their existing communications platforms.
- **Marchex Marketing Edge.** Marchex Marketing Edge is a conversational analytics solution for marketers in enterprise, mid-sized and small businesses that depend on inbound phone calls to drive sales, appointments and reservations. It helps enable marketers to make data-driven decisions that improve marketing performance. Marketers can use this solution to understand which marketing channels, advertisements, search keywords, or other digital marketing advertising formats are driving calls to their business, enabling them to optimize their advertising expenditures across media channels. During 2021, Marchex Marketing Edge received the MarTech Best Marketing Attribution Solution award. In addition to call and text tracking, Marchex Marketing Edge also includes conversation intelligence technology that can automatically transcribe, redact and score calls. Marchex Marketing Edge also seamlessly integrates with Marchex Engage so sales teams can be empowered to receive real-time text and/or email notifications when a caller showing high purchase intent ends a conversation without making an appointment or a purchase so they can reengage to save the sale. Marchex Marketing Edge includes technology that can block robocalls, telemarketers and spam calls

to help save businesses time and expense. Marchex Marketing Edge data can integrate directly into third-party systems such as Google Ads, Google Analytics, Search Ads 360, Google Campaign Manager, Microsoft Advertising, Adobe, Kenshoo, Acquisio, Salesforce and HubSpot in addition to other marketing and chat offerings.

- **Text Analytics and Communications.** Marchex Sonar Intelligent Messaging is a solution for intelligent mobile messaging that enables sales, marketing, and operations teams in businesses to engage in two-way communications with field staff, prospects and customers via text/SMS messages. This can enable communication that is personal to occur at scale, leading to significant increases in critical actions, customer engagement and conversions. According to a study done by Messagedesk, 76% of consumers already receive text messages from businesses and 39% of businesses are using text messaging to communicate with consumers.
- **Call Monitoring.** Marchex provides businesses the ability to have an unbiased view into every inbound or outbound call, from providing a call recording, to offering services to create customized call performance scorecards, both of which can help businesses learn more about their customers and enhance service quality and customer satisfaction. Through these services, businesses can customize the insights they want in order to improve business practices and grow faster.

We operate primarily in domestic markets.

## Industry Overview

**Mobile phone growth has changed the way customers and businesses interact.** The majority of the world's population now utilizes mobile phones and mobile phone usage is expected to continue to grow as the primary consumer communication device for the foreseeable future. According to a 2021 study published by Pew Research, 85% of the population in the United States has a smart phone. According to a 2019 eMarketer study, consumers are spending more time on their mobile devices than in front of televisions for the first time, a trend that is forecasted to grow. According to MarketingCharts, the top two uses of mobile phones among consumers are texting/messaging and calling. We believe it is critical for many businesses to develop strategies to understand their consumer engagement across multiple communication channels as consumer seamlessly shift between different forms of communication during the buying process.

**For many businesses, calls and texts are critical to drive sales.** For businesses of all sizes, in-bound phone calls can be a key source of new customer leads and increased revenue. We believe consumers that call or text businesses directly typically have higher purchase intent and can be more likely to make a purchase or become a customer. According to an independent research study by Forrester Consulting, the study found that phone customers convert faster, spend more, and have a higher retention rate than customers who contact brands through other channels. Based on a survey of marketing decision makers, the study found that 60% of marketers said that those who initiate an inbound call in the course of the customer journey convert an average of 30% faster, spend an average of 28% more, and 54% of marketers said they have a 28% higher retention rate. In addition, according to MessageDesk, 77% of consumers prefer to talk to someone over other means of communication such as a chatbot. Calls and texts can be particularly relevant in high-value categories, such as automotive, digital agencies, home services, insurance, telecommunications and travel and hospitality, where transaction values are large, complex or require additional information prior to completion. Calls and texts are also important for local businesses that set appointments or sell products and services over the phone.

**Calls and texts are increasingly important to business and consumer interactions and to mobile advertising.** We believe that the demand for businesses to connect with consumers over the phone, combined with the inherent functionality and technical capabilities of mobile devices, will result in calls and texts becoming a primary measurement unit/format for mobile advertising. As customers continue to shift their budgets to accommodate for the growth of mobile channels, we believe the market for conversation analytics and advertising solutions will grow even more. According to a study from App Annie, global mobile advertising grew 23% in 2021 to \$295 billion and is expected to reach \$350 billion in 2022. Calls and texts are two of the primary consumer communication methods with businesses on mobile devices and building solutions to help businesses understand their consumer interactions through these communication channels can help businesses engage and grow.

**Understanding calls and/or texts is highly complex.** Unlike clicks, impressions and other actions that are tracked and measured in digital format, calls and text messages take place offline and require unique technical capabilities and expertise to accurately measure and analyze. To realize the full benefit of call and/or text-based marketing, customers need technology that allows them to capture and analyze attributes of a call and/or text before, during and after the call and/or text is completed. This technology can connect the conversation from the placed advertisement through the interaction with the business, often with individual sales representatives, to understand the effectiveness of the marketing action. This can help better measure return on investment (“ROI”) and optimize marketing campaigns across media channels. For example, customers want to be able to dynamically track the source of a call back to the media channels and advertisements that influenced the consumer to make the call. Once a call is initiated, technology is required to understand what is happening on a call, to record anonymized calls, and to block unwanted or spam calls. For customers with call center operations, calls are often tracked and routed through interactive voice response (“IVR”) phone systems and integrated with customer relationship management (“CRM”) applications and back-office systems to measure transactions and return on investment. Successful marketing analytics for calls and texts requires expertise from multiple disciplines, including digital advertising, communications infrastructure, voice and speech recognition expertise, and marketing software.

## **Competitive Strengths and Competition**

We believe that the principal factors that drive success in the market are our competitive strengths, including:

**Focus on calls and texts.** Over the past several years, with the increasing importance that mobile devices play in consumer interactions with businesses and in advertising, we have shifted the focus of our company to address the large opportunity to help businesses accelerate sales through improving their interactions with consumers over the phone and, more recently, through text communications. As consumer usage and mobile performance advertising has grown over the last decade, it is driving growth in offline actions like calls and texts. As one of the first companies to help businesses utilize data driven insights and analytics to accelerate sales from phone conversations, we have developed solutions which can deliver measurable return on investment to both large national brands and local small businesses through tying these offline phone conversations to their online marketing initiatives and offering sales acceleration solutions to help business create a better customer experience and grow sales. Our conversational analytics technology and products are specifically designed to help address the challenges associated with closing the loop between digital marketing and phone calls. We are developing solutions that can provide customers insights across a broad spectrum of conversations they are have with their customers in voice and text communications along with solutions to engage consumers in their preferred communication channels. Working closely with our customers, we have innovated in conversational intelligence technology, creating specific solutions to address common needs and wants among both large enterprise customers and small businesses. We believe we are unique with our call and more recently text focused approach to technology developments and marketing solutions, facilitating a competitive advantage as mobile advertising grows and advertising budgets shift towards performance-based formats and consumer communication channels with businesses expand across multiple communication channels.

**Conversational Intelligence platform powered by artificial intelligence augmented technology.** Marchex’s conversational intelligence platform delivers data into sales engagement communication tools and can provide closed loop marketing insights on offline customer interactions and operational insights to customers looking to accelerate sales and to measure the performance of their customer interactions during the sales process via multiple communication paths including voice and text channels. When consumers call or text a business or call center from their phones, our technology can analyze that call or text data using machine and deep learning algorithms and artificial intelligence-powered conversation analysis functionality that can deliver real-time conversational insights and feedback to companies on the quality of their customer interactions during the sales process as well as to identify lost businesses opportunities. Our data can also help customers adjust and improve their marketing strategies in order to create personalized solutions to drive more sales over the phone either directly with the business or the call center. This intelligence can help advertisers optimize their ad campaigns across media channels, keywords, and creative elements, which helps maximize their return on investment. We also provide integrations with other marketing dashboards to provide advertisers one place to

review their analytics information. Integrations may take the form of working with CRM platforms or customer-specific systems, with the purpose of enhancing advertisers' understanding and measurement of outcomes at scale. We are consistently working to create products to help advertisers understand what is happening during conversations with their customers and how to spend their budgets more efficiently, whether the channel is online, offline, or mobile. Our conversational intelligence technology also can help determine which of these calls converts into a sale while helping businesses evaluate the sales effectiveness of individual store locations or even individual sales representatives at a business. Access to these insights provides businesses visibility and measurement into their ad expenditures by closing the loop with actual sales conversations. With Marchex's conversational intelligence technology, we are leveraging proprietary technology to analyze and deliver actionable advertising and operational insights to businesses that engage with consumers over the phone or via text.

**Transparent pricing model.** Marchex generally charges based on the number of conversations, either by call or text, that occur between a business and its customers, which it processes on behalf of the business. This enables businesses to adopt Marchex products through a transparent model that scales as a customer's usage increases and may include a minimum commitment. Through our conversational analytics technology, we can develop a deep understanding of which publishers, devices, ad formats, keywords and ad creatives drive conversation conversion for specific advertising verticals and helps optimize the placements of advertisements across different sources that drive valuable call or text leads for customers. We work with customers to define a quality call or text conversation for their business, and then generally charge our customers, on a per call or text conversation basis. Similarly, as customers look to gain critical business insights or alerts at the moment a conversation with a sales representative or business fails to produce a desired outcome, Marchex will earn a fee based on the number of conversations it applies its sales engagement technology to on behalf of the customer which may include a minimum commitment. As a result, we are able to provide a measurable return on investment for our customers.

**Scalable technology platform and business model.** We have developed our technology platform to address large customers, while also being able to support a large number of small local businesses. Our platform can support hundreds of millions of calls and thousands of unique customer accounts, and in aggregate help brands manage many dollars in advertising spend across various digital channels.

The market for our service offerings is highly competitive, rapidly evolving, and subject to changing technology and shifting customer needs. We compete with conversation analytics providers such as Twilio, EZ Texting, CallSource, CallRail, and Invoca. As we advance our data analytics technologies, the competitive landscape will increase and become broader.

## **Our Strategy**

**Innovating on Conversational Intelligence Technology and Solutions.** We plan to continue to expand and invest in our conversational intelligence technology and expand our AI, data science, and machine learning capabilities. We also plan to continue to expand our range of call, text, and other communication channels analytics and sales engagement product capabilities by growing our conversation intelligence solutions, including AI-driven speech technology solutions, call tracking, call monitoring, text communications, keyword-level tracking, display ad impression measurement and other products as part of our owned, end-to-end, call and text-based advertising solutions. Our expanding capabilities are enabling us to develop new solutions, like sales engagement and personalization solutions that enable us to take advantage of our growing conversational data assets.



**Supporting and Growing the Number of Customers Using Our Products and Services.** We plan to continue invest in technology initiatives like Marchex Anywhere which we believe will enable us to access an wider base of businesses by offering our products to a new array of channel partners. Through these initiatives Marchex can now integrate with businesses existing communication providers or telephony infrastructure providers to offer its products and services. Increasingly, Marchex customers will no longer have to access separate telephony infrastructure to engage with our conversational intelligence suite of products but, instead, will be able to choose to access our products from within their existing communications provider of choice. We also plan to continue to provide a consistently high level of service and support to our conversational intelligence solutions customers and we will continue to focus on helping them achieve their return on investment goals. We are focused on increasing our customer base through our direct sales and marketing efforts, including strategic sales, inside sales, and additional partnerships with resellers.

**Pursuing Selective Acquisition Opportunities.** We have historically and in the future may 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 generally 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.

**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 our current lines of business as well as explore new lines of business beyond our current focus of providing mobile advertising intelligence 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. For example, in October 2020, we sold certain assets related to our Call Marketplace, Local Leads Platform and other assets not related to core conversational analytics.

**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, Google Search, and Salesforce, Facebook, and other third-party marketers. 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.

#### **Sales, Marketing & Business Development**

Our sales team focuses on adding new customers to our business and growing existing customer relationships, while our business development and partnership activities focus on adding new customers, reseller partnerships and servicing existing partnerships. Our marketing team focuses on promoting our services through online customer acquisition, affiliate relationships, press coverage, strategic marketing campaigns and industry exposure. Advertising and promotion of our services is broken into the following main categories:

- **Direct Sales.** Our direct sales team targets new relationships with national and global customers and the advertising agencies that represent them through in-person presentations, direct marketing,

telesales and attendance at industry events, among other methods. Our customer agreements include a combination of agency fees and cost-per-action fees.

- **Technology Integration Partnerships and Referral Agreements.** We have integration partnerships with Adobe, Google, Salesforce, Customer Relationship Management software providers and other third-party channel partners. We also have referral agreements with entities that promote our services to large numbers of potential customers including select technology partners. Our referral partner agreements are based on revenue sharing.
- **Reseller Partnerships.** We have a business development team that focuses primarily on securing partnerships with large reseller partners, under which we supply and integrate our products and services. Our reseller partner agreements include a combination of revenue and profit sharing, licensing revenue, conversation intelligence, and text conversation cost per actions.

We intend to continue our strategy of increasing our customer base through sales and marketing programs while being efficient in terms of our marketing and advertising costs. We continually evaluate our marketing and advertising strategies to optimize the effectiveness of our programs and their return on investment.

### **Information Technology and Systems**

We have a proprietary technology platform for the purposes of managing and delivering call and cost-per-conversation analytics and texting products and services to our partners. We also combine third-party licenses and hardware to create an operating environment for delivering high quality products and services, with such features as automated online account creation and management process for customers, real-time customer support with both interactive and online reporting for customers and partners. We employ commercially available technologies and products distributed by various companies, including Cisco, Dell, Oracle, Intel, AMD, Microsoft, and IBM. We also utilize public domain software such as Apache, Linux, MySQL, PostgreSQL, Java, Scala and Tomcat.

Our technology platform is compatible with many systems used by our customers, enabling us to deliver call and cost-per-action analytics and texting products and services through mobile, online and offline sources in rapid response to user queries made through our customers at scale. We continue to build and innovate additional functionality to attempt to meet the quickly evolving demands of the marketplace. We devote significant financial and human resources to improving our customer experiences by continuing to develop our technology infrastructure. The cost of developing our technology solutions is included in the overall cost structure of our services and is not separately funded by any individual customers. In order to maintain a professional level of service and availability, we primarily rely upon third parties to provide hosting services, including hardware support and service, and network monitoring at various domestic and international locations. Our servers and cloud-based services are configured for high availability and large volumes of call, mobile and texting based traffic and are located in leased third party facilities or deployed through cloud-based solution providers. Back-end databases make use of redundant servers and data storage arrays. We also have standby servers that provide for additional capacity as necessary. The facilities housing our servers provide redundant HVAC, power and internet connectivity. As revenue grows and the volume of transactions and call, mobile and texting traffic increases, we will need to expand our network infrastructure. Inefficiencies in our network infrastructure to scale and adapt to higher call, mobile and texting traffic volumes could materially and adversely affect our revenue and results of operations.

We continuously review ways to improve major aspects of our technology support and maintenance, including improving, upgrading and implementing business continuity plans, data retention initiatives, and backup and recovery processes.

### **Seasonality**

Historically, we have experience seasonality and we believe that we will continue to do so. Our quarterly results have fluctuated in the past and our experience has shown that during the spring and summer months, call volumes in certain verticals such as home services are generally higher than during other times of the year. Further, during the latter part of the fourth quarter of the calendar year we generally experience lower call

volumes. The extent to which call volumes may decrease during these off-peak periods is difficult to predict. Historically, we have seen this trend generally reversing in the first quarter of the calendar year with increased call volumes 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.

### **Intellectual Property and Proprietary Rights**

We rely on a combination of patent, copyright, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered and unregistered trademarks to protect our brand.

As of December 31, 2021, in the United States, we have been issued 26 patents, which are estimated to expire between 2027 and 2038, and have 7 patent applications pending for examination. As of such date, in Canada we also have 1 issued patent which expires in 2026 and 1 patent application pending for examination. In addition, as of December 31, 2021, we have 11 trademarks registered in the United States, 7 trademarks pending registration in the United States, and 32 trademarks registered in foreign jurisdictions.

We further seek to protect our intellectual property rights by implementing a policy that requires our employees and independent contractors involved in development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

### **Employees**

As of December 31, 2021, we employed a total of 187 full-time employees. We have never had a work stoppage, and none of our employees are represented by a labor union. We consider our employee relationships to be positive. If we were unable to retain our key employees or we were unable to maintain adequate staffing of qualified employees, particularly during peak sales seasons, our business would be adversely affected.

### **Web site**

Our web site, [www.marchex.com](http://www.marchex.com), provides access, without charge, to our annual report on Form 10-K, 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 (<https://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 Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

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.

### FINANCIAL RISKS

**The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations, and our future financial performance.**

In late 2019, COVID-19 emerged and by early March 2020 was declared a global pandemic by the World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. By the end of March 2020, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment and market volatility.

The global health and economic implications of this pandemic has had and is expected to continue to have significant impacts on our business, operations and future financial performance at least for the near term. As a result of the scale of the continuing COVID-19 pandemic and the speed at which the global community has been impacted, our quarterly and annual revenue trends or growth rates and expenses as a percentage of our revenues may differ significantly from our historical trends and rates, and our future operating results may fall below expectations.

The impact of the continuing COVID-19 pandemic on our business, operations and future financial performance could include, but are not limited to: significant decline in revenues due to customers adversely impacted by the COVID-19 pandemic, including many of our larger customers (such as automotive manufacturing, automotive services, dental and health provider networks, home services, real estate, small business resellers, agencies and hospitality companies), which have seen their operations adversely impacted; significant decline in revenues as customer spending slows due to an economic downturn; significant decrease in our operating cash flows as a result of decreased customer spending and deterioration in the credit quality of our customers, which could adversely affect our accounts receivables; sales prospects delaying decision making and reducing propensity to purchase; continued or increased significant burn rate; challenges in servicing customers and extending and entering into new agreements; anticipated reduction in customer budgets and slower sales cycles; customer requests for price concessions and extended payment terms; customer cancellations and inability to pay; customer reconsideration and delay in launching previously slated test programs with us; our working capital needs and declining cash position; recent and potentially future losses and asset impairments; suspension of hiring initiatives; absence of debt or equity financing alternatives; and the rapid and broad-based shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

**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 \$303 million as of December 31, 2021. 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 customers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

**We received approximately 30% of our revenue from our five largest customers for the year ended December 31, 2021, 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 30% of our total revenues for year ended December 31, 2021. In particular, our customers in the automotive and related services sectors account for a significant portion of our revenue.

Many of our customers are not subject to long term contracts with us or have contracts with near term expiration dates and are able to reduce or in some cases cease spending at any time and for any reason. We have agreements 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 spending with us. Furthermore, our large customers from time to time may impose financial condition, data security and privacy or insurance requirements that we may not be able to satisfy. A significant reduction in spending 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 business, financial condition and results of operations.

**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. We believe this risk is magnified at least for the near term by the disruption caused by the recent coronavirus outbreak. In addition, this disruption has disproportionately impacted certain business sectors, including sectors where we have significant customers such as automotive, financial services, home services and travel and hospitality. 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 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.

**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 seasonality. Our experience has shown that during the spring and summer months, call volumes in certain verticals such as home services are generally higher 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 volumes. The extent to which call volumes may decrease during these off-peak periods is difficult to predict. Prolonged or severe decreases in call volumes 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 call volumes 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.

**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 in certain instances for our auditors to 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 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 makes a U.S. federal net operating loss generally less valuable as an asset and changes use limitations. 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). Our ability to utilize our net operating losses is conditioned upon

our achieving profitability in the future and generating U.S. federal taxable income and our operating loss carryforwards generated prior to December 31, 2017 could expire unused.

**We may be required to pay additional income, sales, or other taxes.**

Tax authorities at the international, federal, state and local levels are continually reviewing the appropriate treatment of companies engaged in e-commerce and digital information services. Furthermore, 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 nor whether any will have a material adverse impact on our business.

**Our operations are less diversified, and we have reduced sources of revenue following the divestiture transaction, which may negatively impact the value and liquidity of our Class B common stock.**

We consummated the divestiture of our media assets in October 2020, in part to focus on the conversational analytics and sales engagement solutions opportunity. Following the divestiture, the scope of our operations has been reduced in that our sources of revenue are limited to our conversational analytics business, through which we provide various analytics solutions and products, but without our former call marketplace product, local leads product or other related assets and operations. We may not be able to secure additional sources of revenue or to grow our remaining conversational analytics business, which could negatively impact the value and liquidity of our Class B common stock.

## **STRATEGIC RISKS**

**The markets in which we operate are highly competitive and rapidly changing and we may be unable to compete successfully.**

There are a number of companies that develop or may develop products that compete in our targeted markets. We compete with call analytics technology providers such as Twilio, Invoca, and Convirza as well as messaging platform providers such as EZ Texting. As we continue to advance our data analytics technologies, we anticipate facing increased competition from companies providing broader products and solutions, such as companies like Oracle and Google (which offers Google Ads call tracking). The markets for our products and services are characterized by intense competition, evolving industry and regulatory standards, emerging business and distribution models, disruptive software and hardware technology developments, short product and service life cycles, price sensitivity on the part of customers, and frequent new product introductions. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of our prospective customers. Furthermore, there has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions.

The competition in our targeted markets could adversely affect our operating results by reducing the volume of the products and services we license or sell or the prices we can charge. Some of our current or potential competitors have significantly greater financial, technical and marketing resources than we do. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than we do. To the extent they do so, market acceptance and penetration of our products and services, and therefore our revenues, may be adversely affected. Our success depends substantially upon our ability to enhance our products and services and to develop and introduce, on a timely and cost-effective basis, new products and services that meet changing customer requirements and incorporate technological enhancements. If we are unable to develop or acquire new products, services, functionalities or technologies to adapt to these changes our business will suffer.



**The conversational analytics and solutions market may develop more slowly than expected, which could harm our business.**

If the market for conversational analytics solutions 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 increased adoption by businesses of conversational analytics and solutions, and our ability to sell our conversational analytics and solutions services to large to small customers in different verticals as well as to reseller partners and agencies. The mobile advertising and marketing market is rapidly evolving, and most businesses have historically not utilized nor allocated a portion of their marketing and/or sales budgets to conversational analytics and solutions. As a result, the future demand and market acceptance for conversational analytics and related services is uncertain.

**We depend on the growth of mobile technologies, call technologies, the Internet and the Internet infrastructure for our future growth and any decrease in growth or anticipated growth in mobile, telecommunications, 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 customers or cloud-based providers to alleviate potential overloading and delayed response times; 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 and mobile 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.

**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 call and text analytics and communications 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 and may pursue other strategic alternatives and opportunities. 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; integrating new companies may take longer than expected; 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 disruption to our remaining business than expected, and the impact of the divestiture on our revenue may be larger than projected, including with respect to our recent divestiture of our media assets to focus on the conversational analytics and sales engagement solutions opportunity.

**OPERATIONAL RISKS**

**We depend on being able to secure enough phone numbers and associated telecommunication services to support our customers 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 our customers, such as our call and text analytics and communications. 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, 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 and associated services to us in the event of any industry consolidations. In addition, mobile carriers in the United States and Canada have added, or are currently contemplating adding significant one-time and recurring registration requirements, including "10DLC" brand registration, and/or use limitations (e.g. messaging volume caps) for each phone number, and have imposed or are considering imposing significant additional fees as well as penalties for failure to register or certain use violations for registered numbers. Moreover, mobile carriers and our telecommunication service providers use various automated screening technologies on messaging content crossing their networks, which operate based on disparate and sometimes unpredictable sets of standards and restrictions. The application of such screening technologies to content transmitted by our customers through their use of our services may negatively impact our ability to provide services to certain customers deemed potentially problematic by carriers, subject us to financial penalties, and/or result in telecommunication service providers refusing to provide service to us. Any of the foregoing factors could result in a material adverse effect on our business, financial condition and results of operations.

**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 operations in Canada and through our other international subsidiaries, in other countries. We have international subsidiaries in Canada and Ireland. 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, the United Kingdom, and other international jurisdictions, including the EU General Data Protection Regulation and its UK equivalent; 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 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, they could destroy or misappropriate valuable information, including sensitive customer information, or disrupt our operations. We have deployed firewall technology 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 customers and reseller 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, ransomware 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.

**A failure of service by one or more third-party provider(s) of technology, telecommunication or other communication services, software or hardware that we rely on could adversely affect our business and reputation.**

We rely upon third-party colocation providers to host a substantial set of our 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 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 rely upon third-party cloud providers to host certain of our products and services and this reliance is anticipated to increase over time. We may experience interruptions, delays and outages in service and availability from time to time as a result of problems with our third-party cloud providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security breaches that we cannot predict or prevent. In addition, if our security, or that of any of these third-party cloud providers, is compromised, or our products and services are rendered unavailable to our customers and cannot be restored within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected.

We also rely on select group of third-party providers for various components of our technology platform and support for our services, such as hardware and software providers, telecommunications carriers and Voice over Internet Protocol (VoIP) providers, software-as-a-service providers, and credit card processors. 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. In addition, our software-as-a service providers are themselves reliant on third-party cloud providers described in the preceding paragraph such that a disruption of the availability of the underlying infrastructure may also impair their ability to maintain the availability of their services that we rely on. Furthermore, if any of these providers described in this paragraph are unable to provide the levels of service and dedicated resources over time that we require 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 customers and incur significant legal and financial exposure and suffer an adverse effect on our business.**

We store and transmit data and information about our customers and their respective users. We also work with vendors and partners who may come into contact with certain data, such as carriers, colocation facilities, and data processing and storage providers. We deploy security measures to protect this data and information, as do the third parties we utilize to assist in data and information processing and 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 customers, may suffer breaches. Security breaches of our data storage systems or our third-party colocation and technology providers we utilize to process and store data and information relating to our customers 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 customers that could potentially have an adverse effect on our business. Although we maintain cyber-liability insurance, our coverage may not be adequate to compensate us for all costs and liabilities that we may incur as a result of a security breach, and our insurers may not be able or may decline to do so for a variety of reasons.

## **LEGAL AND COMPLIANCE RISKS**

**We may not be able to protect our intellectual property rights, which could adversely affect our competitive position.**

We rely on a combination of patent, copyright, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered and unregistered trademarks to protect our brand.

As of December 31, 2021, in the United States, we have been issued 26 patents, which are estimated to expire between 2027 and 2038, and have 7 patent applications pending for examination. As of such date, in Canada we also have 1 issued patent which expires in 2026 and 1 patent application pending for examination. In addition, as of December 31, 2021, we have 11 trademarks registered in the United States, 7 trademarks pending registration in the United States, and 32 trademarks registered in foreign jurisdictions.

The status of any patent involves complex legal and factual questions. The scope of allowable claims is often uncertain. As a result, we cannot be sure that: (1) any patent application filed by us will result in a patent being issued; (2) that any patents issued in the future will afford adequate protection against competitors with similar technology; and (3) that the patents issued to us, if any, will not be infringed upon or designed around by others.

We further seek to protect our intellectual property rights by implementing a policy that requires our employees and independent contractors involved in development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

Despite our efforts to protect our technology and proprietary rights through intellectual property rights, licenses and other contractual protections, unauthorized parties may still copy or otherwise obtain and use our software and other technology.

In addition, we may in the future expand our international operations, and effective intellectual property, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Further, companies in the internet, communications and technology industries may own large numbers of patents, copyrights and trademarks and may frequently threaten litigation, or file suit against us based on allegations of infringement or other violations of intellectual property rights, which may adversely affect our business or financial prospects.

**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.

**We may incur liabilities for the activities of our customers and other users of our services, which could adversely affect our business.**

The actual or perceived improper sending of text messages or voice calls may subject us to potential risks, including liabilities or claims relating to consumer protection laws and regulatory enforcement, including fines. For example, the Telephone Consumer Protection Act of 1991 restricts telemarketing and the sending of automatic SMS text messages without explicit customer consent. The scope and interpretation of the federal and state laws and regulations that are or may be applicable to the delivery of text messages or voice calls are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability. We rely on contractual representations made to us by our customers that they will comply with our acceptable use restrictions and applicable law and regulations in using our services. We cannot predict whether our role in facilitating our customers' or other users' activities would expose us to liability under applicable law.

Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending such claims. If we are found liable for our customers' or other users' activities, we could be required to pay fines or penalties, redesign business methods or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability, which could have a material adverse effect on our business, financial condition and results of operations.

Our insurance policies may not provide coverage for liability arising out of activities of our customers or other users of our services. In addition, 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.

**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 that would be costly to defend and could limit our ability to use certain critical technologies.

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.

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

We provide information and analytics services to our customers and reseller partners. 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 providers 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/or monitoring 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 services to our customers.
- Federal and state telemarketing laws including the Telephone Consumer Protection Act (“TCPA”) which limits the use of autodialing systems, artificial or prerecorded voice messages, SMS text

messages and fax machines, the Telemarketing Sales Rule, the Telemarketing Consumer Fraud and Abuse Prevention Act and the rules and regulations promulgated thereunder. In recent years, the TCPA has become a fertile source for both individual and class action lawsuits and regulatory actions. Specifically, the TCPA restricts telemarketing and the transmission of automatic SMS text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face liability.

- The Telephone Robocall Abuse Criminal Enforcement and Deterrence Act and the rules and regulations promulgated thereunder. The FCC has adopted an initial set of rules requiring originating and terminating voice service providers to implement the STIR/SHAKEN caller ID authentication framework to combat spoofed robocalls and is expected to adopt additional measures for that purpose. A number of our information services depend on integrations with voice service providers subject to these regulations. Some of these providers have taken the position that we must register in FCC's Robocall Mitigation Database in order to continue doing business with them even though we are not a voice service provider. If we do not comply with our providers' evolving requirements pertaining to these regulations or if future regulatory measures relative to the STIR/SHAKEN caller ID authentication framework result in unforeseen interoperability issues for our information services that we are unable to address in a timely and efficient manner, our business, financial condition, and results of operations could be negatively impacted and/or we could face liability.
- 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.
- 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 and data and privacy regulations in the countries where we are operating, and these regulations could negatively affect the viability of our business in those regions.

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. For example, California enacted the California Consumer Privacy Act ("CCPA"), which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations,



as well as a private right of action for data breaches that is expected to increase data breach litigation. In November 2020, California voters have approved legislation that will substantially expand the scope of the CCPA and will take effect on January 1, 2023. Additional states such as Virginia and Colorado have enacted privacy-related legislation slated to take effect in 2023 that will provide for consumer access rights and private rights of action similar to the CCPA and its successor. Further, it is anticipated that additional federal and state privacy-related legislation may be enacted. Such legislation could negatively affect our business.

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), the EU General Data Protection Regulation (“GDPR”), which is directly applicable to all member states and which has substantial compliance obligations and significant potential administrative fines for non-compliance, as well as the GDPR equivalent law retained by the United Kingdom and any successor legislation thereto. 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.

In addition, the potential regulation of new and emerging technologies, such as artificial intelligence (“AI”) which we are increasingly building into many of our new offerings, may result in increased compliance costs and risks. Any additional costs and penalties associated with increased compliance and risk reduction could make certain offerings less profitable or increase the difficulty of bringing certain offerings to market.

**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.

**We may be subject to securities litigation in connection with the divestiture transaction, which is expensive and could divert our attention.**

We may be subject to securities litigation in connection with the divestiture transaction, including possible regulatory action or class action lawsuits. Litigation is frequently initiated in connection with merger and acquisition transactions, particularly those involving insiders. Regulatory inquiries and litigation are complex and could result in substantial costs, divert our management's attention and resources, and harm our business, financial condition and results of operations.

**GENERAL RISKS**

**We are susceptible to general economic conditions, climate change, natural catastrophic events and public health crises, and a downturn in spending by customers could adversely affect our operating results.**

Our operating results will be subject to fluctuations based on general economic conditions. Deterioration in economic conditions could cause decreases in or delays in customer 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.



Our business is also subject to the impact of global climate change which can increase the frequency of natural catastrophic events such as drought, wildfires, storms, sea-level rise, earthquakes, floods or power outages. The long-term effects of climate change on the global economy and our industry in particular are unclear, but could be severe.

Furthermore, political crises such as terrorism or war, and public health crises, such as disease outbreaks, epidemics, or pandemics (including COVID-19) and their resulting impacts on the U.S. and global economies, our markets and business locations, could negatively impact our operating results.

**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 their employment with us at any time with minimal notice. Following any termination of employment, each of these members 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 in recent years. 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, particularly during the current period of unprecedented employee turnover impacting virtually all businesses. 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, property or systems suffer 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 along with evolving diversity requirements for board composition. 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.

**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 at times 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 customers, reseller partners and agencies; significant volatility in the market price and trading volume of technology companies in general and of companies in our 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, including but not limited to uncertainty attributable to public health crises, such as disease outbreaks, epidemics or pandemics (including COVID-19); 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 founder controls 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 December 31, 2021, Russell C. Horowitz, our founder, beneficially owned 100% of the outstanding shares of our Class A common stock, which shares represented 75% of the voting power of all outstanding shares of our capital stock. 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 our founder. 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 our founder has a controlling interest, he 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, our founder 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 our founder 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 our founder 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, as amended, 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, as amended: 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 or prior fiscal year. We declared and paid a special dividend in the last quarter of 2017 and the first quarter of 2018, respectively. 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.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

**ITEM 2. PROPERTIES.**

Our headquarters are located in Seattle, Washington and consist of approximately 36,000 square feet of leased office space. We lease additional office space in Wichita, Kansas and Mississauga, Canada. Our information technology systems are hosted and maintained in third-party facilities under collocation services agreements. See Item 1 of this Annual Report on Form 10-K under the caption “Information Technology and Systems.”

We believe that our existing facilities, together with additional space we believe we can lease at reasonable market rates, are adequate for our near-term business needs.

**ITEM 3. 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 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

**Market Information**

Our Class B common stock has been traded on the NASDAQ Global Select Market under the symbol “MCHX” since March 31, 2004 when we completed our initial public offering at a price of \$6.50 per share. Prior to that time, there was no public market for our Class B common stock. The following table sets forth, for the periods indicated, the high and low closing sales prices for Marchex’s Class B common stock as reported on the NASDAQ Global Select Market:

	High	Low
<b>Year Ended December 31, 2020</b>		
First Quarter	\$ 4.03	\$ 1.33
Second Quarter	\$ 1.89	\$ 1.25
Third Quarter	\$ 2.12	\$ 1.44
Fourth Quarter	\$ 2.45	\$ 1.68
<b>Year Ended December 31, 2021</b>		
First Quarter	\$ 3.63	\$ 2.02
Second Quarter	\$ 3.16	\$ 2.36
Third Quarter	\$ 3.31	\$ 2.45
Fourth Quarter	\$ 3.54	\$ 2.48

**Holders**

As of March 29, 2022, there was 1 stockholder of record of our Class A common stock and there were approximately 40 stockholders of record of our Class B common stock, respectively. Since many of our shares of Class B common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

**Issuer Purchases of Equity Securities**

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. During the fourth quarter of 2021, we did not have any share repurchases under this program and 1,319,128 Class B common shares remain available for purchase under the plan.

In October 2020, the Company repurchased 5 million shares of its Class B common stock for \$10.8 million in cash pursuant to a joint and equal tender offer with Edenbrook Capital, LLC.

**ITEM 6. SELECTED FINANCIAL DATA.**

As a smaller reporting company under SEC Regulations, we are not required to provide this information.

**ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following discussion should be read in conjunction with the audited consolidated financial statements and the notes to those statements which appear elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements. Please see page 1 on this Annual Report on Form 10-K “Forward-Looking Statements” and Item 1A of this Annual Report on Form 10-K under the caption “Risk Factors” for a discussion of the risks, uncertainties and assumptions associated with these statements.*

**Overview**

Marchex’s conversation intelligence platform, that incorporates AI functionality to help with sales engagement and marketing solutions, helps businesses turn strategic insights into the actions that can drive their most valued sales outcomes. Our multichannel voice and text capabilities help enable sales and marketing teams to deliver the buying experiences that improves their customer experiences. Marchex provides its’ conversation intelligence solutions for market-leading companies in numerous industries, including several of the world’s most innovative and successful brands.

We believe that we have a set of tools for enterprises that depend on phone calls, texts and other communication channels to help convert prospects into customers, to deliver compelling customer experiences during the sales process and maximize returns. Our mission is to help our customers grow by giving them real-time insights into the conversations they are having with their customers across phone, text and other communication channels. Marchex leverages proprietary data and conversational insights to deliver real-time AI-powered functionality that drives solutions that help enable brands to personalize customer interactions in order to accelerate sales and grow their business.

We were incorporated in Delaware on January 17, 2003.

We have offices in Seattle, Washington; Wichita, Kansas; and Mississauga, Canada.

**Recent Developments*****New Product Launch***

In May 2021, Marchex released the first of several planned sales engagement solutions with its auto dealer facing product: Marchex Engage for Automotive. Marchex Engage for Automotive is the company’s newest artificial intelligence-powered solution, developed specifically for automotive dealers. Marchex Engage for Automotive is an innovative conversation intelligence application that enables automotive sales teams to deliver better buying experiences and sell more.

***COVID-19***

The global pandemic continues to be unpredictable. In Q2 2021, we experienced higher conversational volumes as the number of cases steadily declined. However, the resurgence of new variants, supply chain disruptions, and labor shortages decreased conversational volumes at times in the second half of 2021. Our revenue was affected by the pandemic in 2020 and 2021. We are cautiously optimistic about the recovery of the U.S. economy as we look towards the start of the new fiscal year. We continue to add customers across multiple product offerings and verticals and plan to focus on our strategic priorities and growth initiatives to support our long-term growth efforts.

See the Notes to Consolidated Financial Statements for additional information. For additional information for the effects of the COVID-19 pandemic and resulting global disruptions on our business and operations, refer to “Results of Operations” within this discussion and analysis and Item 1.A of Part I, “Risk Factors.”

### ***Divestiture***

In October 2020, we sold certain assets related to the Local Leads Platform, Call Marketplace and other assets not related to core conversational analytics (the “Divestiture”). The purchaser is a related party controlled by a shareholder and officers of the Company. At closing, we received cash consideration of approximately \$2.3 million plus certain other contingent consideration, and in 2021 an additional \$400,000 in cash for the remaining minority equity interest from an unrelated party.

In connection with the closing, we also entered into an administrative support services agreement with the purchaser pursuant to which we will provide administrative services to the purchaser for a support services fee, with certain guaranteed payments to us in the first year and contingently in the second year following closing.

This Divestiture has been classified as discontinued operations for the year ended December 31, 2020. See Note 11: Discontinued Operations of the Notes to Consolidated Financial Statements for further discussion.

### ***Technology Infrastructure and Cloud Initiatives***

We made advancements in our technology infrastructure and cloud initiatives. In 2021, we were able to advance build out of our platform, which helped reduce our operating expenses compared to the prior year. We are focused on moving portions of our technology infrastructure to the cloud which helps enable us to innovate through scale and a common architecture.

### **Factors Affecting our Performance**

We utilize phone numbers as part of a number of analytics services to our customers such as our call and text analytics and communications. 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 call and text usage, the number of calls or texts or other actions performed by users of our services.

Our quarterly results have fluctuated in the past and may fluctuate in the future due to seasonality. Our experience has shown that during the spring and summer months, call volumes in certain verticals such as home services are generally higher 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 volumes. The extent to which call volumes may decrease during these off-peak periods is difficult to predict. Prolonged or severe decreases in call volumes during these periods may adversely affect our growth rate and results and in turn the market price of our securities. However, there can be no assurances such seasonal trends will consistently repeat each year. Historically, we have seen this trend generally reversing in the first quarter of the calendar year with increased call volumes 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.

In addition, as discussed elsewhere in this report, we have and may continue to experience impacts from quarantines, market downturns and changes in customer behavior related to the pandemic. We believe that our future revenue growth will depend on, among other factors, our ability to attract new customers, compete effectively, maximize our sales efforts, successfully improve existing analytics products and sales engagement solutions, and develop successful new products and solutions. 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.

### ***Climate Change***

We have considered specific risks associated as a result of climate change legislation or regulation and determined that in their current form, legislation or regulation is not reasonably likely to have a material effect on our financial condition or results of operations. However, further iteration of the proposed legislation may yield different results.

## **Components of the Results of our Operations**

### ***Revenue***

We generate the majority of our revenues from core analytics and solutions services. Our call analytics technology platform provides data and insights that can measure the performance of calls and texts for our customers. We generate revenue from our call analytics technology platform when customers pay us a fee for each call/text or call/text related data element they receive from calls or texts or for each phone number tracked based on a pre-negotiated rate. Customers typically receive the benefit of our services as they are performed and substantially all of our revenue is recognized over time as services are performed.

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.

### ***Service Costs***

Our service costs represent the cost of providing our services to our customers. These costs primarily consist of telecommunication costs, including the use of phone numbers relating to our services; colocation service charges of our network equipment; bandwidth and software license fees; network operations; and payroll and related expenses of personnel, including stock based compensation.

### ***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 customers; 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 U.S. GAAP.



**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.

**Amortization of Intangibles from Acquisitions**

Amortization of intangible assets excluding goodwill relates to intangible assets identified in connection with our acquisitions. The intangible assets have been identified as customer relationships; acquired technology; non-competition agreements; tradenames. These assets are amortized over useful lives ranging from 12 to 60 months.

**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.

**Results of Operations**

The following table presents revenue from continuing operations and certain of our operating results from continuing operations as a percentage of revenue:

(In Thousands, Except Percentages)	Year Ended December 31, 2020	% of revenue	Year Ended December 31, 2021	% of revenue
Revenue	\$ 51,218	100%	\$ 53,476	100%
Expenses:				
Service costs	\$ 20,888	41%	\$ 21,694	41%
Sales and marketing	16,656	33%	13,549	25%
Product development	21,001	41%	16,112	30%
General and administrative	12,796	25%	9,294	17%
Amortization of intangible assets from acquisitions	5,331	10%	4,481	8%
Acquisition and disposition related costs (benefits)	(1,043)	-2%	142	0%
Total operating expenses	75,629	148%	65,272	122%

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

(In Thousands)	Year Ended December 31,	
	2020	2021
Service costs	\$ 36	\$ 49
Sales and marketing	1,041	870
Product development	358	296
General and administrative	2,172	1,459
Total stock-based compensation	\$ 3,607	\$ 2,674

See *Note 6: Stockholders' Equity* (b). Stock Option Plan of the Notes to Consolidated Financial Statements, as well as our Critical Accounting Policies for additional information about stock-based compensation.

**Revenue**

Revenue increased \$2.3 million, or 4%, from \$51.2 million for the year ended December 31, 2020 to \$53.5 million for the year ended December 31, 2021. This increase was due primarily to the 2020 negative impact of the coronavirus pandemic on customer usage, rate discounts provided as a result of customer distress. These impacts did not recur to the same extent during 2021.

In the short term, we expect our revenues to be similar to or slightly higher than the most recent quarterly period as we focus on performance improvements for our customers in our product offerings. While we believe the U.S economy has the opportunity to expand, we expect our results to be volatile in the near term as the pandemic continues to be unpredictable and we expect to monitor the potential disruptions.

In the longer term, we believe that our new product releases and growth initiatives may enable the Company to progress, resulting in an opportunity for potential revenue growth. Prospective customers have indicated that they plan to initiate trials and there are existing customers that are considering the breadth of our product offerings, which would result in new revenue opportunities.

For additional discussion of trends and other factors in our business, refer to Industry and Market Factors in Item 2 of this Annual Report on Form 10-K.

**Expenses**

*Service Costs.* Service costs increased \$806,000, or 4%, from \$20.9 million for the year ended December 31, 2020 to \$21.7 million for the year ended December 31, 2021. As a percentage of revenues, service costs were 41% and 41% for the year ended December 31, 2020 and 2021, respectively. The increase in dollars was primarily due to an increase in communication and network costs totaling \$1.1 million. In addition, an increase in personnel costs and outside service provider costs of \$246,000 contributed to the increase. These increases were offset in the 2021 period by \$468,000 of higher support service fees under the agreement related to the Divestiture.

We expect in the near and intermediate term that service costs in absolute dollars will be similar in relation to the most recent period. Upon completion of various infrastructure efficiency initiatives, there may also be a positive impact on service costs as a percentage of revenue and further benefit in the event we generate contribution from new launches of analytics products and sales engagement solutions.

*Sales and Marketing.* Sales and marketing expenses decreased \$3.1 million, or 19%, from \$16.7 million for the year ended December 31, 2020 to \$13.5 million for the year ended December 31, 2021. As a percentage of revenue, sales and marketing expenses were 33% and 25% for the year ended December 31, 2020 and 2021, respectively. The net decrease in dollars and as a percentage of revenue was primarily attributable to an

aggregate net decrease in personnel and outside service provider costs and stock-based compensation costs totaling \$2.6 million. In addition, a decrease in travel related costs largely due to pandemic influenced restrictions totaling \$240,000 and \$374,000 of higher support service fees recovery in 2021. These decreases were partially offset by an increase in marketing costs of \$149,000. The percentage of revenue decrease was partially attributable to the benefit obtained from a portion of the sales and marketing expenses being fixed in nature and higher revenues in 2021.

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 term to increase in connection with any revenue increase. We also expect, to the extent that we increase our marketing activities, this could correspondingly also cause an increase as a percentage of revenue. We also believe as pandemic restrictions ease, travel related costs will increase as compared to the year ended December 31, 2021.

*Product Development.* Product development expenses decreased \$4.9 million, or 23%, from \$21.0 million for the year ended December 31, 2020 to \$16.1 million for the year ended December 31, 2021. As a percentage of revenue, product development expenses were 41% and 30% for the year ended December 31, 2020 and 2021, respectively. The net decrease in dollars and as a percentage of revenue was primarily due to a net decrease in personnel and outside service provider costs and stock-based compensation totaling \$3.3 million as well as higher support services fee recovery of \$1.3 million in 2021.

We expect that product development expenses will be relatively stable to modestly higher in absolute dollars as we continued to driver further optimizing our technology infrastructure and cloud initiatives offset by an increase in the number of personnel and consultants to enhance our service offerings

*General and Administrative.* General and administrative expenses decreased \$3.5 million, or 27%, from \$12.8 million for the year ended December 31, 2020 to \$9.3 million for the year ended December 31, 2021. As a percentage of revenue, general and administrative expenses were 25% and 17% for the year ended December 31, 2020 and 2021, respectively. The decrease in dollars was primarily comprised of a decrease in personnel and outside service provider costs and stock-based compensation costs totaling \$1.5 million, \$1.4 million of higher support services fee recovery in 2021, and a \$698,000 decrease in professional fees.

We also expect our general and administrative expenses to increase to the extent that we expand our operations and incur additional costs in connection with being a public company and regulatory updates including expenses related to professional fees and insurance, as well 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. In addition, we anticipate that our general and administrative expenses may be adversely impacted by the continuing COVID-19 pandemic at least for the near term.

*Amortization of Intangible Assets from Acquisitions.* Intangible amortization expenses was \$5.3 million and \$4.5 million for the year ended December 31, 2020 and 2021, respectively, The expense was associated with amortization of intangible assets acquired in the Telmetrics, Callcap, and Sonar acquisitions. During 2020 and 2021, the amortization of intangibles related to service costs, sales and marketing and general and administrative expenses. During the year ended December 31, 2020, we recorded an impairment charge totaling \$5.0 million relating to our intangible assets from acquisitions. For additional information, see the discussion in “Impairment of Goodwill and Impairment of Intangible Assets from Acquisitions” below.

*Acquisition and Disposition-related Benefits.* The change in the acquisition and disposition-related benefits from \$1.0 million for the year ended December 31, 2020 to an expense of \$142,000 for the year ended December 31, 2021 was primarily due to a \$1.5 million adjustment in 2020 to the estimated fair value of our contingent consideration liabilities related to our acquisitions of Telmetrics in November 2018 and of Sonar in December 2019. In 2021, we incurred professional and related fees primarily associated with acquisition and disposition related matters.

*Impairment of Goodwill and Impairment of Intangible Assets from Acquisitions.* During the first quarter of 2020, we recognized a goodwill impairment loss of \$14.7 million. We did not identify indicators of a goodwill impairment during the year ended December 31, 2021. As of December 31, 2021, we have \$17.6 million of goodwill remaining on our balance sheet.

In the first quarter of 2020, we performed an interim impairment test of our long-lived intangible assets. Based on the results of this testing, we recorded a pretax non-cash impairment totaling \$5.0 million relating to customer relationships, technologies, non-compete agreements and tradenames. This charge is reflected in our Consolidated Statements of Operations for the year ending December 31, 2020. The identified intangible assets acquired in the Telmetrics, Callcap and Sonar acquisitions are being amortized on a straight-line basis over a range of useful lives of 12 to 60 months.

The current business environment is subject to evolving market conditions and requires significant management judgment to interpret the potential impact to our assumptions. To the extent that changes in the current business environment impact our ability to achieve levels of forecasted operating results and cash flows, or should other events occur indicating the remaining carrying value of our assets might be impaired, we would test our goodwill and intangible assets for impairment and may recognize an additional impairment loss to the extent that the carrying amount exceeds such assets' fair values. No additional impairment of our intangible assets has been discovered since the first quarter of 2020. We will continue to monitor our financial performance, stock price and other factors in order to determine if there are any additional indicators of impairment. As a result, we may record an additional impairment loss in the near or intermediate term, which could have an adverse effect on our financial condition and results of operations.

*Loan Extinguishment.* In the second quarter of 2020, we received loans through the CARES Act. In the third quarter 2021, we were legally released from our obligation and recognized a \$5.2 million gain on loan extinguishment from continuing operations for the year ended December 31, 2021.

*Interest Income and Other, net.* The interest income and other, net from continuing operations for the year ended December 31, 2020 and 2021 was \$123,000 and \$2.5 million, respectively. In the second quarter 2021, we received \$2.5 million related to a contractual settlement of an upside payment with previously divested properties.

*Income Tax (Benefit).* The income tax (benefit) from continuing operations for the years ended December 31, 2020 and 2021 was (\$1.9 million) and \$235,000, respectively. The income tax expense for the year ended December 31, 2021 consisted primarily of state income taxes. The income tax benefit for the year ended December 31, 2020 consisted primarily of deferred tax benefits related to one of our foreign jurisdictions and an allocation of profits to discontinued operations, offset in part by U.S. state income tax expense. The effective tax rate differed from the expected tax rate of 21% due to a full valuation allowance, non-taxable CARES Act loan extinguishment income, 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, and other non-deductible amounts.

At December 31, 2021, based on all the available evidence, both positive and negative, we determined that it is not more likely than not that our deferred tax assets will be realized and accordingly, we have recorded a 100% valuation allowance of \$53.1 million against our net deferred tax assets (\$53.9 million of deferred tax assets that are partially offset by \$802,000 in reversing deferred tax liabilities). This compares to a 100% valuation allowance of \$43.3 million at December 31, 2020 (\$44.6 million of deferred tax assets that are partially offset by \$1.3 million in reversing deferred tax liabilities). In assessing the realizability of deferred tax assets, based on all the available evidence, both positive and negative, we considered whether it is more likely than not that some or all of the deferred tax assets will be realized. 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 the Company's history of taxable income or losses in the relevant jurisdictions in making this assessment. We have incurred federal taxable losses in 2020 and 2021.

*Discontinued Operations, net of tax.* In October 2020, we sold certain assets related to the Local Leads Platform, Call Marketplace and other assets note related to core conversational analytics. The operating results related to these dispositions are shown as discontinued operations, net of tax. Income from discontinued operations, net of tax, was \$3.6 million for the year ended December 31, 2020. In the October 2020 sale, we received net cash proceeds at closing of \$2.3 million and the sale includes contingent earn-out payments that depend on the achievement of certain sales thresholds. No gain or loss on the sale of discontinued operations

was recognized in the Consolidated Statement of Operations as it was sold to a related party. See Note 11: Discontinued Operations of the Notes to Consolidated Financial Statements for further discussion.

*Net Loss.* Net loss from continuing operations decreased \$37.6 million, or 90%, from \$42.0 million in 2020 compared to \$4.4 million in 2021. The decrease in loss for the year ended December 31, 2021 was primarily attributable to impairment charge related to goodwill and long-lived intangible assets with no corresponding amounts in the 2021 period. Further, the decrease was driven by a \$5.2 million gain on loan extinguishment and lower product development, general and administrative, and sales and marketing operating expenditures.

## Liquidity and Capital Resources

As of December 31, 2020 and 2021, we had cash and cash equivalents of \$33.9 million and \$27.1 million, respectively. As of December 31, 2021, we had current and long-term contractual obligations of \$4.3 million, of which \$3.3 million is for rent under our facility operating leases.

Cash used in operating activities was \$6.3 million during the year ended December 31, 2021. The cash used in operating activities was primarily a result of a net loss of \$4.4 million, adjusted for non-cash items of \$3.8 million, which primarily included depreciation and amortization, stock-based compensation, and a gain on loan extinguishment, offset by changes in working capital of \$5.8 million. The change in working capital was driven primarily by a decrease in accrued expenses and other current liabilities as well as increases in accounts receivable and other current asset balances. Our cash used in operating activities benefited from cash inflow of \$2.5 million related to settlement of a contractual matter and \$444,000 related to foreign government paycheck assistance and rent subsidies. Cash used in operating activities was \$3.4 million during the year ended December 31, 2020, of which approximately \$7.0 million was used by continuing operations and \$3.6 was provided by discontinued operations. The cash used in continuing operations was primarily a result of a net loss of \$42.0 million, adjusted for non-cash items of \$29.6 million, which primarily included the aggregate estimated impairment of goodwill and intangible assets from acquisitions of \$19.6 million, in addition to depreciation and amortization, stock based compensation, the allowance for doubtful accounts and other changes in working capital, offset by an adjustment to the estimated fair value of our contingent consideration liability related to our acquisitions of Telmetrics in November 2018 and Sonar in December 2019.

We expect that, at least for the near term, our revenues may continue to recover if macroeconomic conditions improve and business interruptions caused by the continuing pandemic subside resulting in increased demand for our products and services. However, we continue to monitor the potential disruptions caused by future iterations of COVID-19 and supply chain issues that have ensued, which could cause our revenues to be lower than current levels if customers are unable to procure our services at the same volumes as previously. The adverse impact would reduce our operating cash flows and liquidity going forward.

Cash used in investing activities for the year ended December 31, 2021 was \$951,000 and was primarily attributable to cash paid for purchases of property and equipment as well as capitalized software development costs offset by proceeds for the sale of our equity interest in Archenia. Cash provided by investing activities for the year ended December 31, 2020 was \$981,000 and was all attributable to continuing operations and was primarily attributable to cash received from the sale of certain assets related to the Local Leads Platform, Call Marketplace and other assets note related to core conversational analytics in October 2020, partially offset by cash paid for purchases of property and equipment. Consideration received at closing consisted of cash proceeds of \$2.3 million.

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. In consideration of initiatives related to an increase in our operations, we expect our expenditures for product development initiatives will be relatively 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 and marketing and related growth initiatives.

Cash provided by financing activities was \$528,000 during the year ended December 31, 2021. The cash provided was primarily attributable to proceeds from stock options and the employee stock purchase program. Cash used in financing activities was \$5.5 million during the year ended December 31, 2020, of which approximately \$5.7 million was used by continuing operations and \$200,000 was provided by discontinued operations. The cash provided was primarily attributable to proceeds received as part of the CARES Act funding. During the second quarter of 2020, we secured promissory notes to bank lenders pursuant to government loan programs (“the Loans”). In the third quarter of 2021, we were legally released from our obligation as our application was approved by the SBA. Therefore, we recognized a non-cash gain of approximately \$5.1 million for the forgiveness of our principal.

The repurchases of common stock were a result of a joint and equal tender with Edenbrook Capital LLC for 10 million shares of the Company's Class B common stock at \$2.15 per share, of which the Company's share of the repurchase totaled approximately \$10.8 million for 5 million shares. 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. We have made no repurchases under the 2014 Repurchase Program for the years ended December 31, 2020 and 2021.

Based on our operating plans we believe that our resources will be sufficient to fund our operations, including any investments in strategic initiatives, for at least twelve months, however the length and severity of the pandemic could influence our operating plans and resources significantly. 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**

Our Consolidated Financial Statements have been prepared using accounting principles generally accepted in the United States (U.S. GAAP). Our critical accounting policies are those that we believe have the most significant impact to reported amounts of assets, liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities and that require the most difficult, subjective, or complex judgements.

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. 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.

While our significant accounting policies are more fully described in *Note 1: Description of Business and Summary of Significant Accounting Policies and Practices*, we believe the following topics reflect our critical accounting policies and our more significant judgement and estimates used in the preparation of our financial statements.

### ***Principles of Consolidation***

Our Company consolidates all entities that we control by ownership of a majority voting interest. Additionally, there are situations in which U.S. GAAP requires consolidation even though the usual condition of consolidation (ownership of a majority voting interest) does not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have the variable interest is referred to as a "VIE." An enterprise must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Our Company held a remaining interest in the related party purchaser of our divested operations, for which we determined we were not the primary beneficiary. At the time, our variable interests in this VIE primarily relate to the issuance of a 10% equity interest in the related party purchaser; contingent consideration related to the transaction; and an administrative support services arrangement. We sold our equity interest in Q3 2021. Refer to Note 11: Discontinued Operations. Although this financial arrangement resulted in our holding variable interests in this related party entity, it did not empower us to direct the strategic and operational activities of the VIE that most significantly impact the VIE's economic performance.

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.

### ***Revenue***

We generate the majority of our revenues from core analytics and solutions services. Our call analytics technology platform provides data and insights that can measure the performance of calls and texts for our customers. We generate revenue from our call analytics technology platform when customers pay us a fee for each call, text, or other communication related data element they receive from calls or texts or for each phone number tracked based on a pre-negotiated rate. As such, the majority of 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).

Customers typically receive the benefit of our services as they are performed and substantially all of our revenue is recognized over time as services are performed. 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.

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 Topic 718, *Compensation – Stock Compensation* (ASC 718) 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 account for forfeitures as they occur. 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 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 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 6: *Stockholders' Equity(b). Stock Option Plan* in the 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 and advertiser credits. 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.

#### ***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed in business combinations accounted for under the purchase method. Intangible assets from acquisitions represent customer relationships, technologies, non-compete agreements, and tradenames related to previous acquisitions. These assets are determined to have definite lives and are amortized on a straight-line basis over the estimated period over which we expect to realize economic value related to the intangible asset. The amortization periods range from one year to 5 years.

We apply the provisions of the FASB ASC Topic 350, "Intangibles - Goodwill and Other" (ASC 350) whereby assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead test for impairment at least annually. ASC 350 also requires that intangible assets with definite useful lives be amortized over the respective estimated lives to their estimated residual values and reviewed for impairment in accordance with ASC 360, "Property Plant and Equipment" (ASC 360). Intangible assets are "grouped" and evaluated for impairment at the lowest level of identifiable cash flows.

Goodwill is tested annually on November 30 for impairment. Goodwill and intangible assets are also tested more frequently if events and circumstances indicate that the assets might be impaired. The provisions of the accounting standard for goodwill and other intangible assets allow us to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Events and circumstances considered in determining whether the carrying value of goodwill and intangible assets may not be recoverable include but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; and significant changes in competition and market dynamics. These estimates are inherently uncertain and can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, a loss of a significant customer, changes in



competition or changes in the share price of common stock and market capitalization. If our stock price were to trade below book value per share for an extended period of time and/or we experience adverse effects of a continued downward trend in the overall economic environment, changes in the business itself, including changes in projected earnings and cash flows, we may have to recognize an impairment of all or some portion of our goodwill and intangible assets. An impairment loss is recognized to the extent that the carrying amount exceeds the asset or asset group's fair value. If the fair value is lower than the carrying value, a material impairment charge may be reported in our financial results. We exercise judgment in the assessment of the related useful lives of intangible assets, the fair values, and the recoverability. In certain instances, the fair value is determined in part based on cash flow forecasts and discount rate estimates. We cannot accurately predict the amount and timing of any impairment of goodwill or intangible assets. Should the value of goodwill or intangible assets become impaired, we would record the appropriate charge, which could have an adverse effect on our financial condition and results of operations.

Any future impairment charges could have a material adverse effect on our financial results.

### ***Provision for Income Taxes***

We are subject to income taxes in the U.S. and certain international jurisdictions. 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.

We determined that it is not more likely than not that our deferred tax assets (excluding certain insignificant Canadian deferred tax assets) will be realized and accordingly recorded 100% valuation allowance against these deferred tax assets as of December 31, 2020 and 2021. 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.

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.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

As a smaller reporting company under SEC Regulations, we are not required to provide this information.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

## INDEX TO FINANCIAL STATEMENTS

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# Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of  
Marchex, Inc.

## ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Marchex, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders’ equity and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## ***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Revenue Recognition**

As described in Note 1 to the consolidated financial statements, the Company's revenue is generated from core analytics and solutions services. These revenues consist of a high volume of subscription and usage-based transactions, sourced from customary and proprietary information technology (IT) platforms, databases, and other tools. The processing and recording of revenue is substantially automated and based on call data (calls, texts, minutes, and numbers) captured and stored in these IT systems.

We identified the evaluation of the sufficiency of audit evidence over call analytics revenue recognition as a critical audit matter. This matter required a high degree of audit effort due to the significant number of the IT systems involved in the revenue recognition process. Auditor judgment was required in determining the nature and extent of audit evidence obtained over these information systems that process revenue transactions. Involvement of IT professionals with specialized skills and knowledge was required to assist with the performance and evaluation of certain procedures and determination of IT applications subject to testing.

The primary procedures we performed to address this critical audit matter included:

- Obtained an understanding of the Company's revenue recognition process and evaluated the design, implementation, and operating effectiveness of controls relating to revenue recognition, including those in place to ensure the transaction engine system is operating effectively.
- Evaluated with IT professionals the requisite systems to transact and record revenue related transaction through testing the effectiveness of general IT controls, including the user access controls, change management controls, and IT operations controls related to the systems utilized within the Company's call analytics revenue recognition process.
- For a sample of transactions, performed detail transaction testing by agreeing the revenue amounts recognized to source documents, including contracts with customers, recalculating the mathematical accuracy of the recorded revenue, and tracing to cash received for a portion of our sample.

Seattle, Washington  
March 29, 2022

We have served as the Company's auditor since 2017.

## MARCHEX, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(In Thousands, Except Per Share Amounts)	As of December 31,	
	2020	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,851	\$ 27,086
Accounts receivable, net	6,331	8,021
Prepaid expenses and other current assets	2,160	2,407
Total current assets	42,342	37,514
Property and equipment, net	2,747	2,817
Other assets, net	1,345	986
Right-of-use lease asset	3,744	2,238
Goodwill	17,558	17,558
Intangible assets from acquisitions, net	9,196	4,714
Total assets	<u>\$ 76,932</u>	<u>\$ 65,827</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,424	\$ 1,363
Accrued benefits and payroll	5,975	3,631
Other accrued expenses and current liabilities	4,210	3,869
Deferred revenue and deposits	1,393	2,016
Lease liability current	1,827	1,794
Loan obligations, current	5,123	—
Total current liabilities	20,952	12,673
Deferred tax liabilities	156	186
Lease liability non-current	3,136	1,466
Total liabilities	24,244	14,325
Commitments and contingencies - See Note 4		
Stockholders' equity:		
Common stock, \$0.01 par value. Authorized 137,500 shares		
Class A: 12,500 shares authorized; 4,661 shares issued and outstanding at December 31, 2020 and 2021	49	49
Class B: 125,000 shares authorized; 36,462 shares issued and outstanding at December 31, 2020, including 1,007 shares of restricted stock; and 37,391 shares issued and outstanding at December 31, 2021, including 965 shares of restricted stock	365	374
Additional paid-in capital	350,960	354,155
Accumulated deficit	(298,686)	(303,076)
Total stockholders' equity	52,688	51,502
Total liabilities and stockholders' equity	<u>\$ 76,932</u>	<u>\$ 65,827</u>

See accompanying Notes to Consolidated Financial Statements.

**MARCHEX, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**

(In Thousands, Except Per Share Amounts)	Years Ended December 31,	
	2020	2021
Revenue	\$ 51,218	\$ 53,476
Expenses:		
Service costs (1)(3)	20,888	21,694
Sales and marketing (1)(3)	16,656	13,549
Product development (3)	21,001	16,112
General and administrative (1)(3)	12,796	9,294
Amortization of intangible assets from acquisitions (2)	5,331	4,481
Acquisition and disposition related benefits	(1,043)	142
Total operating expenses	75,629	65,272
Impairment of goodwill	(14,688)	—
Impairment of intangible assets from acquisitions	(4,959)	—
Loss from operations	(44,058)	(11,796)
Gain on loan extinguishment	—	5,185
Interest income and other, net	123	2,453
Loss before provision for income taxes	(43,935)	(4,158)
Income tax (benefit)	(1,917)	232
Loss from continuing operations	(42,018)	(4,390)
Income from discontinued operations, net of tax	3,572	—
Net income (loss) applicable to common stockholders	\$ (38,446)	\$ (4,390)
Basic and diluted net loss per Class A share applicable to common stockholders:		
Continuing operations	\$ (0.91)	\$ (0.10)
Discontinued operations, net of tax	0.08	\$ —
Basic and diluted net income (loss) per Class A share applicable to common stockholders	\$ (0.83)	\$ (0.10)
Basic and diluted net income (loss) per Class B share applicable to common stockholders:		
Continuing operations	\$ (0.91)	\$ (0.10)
Discontinued operations	0.08	\$ —
Basic and diluted net income (loss) per Class B share applicable to common stockholders	\$ (0.83)	\$ (0.10)
Shares used to calculate basic net loss per share applicable to common stockholders:		
Class A	4,661	4,661
Class B	41,599	39,256
Shares used to calculate diluted net loss per share applicable to common stockholders:		
Class A	4,661	4,661
Class B	46,260	43,917
(1) Excludes amortization of intangibles from acquisitions		
(2) Components of amortization of intangibles from acquisitions:		
Service costs	\$ 2,636	\$ 2,248
Sales and marketing	2,053	2,121
General and administrative	642	112
Total	\$ 5,331	\$ 4,481
(3) Components of related party support services fee recovery		
Service costs	\$ 36	\$ 2,848
Sales and marketing	10	523
Product development	107	1,682
General and administrative	96	1,554
Total	\$ 249	\$ 6,607

See accompanying Notes to Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES  
Consolidated Statements of Stockholders' Equity

(In Thousands)	Class A common stock		Class B common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2019	4,661	\$ 49	39,610	\$ 396	—	—	\$ 359,632	\$ (260,240)	\$ 99,837
Issuance of common stock upon exercise of options, issuance and vesting of restricted stock and under employee stock purchase plan, net	—	—	722	8	(5,000)	(10,852)	(29)	—	(10,873)
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	—	—	3,834	—	3,834
Repurchase and retirement of treasury stock	—	—	(5,000)	(50)	5,000	10,852	(10,700)	—	102
Issuance of Class B common stock in connection with prior deferred issuance from acquisition	—	—	1,130	11	—	—	(11)	—	—
Divestiture consideration, net	—	—	—	—	—	—	(1,766)	—	(1,766)
Net loss	—	—	—	—	—	—	—	\$ (38,446)	\$ (38,446)
Balance at December 31, 2020	4,661	\$ 49	36,462	\$ 365	—	—	\$ 350,960	\$ (298,686)	\$ 52,688
Issuance of common stock upon exercise of options, issuance and vesting of restricted stock and under employee stock purchase plan, net	—	—	648	6	—	—	524	—	530
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	—	—	2,674	—	2,674
Repurchase and retirement of treasury stock	—	—	—	—	(23)	—	—	—	—
Issuance of Class B common stock in connection with prior deferred issuance from acquisition	—	—	281	3	—	—	(3)	—	—
Net loss	—	—	—	—	—	—	—	(4,390)	(4,390)
Balance at December 31, 2021	4,661	\$ 49	37,391	\$ 374	(23)	—	\$ 354,155	\$ (303,076)	\$ 51,502

See accompanying Notes to Consolidated Financial Statements.

**MARCHEX, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**

(In Thousands)	Years Ended December 31,	
	2020	2021
<b>Cash flows from operating activities:</b>		
Net loss applicable to common stockholders	\$ (38,446)	\$ (4,390)
Less:		
Net income from discontinued operations, net of tax	3,572	—
Loss from continuing operations	(42,018)	(4,390)
Adjustments to reconcile net loss to net cash provided by continuing operating activities:		
Amortization and depreciation	7,248	5,970
Acquisition and disposition related benefits	(1,596)	—
Allowance for doubtful accounts and advertiser credits	1,274	435
Deferred income taxes	(826)	(6)
Stock-based compensation	3,834	2,674
Gain on loan extinguishment	—	(5,185)
Gain on sale of equity investment	—	(59)
Impairment of goodwill	14,688	—
Impairment of intangible assets from acquisitions	4,959	—
Change in certain assets and liabilities:		
Accounts receivable, net	(80)	(2,125)
Prepaid expenses, other current assets, and other assets	(1,116)	647
Accounts payable	1,791	(1,050)
Accrued expenses and other current liabilities	4,309	(3,876)
Deferred revenue and deposits	527	623
Net cash (used in) continuing operating activities	(7,006)	(6,342)
Net cash provided by discontinued operating activities	3,633	—
Net cash provided by (used in) operating activities	(3,373)	(6,342)
<b>Cash flows from investing activities:</b>		
Cash from sale of discontinued operations	2,250	—
Purchases of property and equipment	(1,353)	(1,351)
Proceeds from sale of equity investment	—	400
Purchases of intangible assets and changes in other non-current assets	(4)	—
Cash paid for acquisitions, net of cash acquired	88	—
Net cash provided by (used in) continuing investing activities	981	(951)
Net cash provided by (used in) investing activities	981	(951)
<b>Cash flows from financing activities:</b>		
Repurchase of Class B common stock for treasury stock	(10,852)	—
Proceeds from Cares Act loans	5,119	—
Proceeds from exercises of stock options, issuance and vesting of restricted stock and employee stock purchase plan, net	80	528
Net cash provided by (used in) continuing financing activities	(5,653)	528
Net cash provided by (used in) discontinued financing activities	165	—
Net cash provided by (used in) financing activities	(5,488)	528
Net decrease in cash and cash equivalents	(7,880)	(6,765)
Cash and cash equivalents at beginning of period	41,731	33,851
Cash and cash equivalents of continuing operations at end of period	\$ 33,851	\$ 27,086
<b>Supplemental disclosure of cash flow information:</b>		
Foreign government paycheck assistance and rent subsidies (operating activities)	\$ 415	\$ 444
Settlement of a contract matter (operating activities)	—	2,500
Cash paid for operating leases (operating activities)	\$ 1,765	\$ 2,155
CARES Act loan extinguishment (financing activities)	—	5,119
<b>Supplemental disclosure of non-cash information:</b>		
Right-of-use assets obtained in exchanged for new operating lease liabilities	1,121	—
Change in right-of-use assets obtained in exchange for operating lease liabilities	1,741	—
Retirement of treasury stock	10,852	—

See accompanying Notes to Consolidated Financial Statements.



**MARCHEX, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**Note 1: Description of Business and Summary of Significant Accounting Policies and Practices**

***(a) 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 conversational analytics and solutions company that helps businesses connect, drive, measure, and convert callers into customers, and connects the voice of the customer to their business. We deliver data insights and incorporate artificial intelligence (AI)-powered functionality that drives insights and solutions to help companies find, engage and support their customers across voice and text-based communication channels.

*Divestiture*

In October 2020, the Company sold its interests in certain assets related to its Local Leads Platform, Call Marketplace and other assets not related to core conversational analytics and sales engagement solutions. The operating results related to these assets are shown as discontinued operations, net of tax, in the Consolidated Statements of Operations for all periods presented. See Note 11: Discontinued Operations of the Notes to the Consolidated Financial Statements for further discussion. Unless otherwise indicated, information presented in the Notes to the Financial Statements relates only to the Company's continuing operations.

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of our Consolidated Financial Statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, including the effects of COVID-19. The Company has used estimates related to several financial statement amounts, including revenues, allowance for doubtful accounts, allowance for advertiser credits, useful lives for property and equipment and intangible assets, valuation of intangible assets, valuation of contingent consideration transferred as a result of business combinations, the fair value of the Company's common stock and stock option awards, the impairment of goodwill and the valuation allowance for deferred tax assets. Actual results could differ from those estimates.

Our Company consolidates all entities that we control by ownership of a majority voting interest. 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.

Additionally, there are situations in which U.S. GAAP requires consolidation even though the usual condition of consolidation (ownership of a majority voting interest) does not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have the variable interest is referred to as a "VIE." An enterprise must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

We held a remaining interest in the related party purchaser of our divested operations until we disposed of our interest in the third quarter of 2021. We determined during the period of holding a interest we were not the primary beneficiary. Our variable interests in this VIE primarily relate to the issuance of a 10% equity interest in the related party purchaser; contingent consideration related to the transaction; and an administrative support services arrangement. Refer to Note 11: Discontinued Operations. Although this financial arrangement resulted in our holding variable interests in this related party entity, it did not empower us to direct the strategic and operational activities of the VIE that most significantly impact the VIE's economic performance. Our Company's investment related to this VIE totaled \$341,000 as of December 31, 2020, representing our maximum exposure to loss. In the

third quarter of 2021, we sold our equity interest for proceeds of \$400,000. The Company's investment related to this VIE was not individually significant to the Company's Consolidated Financial Statements.

**(b) Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist primarily of money market funds.

**(c) Fair Value of Financial Instruments**

The Company had the following financial instruments as of December 31, 2020 and 2021: cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates their fair value based on the liquidity of these financial instruments and their short-term nature. Further, these financial instruments are considered at Level 1 fair value with observable inputs that reflect quoted prices for identical assets or liabilities in active markets. The following table provides information about the fair value of our cash and cash equivalents balance:

(In Thousands)	Years Ended December 31,	
	2020	2021
Level 1 Assets:		
Cash	\$ 13,492	\$ 10,725
Money market funds	20,359	16,361
Total cash and cash equivalents	\$ 33,851	\$ 27,086

In addition, the Company has acquisition-related liabilities which are recorded at fair value. The fair value was estimated by applying the income approach, which is based on significant inputs that are not observable in the market (Level 3 inputs), such as the discount rate and the probability of meeting targeted financial goals.

Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of the entity. For a majority of our foreign operations, the functional currency is the U.S. dollar. Assets and liabilities denominated in other than the functional currency are remeasured each month with the remeasurement gain or loss recorded in other income and expense in the Consolidated Statements of Operations.

**(d) Accounts Receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Accounts receivable balances are presented net of allowance for doubtful accounts and allowance for advertiser credits.

*Allowance for Doubtful Accounts*

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on analysis of historical bad debts, advertiser concentrations, advertiser credit-worthiness and current economic trends. Past due balances over 90 days and specific other balances are reviewed individually for collectability. The Company reviews the allowance for collectability quarterly. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance for doubtful accounts activity for the periods indicated is as follows:

(In Thousands)	Balance at beginning of period	Charged to costs and expenses	Write-offs, net of recoveries	Balance at end of period
December 31, 2020	266	246	68	444
December 31, 2021	444	187	365	266

### Allowance for Advertiser Credits

The allowance for advertiser credits is the Company's best estimate of the amount of expected future reductions in advertisers' payment obligations related to delivered services. The Company determines the allowance for advertiser credits and adjustments based on analysis of historical credits.

The allowance for advertiser credits activity for the periods indicated is as follows:

(In Thousands)	Balance at beginning of period	Additions charged against revenue	Credits processed and other	Balance at end of period
December 31, 2020	153	1,029	520	662
December 31, 2021	662	248	753	157

### (e) Property and Equipment

Property and equipment are stated at cost. Depreciation on computers and other related equipment, purchased and internally developed software, and furniture and fixtures is calculated on the straight-line method over the estimated useful lives of the assets, generally averaging three years. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful lives of the assets generally ranging from five to eight years.

We capitalize certain software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include (i) external direct costs of materials and services utilized in developing computer software, (ii) compensation and related benefits for employees who are directly associated with the software projects. Capitalized software costs are amortized on a straight-line basis when placed into service over the estimated useful life of the software, generally averaging three years. We capitalized software development costs of \$1.0 million for the year ended December 31, 2021.

### (f) Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed in business combinations accounted for under the purchase method, net of recognized impairment.

Goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. As of the year ended December 31, 2020 and 2021, the Company had \$17.6 million, respectively, of goodwill on its balance sheet, net of recognized impairment. See *Note 10: Goodwill* for further discussion.

### (g) Impairment or Disposal of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds fair value. Assets to be disposed of would be separately presented on the balance sheet and reported at the lower of their carrying amount or fair value less costs to sell, and no longer depreciated.

**(h) Revenue Recognition**

We generate the majority of our revenues from core analytics and solutions services. 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.

Revenue is recognized when a customer obtains control of services in an amount that reflects the consideration the Company expects to receive in exchange for those 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 Company's call analytics technology platform provides data and insights that can measure the performance of mobile, online and offline advertising for customers and small business resellers. The Company generates revenue from the Company's call analytics technology platform when advertisers pay the Company a fee for call, text, or other communication related data element they receive from calls or texts 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/text or call/text related data element or each phone number tracked.

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, 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. The balance associated with the allowance for advertiser credits in the Company's Consolidated Balance Sheet was \$662,000 and \$157,000 as of December 31, 2020 and 2021, respectively. Customer payments received in advance of revenue recognition are also contract liabilities and are recorded as deferred revenue. The deferred revenue balance in the Company's Consolidated Balance Sheet as of December 31, 2020 and 2021, was \$1.4 million and \$2.0 million, respectively. During the year ended December 31, 2020 and 2021, revenue recognized that was included in the contract liabilities balances at the beginning of the period was \$932,000 and \$1.4 million, respectively.

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.

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 December 31, 2020 and 2021, the Company had \$167,000 and \$128,000 of net deferred contract costs, respectively, and the accumulated amortization associated with these costs was \$989,000 and \$1.2 million for the year ended December 31, 2020 and 2021, respectively.

**(i) Service Costs**

Our service costs represent the cost of providing our services to our customers. These costs primarily consist of telecommunication costs, including the use of phone numbers relating to our services; colocation service charges of our network equipment; bandwidth and software license fees; network operations; and payroll and related expenses of personnel, including stock based compensation.

**(j) Advertising Expenses**

Advertising costs are expensed as incurred and include mobile and online advertising and related outside marketing activities, including sponsorships and trade shows. Such costs are included in sales and marketing. Advertising costs were approximately \$1.3 million and \$1.4 million for the years ended December 31, 2020 and 2021 respectively.

**(k) Product Development**

Product development costs consist primarily of expenses incurred by the Company in the research and development, creation, and enhancement of the Company's products and services. Research and development costs are expensed as incurred and include compensation and related expenses, costs of computer hardware and software, and costs incurred in developing features and functionality of the services. For the periods presented, substantially all of the product development expenses are research and development. Product development costs are expensed as incurred or capitalized into property and equipment in accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. FASB ASC Topic 350 requires that cost 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.

**(l) Income Taxes**

The Company utilizes 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.

**(m) Stock-Based Compensation**

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 award using the straight-line method. The Company accounts for forfeitures as they occur.

**(n) 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.

The Company had no customers that represented more than 10% of consolidated revenue for the year ended December 31, 2020 and December 31, 2021.

The Company has one customer that represents more than 10% of consolidated accounts receivable. The outstanding receivable balance for this customer is as follows:

(In Percentages)	At December 31,	
	2020	2021
Customer A	18%	11%

**(o) 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 its 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. See *Note 6: Stockholders' Equity* of the Notes to Consolidated Financial Statements for further discussion.

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. Under the two class method, dividends paid on unvested restricted stock are allocated to these participating securities and therefore impact the calculation of amounts allocated to common stock.

The following table presents the computation of basic net loss per share for the periods ended:

(In Thousands, Except Per Share Amounts)	Years Ended December 31,			
	2020		2021	
	Class A	Class B	Class A	Class B
Basic net loss per share:				
Numerator:				
Net loss from continuing operations, net of tax	\$ (4,233)	\$ (37,785)	\$ (466)	\$ (3,924)
Discontinued operations, net of tax	360	3,212	—	—
Net loss applicable to common stockholders	\$ (3,873)	\$ (34,573)	\$ (466)	\$ (3,924)
Denominator:				
Weighted average number of shares outstanding used to calculate basic net loss per share	4,661	41,599	4,661	39,256
Basic net income (loss) per share:				
Continuing operations, net of tax	\$ (0.91)	\$ (0.91)	\$ (0.10)	\$ (0.10)
Discontinued operations, net of tax	0.08	0.08	—	—
Basic net loss per share applicable to common stockholders	\$ (0.83)	\$ (0.83)	\$ (0.10)	\$ (0.10)

The following table presents the computation of diluted net loss per share for the periods ended:

(In Thousands, Except Per Share Amounts)	Years Ended December 31,			
	2020		2021	
	Class A	Class B	Class A	Class B
Diluted net loss per share:				
Numerator:				
Net loss from continuing operations, net of tax	\$ (4,233)	\$ (37,785)	\$ (466)	\$ (3,924)
Reallocation of net loss for Class A shares as a result of conversion of Class A to Class B shares	—	(4,233)	—	(466)
Diluted net loss from continuing operations, net of tax	\$ (4,233)	\$ (42,018)	\$ (466)	\$ (4,390)
Discontinued operations, net of tax	360	3,212	0	0
Reallocation of discontinued operations for Class A shares as a result of conversion of Class A to Class B share	—	360	—	—
Net income from discontinued operations, net of tax	\$ 360	\$ 3,572	\$ —	\$ —
Net loss applicable to common stockholders	\$ (3,873)	\$ (38,446)	\$ (466)	\$ (4,390)
Denominator:				
Weighted average number of shares outstanding used to calculate basic net loss per share	4,661	41,599	4,661	39,256
Conversion of Class A to Class B common shares outstanding	—	4,661	—	4,661
Weighted average number of shares outstanding used to calculate diluted net loss per share	4,661	46,260	4,661	43,917
Diluted net loss per share:				
Continuing operations, net of tax	\$ (0.91)	\$ (0.91)	\$ (0.10)	\$ (0.10)
Discontinued operations, net of tax	0.08	0.08	—	—
Diluted net loss per share applicable to common stockholders	\$ (0.83)	\$ (0.83)	\$ (0.10)	\$ (0.10)

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

- For the years ended December 31, 2020 and 2021, outstanding options to acquire 3,460 and 3,601 shares, respectively, of Class B common stock.
- For the years ended December 31, 2020 and 2021, 1,007 and 965 shares of unvested Class B restricted common shares, respectively.
- For the years ended December 31, 2020 and 2021, 617 and 553 restricted stock units, respectively.

**(p) Guarantees**

FASB ASC Topic 460, *Guarantees* provides accounting guidance surrounding liability recognition and disclosure requirements related to guarantees. In the ordinary course of business, the Company is not subject to potential obligations under guarantees that fall within the scope of FASB ASC Topic 460 except for standard indemnification provisions that are contained within many of the Company's agreements, and give rise only to the disclosure requirements prescribed by FASB ASC Topic 460.

In certain agreements, the Company has agreed to indemnification provisions of varying scope and terms with customers, 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 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 the Company could be required to make under these indemnification provisions could be material.

**(g) Recent Accounting Pronouncement Not Yet Effective**

To date, there have been no recent accounting pronouncements not yet effective that are expected to have a material impact on our Consolidated Financial Statements.

**Note 2: Property and Equipment**

Property and equipment consisted of the following:

(In Thousands)	Years Ended December 31,	
	2020 (1)	2021 (1)
Computer and other related equipment	\$ 12,948	\$ 13,373
Purchased and internally developed software	2,058	2,483
Furniture and fixtures	1,271	1,271
Leasehold improvements	1,737	1,732
Construction in progress	330	769
	\$ 18,344	\$ 19,628
Less: accumulated depreciation and amortization	(15,597)	(16,811)
Property and equipment, net	\$ 2,747	\$ 2,817

(1) Includes the original cost of fully-depreciated fixed assets which were \$13.6 million and \$10.9 million at December 31, 2020 and 2021, respectively.

Depreciation and amortization expense related to property and equipment was approximately \$1.6 million and \$1.2 million for the years ended December 31, 2020 and 2021, respectively.

**Note 3: Leases**

The Company adopted FASB ASC Topic 842, *Leases* (ASC 842) on January 1, 2019 and used the effective date of January 1, 2019 as its date of initial application. The primary impact upon adoption of the standard relates to the recognition of new right-of-use ("ROU") assets and lease liabilities on the Company's balance sheet for its office and operating leases and providing significant new disclosures about its leasing activities. On adoption, the Company recognized additional operating lease liabilities of approximately \$8.7 million based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases and ROU assets of approximately \$7.4 million.

The standard also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company did not recognize ROU assets or lease liabilities, and this included not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components for all of its leases.

The Company has an operating lease for office space for its corporate headquarters in Seattle, Washington. It also has operating leases for office space in Mississauga, Canada and Wichita, Kansas. The Company leases its office facilities under operating lease agreements in accordance with ASC 842 and recognizes rent expense on a



straight-line basis over the lease term with any lease incentives amortized as a reduction of rent expense over the lease term.

The Company's lease agreement with respect to office space in Seattle, Washington, as amended, expires on March 31, 2025. 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, as part of the agreement, the lessor paid towards the cost of certain leasehold improvements ("landlord contribution") of which the Company could use approximately \$180,000 of unused landlord contribution as a credit against any payment obligation under the lease. In the second quarter of 2019, the Company requested the \$180,000 landlord contribution from the lessor as a reimbursement towards certain leasehold improvements and received those funds in the third quarter of 2019. 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. The letter of credit was collateralized by a \$575,000 certificate of deposit, which was restricted in use and is included in other assets in the Company's Condensed Consolidated Balance Sheet as of March 31, 2019. On April 2, 2019, the Company was no longer required to collateralize the letter of credit and the certificate of deposit matured. Additionally, in the third quarter of 2020, the Company concluded that exercising its option to terminate this office lease in March 2023 had met the reasonably certain threshold and as such, the Company remeasured its ROU asset and liability associated with this lease as of September 30, 2020 based on the expected termination fee payment of approximately \$671,000 and a lease termination date of March 2023.

The Company's lease agreement with respect to office space in Mississauga, Canada commenced in November 2016, with a lease term of 60 months, and expired on November 30, 2021. The Company has subsequently entered into a month-to-month lease and for disclosure purposes, we have selected the short-term lease election.

The Company commenced a new lease for an office space in Wichita, Kansas in June 2020 which continues for a period of 66 months with an option to extend the term for two additional periods of three years each. The Company has the option to terminate the lease pursuant to certain terms as specified in the lease without any termination fees if notice is provided.

Lease cost recognized in the Company's Consolidated Statements of Operations and other information is summarized as follows:

(In Thousands)	Years Ended December 31,	
	2020	2021
Operating lease cost	\$ 1,700	\$ 1,862
Short-term operating lease cost	46	8
Total operating lease cost	1,746	1,870
Other information:		
Weighted-average remaining lease term - operating leases	2.8 years	1.9 years
Weighted-average discount rate - operating leases (1)	4.8%	4.8%

- (1) The discount rate used to compute the present value of the total lease liabilities as of December 31, 2020 and 2021 was based on the Company's estimated incremental borrowing rate of similar secured borrowings available to the Company as of the commencement date of lease.

As of December 31, 2021, the Company's operating lease liabilities were as follows:

(In Thousands)	Total
Gross future operating lease payments	\$ 3,415
Less: imputed interest	(155)
Present value of total operating lease liabilities	3,260
Less: current portion of operating lease liabilities	(1,794)
Total long-term operating lease liabilities	\$ 1,466

**Note 4: Commitments and Contingencies****(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 in accordance with ASC 842 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
2022	1,871	661	2,532
2023	1,161	237	1,398
2024	209	—	209
2025	174	—	174
Total minimum payments	<u>\$ 3,415</u>	<u>\$ 898</u>	<u>\$ 4,313</u>

(1) For additional information regarding the Company's facilities operating leases, see *Note 3. Leases* of the Notes to Consolidated Financial Statements for further discussion.

**(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 to, the Company has agreed to indemnification provisions of varying scope and terms with customers, 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 its 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 the Company 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.

**Note 5: Income Taxes**

The components of loss from continuing operations before provision for income taxes consist of the following (in thousands):

(In Thousands)	Years Ended December 31,	
	2020	2021
United States	\$ (38,891)	\$ (1,173)
Foreign	(5,044)	(2,985)
Loss from continuing operations before provision for income taxes	<u>\$ (43,935)</u>	<u>\$ (4,158)</u>

The provision for income taxes for the Company's continuing operations consists of the following (in thousands):

(In Thousands)	Years Ended December 31,	
	2020	2021
Current federal provision		
State	\$ 21	\$ 204
Deferred provision (benefit)		
Federal	(901)	20
State	(153)	106
Foreign	(884)	(98)
Total income tax expense (benefit)	\$ (1,917)	\$ 232

The Company's income tax benefit from continuing operations differed from the amounts computed by applying the U.S. federal statutory rate to loss before provision for income taxes as a result of the following:

(In Thousands)	Years Ended December 31,	
	2020	2021
Income tax benefit at U.S. statutory rate	\$ (9,226)	\$ (873)
State taxes, net of valuation allowance	(103)	(448)
Stock-based compensation (1)	154	434
Valuation allowance	7,427	3,334
Foreign tax differential	(1,124)	(747)
Tax credits	(368)	(544)
Impairment	1,533	—
Acquisition/accretion benefits	(250)	(1)
Gain on CARES Act loan	—	(1,089)
Meals and entertainment	1	68
Other expenses	39	98
Total income tax expense (benefit)	\$ (1,917)	\$ 232

(1) Includes non-deductible stock-based compensation and excess tax benefits and shortfalls from stock-based compensation.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below and reflects the 21% U.S. federal statutory rate for 2020 and 2021 (in thousands):

(In Thousands)	Years Ended December 31,	
	2020	2021
Deferred tax assets:		
Accrued liabilities not currently deductible	\$ 651	\$ 476
Intangible assets- excess of financial statement over tax amortization	982	5,985
Goodwill recognized on financial statements in excess of tax amortization	(18)	—
Stock-based compensation	2,524	2,405
Federal net operating and capital losses	21,531	35,052
State, local and foreign net operating and capital loss carryforwards	12,325	3,353
Research & experimental tax and other credit carryforwards	4,640	5,184
Lease liability	1,250	866
Other	735	547
Gross deferred tax assets	44,620	53,868
Valuation allowance	(43,314)	(53,066)
Net deferred tax assets	\$ 1,306	\$ 802
Deferred tax liabilities:		
Intangible assets-excess of tax over financial statement amortization	(532)	(393)
Right-of-use lease asset	(930)	(595)
Net deferred tax liabilities	\$ (156)	\$ (186)

As of December 31, 2021, the Company's federal NOL carryforwards were approximately \$166.9 million and federal research and development credit carryforwards were \$6.1 million. These will begin to expire in 2027 and 2029, respectively, for income tax purposes. These credits are potentially available to offset future tax liabilities. The Tax Reform Act of 1986 limits the use of NOL and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. The Company is not aware that any such change has occurred related to these specific NOL carryforwards, or that the utilization of the carryforwards is limited such that these NOL carryforwards will likely never be utilized. Accordingly, the Company has included these federal NOL carryforwards in its deferred tax assets (subject to valuation allowance).

The Company has recorded a deferred tax asset for stock-based compensation recorded on unexercised non-qualified stock options and certain restricted shares and restricted share units. The ultimate realization of this asset is dependent upon the fair value of the Company's stock when the options are exercised and when restricted shares or restricted share units vest, and generation of sufficient taxable income to realize the benefit of the related tax deduction.

At December 31, 2020 and 2021, the Company recorded a valuation allowance of \$43.3 million, and \$53.1 million, respectively, against its federal, state, city and foreign net deferred tax assets for continuing operations, as it believes it is more likely than not that these benefits will not be realized. The net change in the total valuation allowance for each of the years ended December 31, 2020 and 2021 was \$24.2 million and \$9.8 million, respectively.

The Company regularly reviews deferred tax assets to assess whether it is more likely than not that the deferred tax assets will be realized and, if necessary, establishes a valuation allowance for portions of such assets to reduce the carrying value. 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 customer 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 Company incurred taxable losses from 2016 through 2021. 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, with the exception of certain insignificant foreign deferred tax assets, 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 following table summarizes activity related to tax contingencies from January 1, 2020 to December 31, 2021 which are recorded as an offset to deferred tax assets (in thousands):

<b>(In Thousands)</b>	
Gross tax contingencies—January 1, 2020	\$ 1,268
Gross increases to tax positions associated with prior periods	—
Gross increases to current period tax positions	97
Gross decreases to tax positions associated with prior periods	—
Settlements	—
Lapse of statute of limitations	—
Gross tax contingencies—December 31, 2020	<u>1,365</u>
Gross increases to tax positions associated with prior periods	—
Gross increases to current period tax positions	72
Gross decreases to tax positions associated with prior periods	(55)
Settlements	—
Lapse of statute of limitations	—
Gross tax contingencies—December 31, 2021	<u>\$ 1,382</u>

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 2013 are within the statute of limitations and are under examination or may be subject to examination.

## **Note 6: Stockholders' Equity**

### ***(a) Common Stock and Authorized Capital***

The authorized capital stock of the Company consists of 1,000,000 shares of undesignated preferred stock and 125,000,000 shares of Class B common stock. The Company's board of directors has the authority to issue up to 1,000,000 shares of preferred stock, \$0.01 par value in one or more series and has the authority to designate rights, privileges and restrictions of each such series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series.

The Company has two classes of authorized common stock: Class A common stock and Class B common stock. Except with respect to voting rights, the Class A and Class B shares have identical rights. Each share of Class A common stock is entitled to twenty-five votes per share, and each share of Class B common stock is entitled to one vote per share. Each share of Class A common stock is convertible at the holder's option into one share of Class B common stock.

In accordance with the stockholders' agreement signed by the founding Class A common stockholders, the following provisions survived the Company's initial public offering: Class A stockholders other than Russell C. Horowitz may only sell, assign or transfer their Class A stock to existing Class A stockholders or to the Company and in the event of transfers of Class A stock not expressly permitted by the stockholders' agreement, such shares of Class A stock shall be converted into shares of Class B common stock.

In November 2014, the Company's 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, 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 has made no repurchases under the 2014 Repurchase Program for the years ended December 31, 2020 and 2021. During the year ended December 31, 2020, a joint and equal tender from the Company and Edenbrook Capital LLC (an existing shareholder of the Company) (the "Offer") was completed for 10 million shares of the Company's Class B common stock at \$2.15 per share, of which the Company's share of the repurchase totaled approximately \$10.8 million for 5 million shares, which was not pursuant to the 2014 Repurchase Program. Shares repurchased but not yet retired by the Company are classified as treasury stock on the Consolidated Balance Sheet before retirement. Retirement of treasury stock results in reductions to common stock and additional paid-in capital.

In November 2018, the Company acquired 100% of the outstanding stock of Callcap for consideration of approximately \$25 million in cash at closing and approximately 3.4 million shares of Class B common stock to be issued over the four year period following the acquisition date. The issuance of the shares for 2021 and 2022 have been deferred and will issue in 2023 as a result of conditional events occurring as specified in the terms of the acquisition. The issuance of the Class B common stock is not contingent.

In December 2019, the Company acquired 100% of the outstanding stock of Sonar for consideration of approximately \$8.5 million in cash at closing and approximately 1.0 million shares of Class B common stock to be issued over the three-year period following the acquisition date, with the timing of issuance subject to certain conditions and with any shares not previously issued to be issued on the fifth anniversary of the acquisition date. Such issuance of the Class B common stock is not contingent. The Company also agreed to issue up to approximately 389,000 shares of Class B common stock based upon the achievement of certain financial target goals by Sonar in 2020 which were not achieved.

#### ***(b) Stock Option Plan***

The Company's stock incentive plan (the "2021 Plan"), which was established in 2021, allows for grants of stock options, restricted stock units and restricted stock awards to eligible participants and such options may be designated as incentive or non-qualified stock options at the discretion of the 2021 Plan's Administrative Committee. Prior to the 2021 Plan, the Company granted stock-based awards under its 2012 Stock Incentive Plan (the "2012 Plan"). No further awards were made under the 2012 Plan after December 31, 2021. The 2021 Plan authorizes up to 3,500,000 shares of Class B common stock that may be issued with respect to awards granted under the 2021 Plan, and provides that the total number of shares of Class B common stock for which options designated as incentive stock options may be granted shall not exceed 3,500,000 shares. Annual increases to each of these share limits are to be added on the first day of each fiscal year beginning on January 1, 2022 equal to 3% of the outstanding common stock (including for this purpose any shares of common stock issuable upon conversion of any outstanding capital stock of the Company) or in the case of incentive stock options, the lesser of (i) 2,000,000 shares of Class B common stock, or (ii) 3% of the outstanding common stock (including for this purpose any shares of common stock issuable upon conversion of any outstanding capital stock of the Company), or (iii) such number as determined by the Company's board of directors. As a result of this provision, the authorized number of shares available under the 2021 Plan was increased by 1,261,566 on January 1, 2022 bringing the aggregate authorized number of shares available under the 2021 Plan to 4,761,566. The Company may issue new shares or reissue treasury shares for stock option exercises and restricted stock grants. Generally, stock options have 10-year terms and vest 25% each year either annually or quarterly, over a 4-year period and restricted stock awards and units vest 25% each year annually over a 4-year period.

The Company did not grant any options with exercise prices less than the then current market value during 2020 and 2021.

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 award using the straight-

line method. The Company accounts for forfeitures as they occur. Stock-based compensation has been included in the same lines as compensation paid to the same employees in the Consolidated Statements of Operations.

Stock-based compensation expense was included in the following operating expense categories:

(In Thousands)	Years ended December 31,	
	2020	2021
Service costs	\$ 36	\$ 49
Sales and marketing	1,041	870
Product development	358	296
General and administrative	2,172	1,459
Total stock-based compensation	\$ 3,607	\$ 2,674

For the years ended December 31, 2020 and 2021, the income tax benefit related to stock-based compensation included in net loss was \$0 for all periods due to the valuation allowance recorded on the deferred tax assets.

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 years ended December 31, 2020 and 2021, the expected life of each award granted was determined based on historical experience with similar awards, giving consideration to contractual terms, anticipated exercise patterns, and vesting schedules. 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. The Company uses an expected annual dividend yield in consideration of the Company's common stock dividend payments.

The following assumptions were used in determining the fair value of time-vested stock options granted for the periods indicated:

	Years Ended December 31,	
	2020	2021
Expected life (in years)	4.00-6.25	4.00-6.25
Risk-free interest rate	0.17% - 1.22%	0.64% - 1.35%
Expected volatility	46% - 54%	50% - 59%
Weighted average expected volatility	52%	55%

Stock option, restricted stock award, and restricted stock unit activity during the period is as follows:

	Options and Restricted Stock available for grant (in thousands)	Number of options outstanding (in thousands)	Weighted average exercise price of options	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Balance at December 31, 2020	14,563	3,460	\$ 3.82	6.50	\$ 27
Increase to pool January 1, 2021	2,056	—			
Options granted	(1,008)	1,008	\$ 2.61		
Restricted stock granted	(615)	—			
Restricted stock forfeited	253	—			
Options exercised	163	(163)	\$ 2.73		
Options expired	439	(439)	\$ 5.16		
Options forfeited	265	(265)	\$ 3.01		
Balance at December 31, 2021	16,116	3,601	\$ 3.43	6.46	\$ 360
Options exercisable at December 31, 2021		1,888	\$ 4.10	4.67	\$ 54

Information related to stock compensation activity during the period indicated is as follows:

	Years Ended December 31,	
	2020	2021
Weighted average fair value of options granted	\$ 1.08	\$ 1.21
Intrinsic value of options exercised (in thousands)	\$ -	\$ 71
Total grant date fair value of restricted stock vested (in thousands)	\$ 2,666	\$ 1,786

At December 31, 2021, there was \$2.6 million of unrecognized stock option compensation expense related to non-vested awards, which is expected to be recognized over a weighted average period of 2.9 years.

During the year ended December 31, 2021, gross proceeds recognized from the exercise of stock options was \$445,000. There were no stock options exercised during the year ended December 31, 2020.

Restricted stock awards and restricted stock unit activity during the period is as follows:

	Shares/ Units (In Thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2020	1,632	\$ 3.18
Granted	615	2.54
Vested	(476)	3.77
Forfeited	(253)	2.80
Unvested at December 31, 2021	1,518	2.80

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 awards and restricted stock units are expensed on a straight-line basis over the vesting or service period, as applicable, and forfeitures are recognized as they occur. Restricted stock units entitle the holder to receive one share of the Company's Class B common stock upon satisfaction of certain service conditions.

At December 31, 2021, there was \$4.5 million of unrecognized restricted stock compensation expense related to non-vested restricted stock, which is expected to be recognized over a weighted average period of 2.9 years.

#### ***(c) Employee Stock Purchase Plan***

On March 8, 2013, the Company's board of directors adopted and in May 2013 the stockholders approved the 2014 Employee Stock Purchase Plan ("2014 ESPP"), which became effective on January 1, 2014. The Company authorized an aggregate of 225,000 shares of Class B common stock for issuance under the plan to participating employees. The 2014 ESPP provides eligible employees the opportunity to purchase the Company's Class B common stock at a price equal to 95% of the closing price on the last business day of each purchase periods. The 2014 ESPP permits eligible employees to purchase amounts up to 15% of their compensation in the purchase period, and no employee is permitted to purchase stock worth more than \$25,000 in any calendar year, valued as of the first day of each purchase period. During the year ended December 31, 2020, 41,987 shares were purchased at prices ranging from \$1.38 to \$2.01 per share. During the year ended December 31, 2021, 29,854 shares were purchased at prices ranging from \$2.44 to \$2.91 per share.

#### **Note 7: 401(k) Savings Plan**

The Company maintains voluntary defined contribution plans, which are qualified, covering employees that meet eligibility requirements. Eligible employees may elect to defer and contribute a portion of their eligible compensation to the plans, not to exceed the dollar amounts set by applicable laws. During 2011, the Company elected to match a portion of the employee contributions up to a defined maximum. In 2020 and 2021, cash contributions were made in the amount of \$230,000 and \$220,000 respectively.



**Note 8: 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 years ended December 31, 2020 and 2021, the Company operated in a single segment comprised of its core analytics and solutions services. In October 2020, the Company sold certain assets related to its Local Leads Platform, Call Marketplace and other assets not related to core conversational analytics. As a result, the operating results related to these assets are shown as discontinued operations in the Consolidated Statements of Operations for all periods presented. See Note 11: Discontinued Operations for further discussion.

Long-lived assets by geographical region are based on the location of the legal entity that owns the assets. As of December 31, 2020 and 2021, no significant long-lived assets were held by entities outside of the United States.

Revenues from customers by geographical areas are tracked on the basis of the location of the customer. The majority of the Company's revenue and accounts receivable are derived from domestic sales to customers.

Revenues by geographic region are as follows:

(In Percentages)	Years ended December 31,	
	2020	2021
United States	98%	99%
Canada	2%	1%
	<u>100%</u>	<u>100%</u>

**Note 9: Identified Intangible Assets**

For the three months ended March 31, 2020, our stock price was impacted by volatility in the U.S. financial markets as a result of the rapid spread of the coronavirus globally which has resulted in increased travel restrictions and disruption and shutdown of businesses, and traded below the then book value for an extended period of time. As a result, the Company performed an interim impairment test of our long-lived intangible assets using an undiscounted cash flow analysis pursuant to ASC 360, Property, Plant, and Equipment and determined there was impairment.

Based on the results of the test, the Company recorded pre-tax non-cash impairment totaling \$5.0 million in the first quarter of 2020 relating to customer relationships, technologies, non-compete agreements and tradenames. These charges are reflected in the Company's Consolidated Statement of Operations for the year ended December 31, 2020 within *Impairment of intangible assets from acquisitions*.

Identifiable intangible assets from acquisitions consisted of the following:

(In Thousands)	As of December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	\$ 13,018	\$ (4,693)	\$ (3,430)	\$ 4,895
Technologies	9,369	(4,731)	(1,062)	3,576
Non-compete agreements	3,409	(2,413)	(346)	650
Tradenames	734	(538)	(121)	75
Total identifiable intangible assets from acquisitions	<u>\$ 26,530</u>	<u>\$ (12,375)</u>	<u>\$ (4,959)</u>	<u>\$ 9,196</u>

(In Thousands)	As of December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	\$ 13,018	\$ (6,679)	\$ (3,430)	\$ 2,909
Technologies	9,369	(6,905)	(1,062)	1,402
Non-compete agreements	3,409	(2,660)	(346)	403
Tradenames	734	(613)	(121)	0
Total identifiable intangible assets from acquisitions	\$ 26,530	\$ (16,857)	\$ (4,959)	\$ 4,714

Amortizable intangible assets are amortized on a straight-line basis over their useful lives. Customer relationships, acquired technologies, tradenames, and non-compete agreements have a weighted average useful life from date of purchase of 5 years, 3-5 years, 2 years, 1 - 3 years, respectively. Aggregate amortization expense incurred by the Company for the year ended December 31, 2020 and 2021 was approximately \$5.3 million and \$4.5 million, respectively. Based upon the current amount of acquired identifiable intangible assets subject to amortization, the estimated amortization expense is as follows: \$2.1 million in 2022, \$2.0 million in 2023, and \$602,000 in 2024.

#### Note 10: Goodwill

The balance of goodwill for the year ended December 31, 2020 and 2021 is \$17.6 million. There were no changes in the carrying amount of goodwill in 2021.

The Company performs its annual impairment testing on November 30 and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. For the three months ended March 31, 2020, the Company's stock price was impacted by volatility in the U.S. financial markets as a result of the rapid spread of the coronavirus globally which has resulted in increased travel restrictions and disruption and shutdown of businesses, and traded below the then book value for an extended period of time. Accordingly, the Company tested its goodwill for impairment and concluded that the carrying value exceeded the estimated fair value of the Company's single reporting unit and recognized an impairment loss during the first quarter of 2020 of \$14.7 million. The Company tested its goodwill for impairment again upon the Divestiture and at November 30, 2020. No additional impairment loss was determined to have occurred. The impairment charges from the first quarter of 2020 are reflected in the Company's Consolidated Statement of Operations for the year ended December 31, 2020 within *Impairment of goodwill*.

The testing of goodwill for impairment requires the Company to make significant estimates about its future performance and cash flows, as well as other assumptions. Events and circumstances considered in determining whether the carrying value of goodwill may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant changes in competition and market dynamics; significant and sustained declines in the Company's stock price and market capitalization; a significant decline in its expected future cash flows or a significant adverse change in the Company's business climate. These estimates and circumstances are inherently uncertain and can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, a loss of a significant customer, changes in competition, volatility in financial markets, or changes in the share price of the Company's Class B common stock and market capitalization. The Company's annual impairment evaluation did not indicate impairment of the carrying value of goodwill in 2021. We will continue to monitor our financial performance, stock price, and other factors in order to determine if there are indicators of impairment.

#### Note 11: Discontinued Operations

In October 2020, the Company sold certain assets related to its Local Leads Platform, Call Marketplace and other assets not related to core conversational analytics. The purchaser is a related party controlled by a shareholder and officers of the Company. This divestiture represents a discontinued operation since the disposal enables the Company to focus more wholly on its core conversational analytics and sales engagement solution activities, and it will have a significant effect on the Company's operations and financial results. The Company will have no further

involvement in the key strategic decision making or operations of the divested assets. Accordingly, we have presented the results of operations of these assets in the Consolidated Financial Statements as discontinued operations, net of tax, for the current and historical periods.

The Company received cash consideration at closing of approximately \$2.3 million. No gain or loss on the sale of discontinued operations was recognized in the Consolidated Statement of Operations as it was sold to a related party. The net consideration received from the sale is recognized in the Company's Consolidated Statements of Stockholder's Equity. The sale also includes (i) contingent consideration based on the achievement of certain revenue and thresholds from the Call Marketplace, Local Leads Platform and the purchaser's total business; (ii) certain contingent sale transaction consideration; (iii) shares of Class B common stock in the purchaser equal to the issuance of a 10% equity interest; and (iv) the cancellation of Company stock options for 1.5 million shares currently held by two officers of the Company who are involved in the transaction.

In connection with the closing, the Company also entered into an administrative support services agreement with the related party purchaser pursuant to which the Company will provide services to the related party purchaser for a support services fee, with certain guaranteed payments to the Company in the first year and conditionally in the second year following closing. Support services fees related to this arrangement totaled \$6.6 million for the year ended December 31, 2021 and \$1 million for the year ended December 31, 2020 and are included in the Company's Consolidated Statements of Operations, net of the related expenses, within *Service costs*, *Sales and marketing*, *Product development*, and *General and administrative*. As of December 31, 2021 the net amount due from the purchaser of \$630,000 is included in the Company's Consolidated Balance Sheet within *Prepaid expenses and other current assets*.

The Company has determined that although we held a variable interests in the related party purchaser, we are not the primary beneficiary and are not required to consolidate the entity. We considered whether we have the ability to exercise significant influence over the operating and financial policies of the purchaser and do not believe these criteria were met. As a result, the Company has elected to measure the investment at cost because the equity securities do not have a readily determinable fair value. The investment balance of \$341,000 was included in *Other assets, net* on the Company's Consolidated Balance Sheet as of December 31, 2020. In the third quarter of 2021, the company sold its 10% equity interest for process of \$400,000.

The Consolidated Financial Statements for the year ended December 31, 2020 reflect the operations of the divested assets as a discontinued operation. Discontinued operations include the following:

(In Thousands)	<u>Years ended December 31,</u> <u>2020</u>
Revenue	\$ 40,551
Expenses:	
Service costs	30,972
Sales and marketing	1,801
Product development	1,909
General and administrative	718
Total operating expenses	<u>35,400</u>
Impairment of goodwill	469
Income from operations	<u>4,682</u>
Interest expense and other, net	1
Loss from discontinued operations before provision for income taxes	<u>4,681</u>
Income tax (benefit)	<u>(1,109)</u>
Total income from discontinued operations	<u>\$ 3,572</u>

**Note 12: CARES Act Loans and Foreign Wage Subsidy**

During the second quarter of 2020, the Company secured \$5.3 million in promissory notes to bank lenders pursuant to government loan programs (collectively, the “Loans”). At December 31, 2020, the remaining balance was \$5.1 million. The difference relates to the business operations divested in October 2020. The Loans were made under, and are subject to the terms and conditions of, the CARES Act and are administered by the U.S. Small Business Administration (“SBA”). The terms of the Loans are two years with maturity dates in the second quarter of 2022 and they contain a fixed annual interest rate of 1%. In the third quarter of 2021, we were legally release from our obligation as our application was approved by the SBA. We recognized a gain on extinguishment of \$5.2 million in the Condensed Consolidated Statement of Operations.

In addition, under a foreign wage subsidy program in response to the COVID-19 pandemic, a subsidiary received approximately \$415,000 and \$444,000 in funding during the year ended December 31, 2020 and 2021, respectively, that were treated as reductions of payroll expenses.

**Note 13: Interest and Other**

Interest income and other consists of the following (in thousands):

	<u>Years Ended December 31,</u>	
	<u>2020</u>	<u>2021</u>
Interest Income & Foreign Currency	\$ 137	\$ 3
Interest Expense	(30)	(37)
Other	16	2,487
Total	<u>\$ 123</u>	<u>\$ 2,453</u>

During the second quarter of 2021, we received \$2.5 million related to a contractual settlement of an upside payment with previously divested properties.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. 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 has concluded that, as of the date of the evaluation, our disclosure controls and procedures were effective.

**Management’s Report on Internal Control Over Financial Reporting*****(a) Management’s report on internal control over financial reporting***

Management of Marchex, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

**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.

**ITEM 9B. OTHER INFORMATION.**

None.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement relating to the 2022 annual meeting of stockholders (the "2022 Proxy Statement"), or an amendment to this 10-K, to be filed with the Securities and Exchange Commission ("SEC") within 120 days of the Company's fiscal year ended December 31, 2021.

Our Code of Ethics for our Chief Executive Officer, Chief Financial Officer and Senior Financial Officers is available on our web site, [www.marchex.com](http://www.marchex.com), by clicking "Investors" and then "Corporate Governance".

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required under this item may be found in the 2022 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2021.

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

The information required under this item may be found in the 2022 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2021.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required under this item may be found in the 2022 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2021.

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

The Company's independent registered public accounting firm is Moss Adams LLP, Seattle, WA, PCAOB ID: 659.

The information required under this item may be found in the 2022 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2021.

**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

1. The following reports and financial statements are included in Part II, Item 8 of this Form 10-K:

- Reports of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2020 and 2021;
- Consolidated Statements of Operations for the years ended December 31, 2020 and 2021;
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020 and 2021;
- Consolidated Statements of Cash Flow for the years ended December 31, 2020 and 2021; and
- Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the Consolidated Financial Statements or notes described in Item 15 (a) (1) above.

3. We have filed, or incorporated into this Form 10-K by reference, the exhibits listed on the accompanying Exhibit Index immediately following the signature page of this Form 10-K.

## EXHIBIT INDEX

Exhibit Number	Description of Document
++2.1	<a href="#">Asset Purchase Agreement dated as of April 21, 2015, by and among NameFind LLC, GoDaddy.com, LLC, Marchex Sales, LLC and Marchex (incorporated by reference to Exhibit 2.11 to the Registrant's Current Report on Form 8-K filed with the SEC on April 27, 2015).</a>
++2.2	<a href="#">Share Purchase Agreement, dated as of November 5, 2018, by and among the Registrant, Marchex CA Corporation, Telmetrics Inc., the Sellers and with respect to Articles I and IX only, the Stockholder Representatives (incorporated by reference to Exhibit 2.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
++2.3	<a href="#">Share Purchase Agreement, dated as of November 20, 2018, by and among the Registrant, Sita Laboratories, Inc., the Sellers and the Stockholder Representative (incorporated by reference to Exhibit 2.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
+2.4	<a href="#">Equity Purchase Agreement, dated as of December 13, 2019, by and among the Registrant, Sonar Technologies, Inc., the Sellers and Fortis Advisers LLC, as Securityholder Representative (incorporated by reference to Exhibit 2.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on March 13, 2020).</a>
2.5	<a href="#">Asset Purchase Agreement, dated August 7, 2020, between the Company and Archenia, Inc. (incorporated by reference to Annex A of the Proxy Statement, as filed with the SEC on August 24, 2020).</a>
2.6	<a href="#">Support Services Agreement, dated October 16, 2020, between the Company and Archenia, Inc. (incorporated by reference to Annex A of the Proxy Statement, as filed with the SEC on August 24, 2020).</a>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2 (No. 333-111096) filed with the SEC on March 19, 2004).</a>
3.2	<a href="#">Second Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 6, 2017).</a>
4.1	<a href="#">Specimen stock certificate representing shares of Class B Common Stock of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No. 3 to the Registration Statement on Form SB-2 (No. 333-111096) filed with the SEC on March 30, 2004).</a>
*10.1	<a href="#">Amended and Restated 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2 (No. 333-111096) filed with the SEC on March 19, 2004).</a>
*10.2	<a href="#">Form of Retention Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 14, 2018).</a>
*10.3	<a href="#">Form of First Amendment to Retention Agreement (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).</a>
*10.4	<a href="#">Revised Form of Retention Agreement (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).</a>



Exhibit Number	Description of Document
10.5	<a href="#">Amended and Restated Lease effective as of June 5, 2009, between 520 Pike Street, Inc. and the Registrant (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).</a>
*10.6	<a href="#">Form of Executive Officer Stock Option Agreement (2003 Amended and Restated Stock Incentive Plan) (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).</a>
*10.7	<a href="#">Form of Notice of Grant of Executive Officer Stock Option (Performance-Based) (2003 Amended and Restated Stock Incentive Plan) (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).</a>
*10.8	<a href="#">Form of Notice of Grant of Executive Officer Stock Option (Time-Based) (2003 Amended and Restated Stock Incentive Plan) (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).</a>
*10.9	<a href="#">Amendment to the Marchex, Inc. 2003 Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).</a>
*10.10	<a href="#">Marchex, Inc. Amended and Restated Annual Incentive Plan (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC on March 8, 2017).</a>
*10.11	<a href="#">Marchex, Inc. 2012 Stock Incentive Plan (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Form 14A filed with the SEC on July 10, 2017).</a>
*10.12	<a href="#">Marchex, Inc. 2014 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
*10.13	<a href="#">Form of Incentive Stock Option Notice and Agreement (2012 Stock Incentive Plan) (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
*10.14	<a href="#">Form of Nonstatutory Stock Option Notice and Agreement (2012 Stock Incentive Plan) (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
*10.15	<a href="#">Form of Restricted Stock Agreement (2012 Stock Incentive Plan) (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
*10.16	<a href="#">Form of Restricted Stock Units Notice and Agreement (2012 Stock Incentive Plan) (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
*10.17	<a href="#">Form of Indemnity Agreement (Section 16 Executive Officers and Directors) (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 18, 2019).</a>
*10.18	<a href="#">Amended and Restated Executive Employment Agreement effective as of April 21, 2016, by and between Michael Arends and the Registrant (incorporated by reference to Exhibit 10.50 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2016).</a>
10.19	<a href="#">Amendment No. 3 to Amended and Restated Lease dated June 27, 2017, between 520 Pike Street, Inc. and the Registrant (incorporated by reference to Exhibit 10.46 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 4, 2017).</a>

Exhibit Number	Description of Document
*10.20	<a href="#">Marchex, Inc. 2021 Stock Incentive Plan (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Form 14A filed with the SEC on August 20, 2021).</a>
†*10.21	<a href="#">Form of Incentive Stock Option Notice and Agreement (2021 Stock Incentive Plan).</a>
†*10.22	<a href="#">Form of Nonstatutory Stock Option Notice and Agreement (2021 Stock Incentive Plan).</a>
†*10.23	<a href="#">Form of Restricted Stock Agreement (2021 Stock Incentive Plan).</a>
†*10.24	<a href="#">Form of Restricted Stock Units Notice and Agreement (2021 Stock Incentive Plan).</a>
†21.1	<a href="#">Subsidiaries of the Registrant.</a>
†23.1	<a href="#">Consent of Moss Adams LLP.</a>
24.1	<a href="#">Power of Attorney (incorporated herein by reference to the signature page of the Annual Report on Form 10-K)</a>
†31(i)	<a href="#">Certification of Principal Executive Officer and 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.</a>
††32	<a href="#">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.</a>
†101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
†101.SCH	Inline XBRL Taxonomy Extension Schema Document.
†101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
†101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
†101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
†101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Management contract or compensatory plan or arrangement.

(+) Certain identified information has been excluded from this Agreement because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

(+)(+) Certain information in this Agreement has been omitted and filed separately with the SEC. Confidential treatment has been granted with respect to the omitted portions.

† Filed herewith.

†† Furnished herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Seattle, State of Washington on March 29, 2022.

MARCHEX, INC.

By:                                 /s/ MICHAEL A. ARENDS                                  
**Michael A. Arends**  
**Co-CEO**  
**(Principal Executive Officer for SEC reporting purposes,**  
**Principal Financial Officer and Principal Accounting Officer)**

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael A. Arends, as his attorney-in-fact, with the full power of substitution, for him, in any and all capacities, to sign any amendment to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney-in-fact, and with full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Date</u>
<u>                                /s/ MICHAEL A. ARENDS                                </u> <b>Michael A. Arends</b> <b>Co-CEO</b> <b>(Principal Executive Officer for SEC reporting purposes, Principal Financial Officer and</b> <b>Principal Accounting Officer)</b>	March 29, 2022
<u>                                /s/ RUSSELL C. HOROWITZ                                </u> <b>Russell C. Horowitz</b> <b>Executive Director and Co-CEO</b>	March 29, 2022
<u>                                /s/ DENNIS CLINE                                </u> <b>Dennis Cline</b> <b>Director</b>	March 29, 2022
<u>                                /s/ DONALD COGSVILLE                                </u> <b>Donald Cogsville</b> <b>Director</b>	March 29, 2022
<u>                                /s/ M. WAYNE WISEHART                                </u> <b>M. Wayne Wischart</b> <b>Director</b>	March 29, 2022

**MARCHEX, INC.**  
**2021 STOCK INCENTIVE PLAN**  
**INCENTIVE STOCK OPTION NOTICE**

This Notice evidences the award of incentive stock options (each, an "**Option**" or collectively, the "**Options**") that have been granted to you, \_\_\_\_\_, subject to and conditioned upon your agreement to the terms of the attached Incentive Stock Option Agreement (the "**Agreement**"). The Options entitle you to purchase shares of Class B common stock, par value \$0.01 per share ("**Common Stock**"), of Marchex, Inc., a Delaware corporation (the "**Company**"), under the Marchex, Inc. 2021 Stock Incentive Plan (the "**Plan**"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein.

Grant Date: \_\_\_\_\_ (the "**Grant Date**").

Number of Options: \_\_\_\_\_ Options, each permitting the purchase of one Share.

Exercise Price: \$\_\_\_\_ per share.

Expiration Date: The Options expire at 5:00 p.m. Eastern Time on the last business day coincident with or prior to the 10<sup>th</sup> anniversary of the Grant Date (the "**Expiration Date**"), unless fully exercised or terminated earlier.

Exercisability Schedule:

Subject to the terms and conditions described in the Agreement and so long as your service with the Company is continuous and you remain an active and fulltime employee from the Grant Date through the applicable vesting date, the Options become exercisable in accordance with the schedule below:

- (a) 25% of the Options become exercisable on the first anniversary of the Grant Date (the "**Initial Vesting Date**"), and
- (b) 6.25% of the Options become exercisable on the date three months after the Initial Vesting Date and on such date every third month thereafter, through the fourth anniversary of the Grant Date.

The extent to which the Options are exercisable as of a particular date is rounded down to the nearest whole share. However, exercisability is rounded up to 100% on the fourth anniversary of the Grant Date.

MARCHEX, INC.

By:

I acknowledge that I have carefully read the attached Agreement and Summary Plan Description for the Plan and agree to be bound by all of the provisions set forth in these documents.

Enclosures: Incentive Stock Option Agreement  
 Summary Plan Description  
 Exercise Form

OPTIONEE

**INCENTIVE STOCK OPTION AGREEMENT**  
**UNDER THE**  
**MARCHEX, INC. 2021 STOCK INCENTIVE PLAN**

1. Terminology. Capitalized terms used in this Agreement are defined in the correlating Stock Option Notice, the Plan, and/or the Glossary at the end of the Agreement.

2. Exercise of Options.

(a) Exercisability. The Options will become exercisable in accordance with the Exercisability Schedule set forth in the Stock Option Notice, so long as you are in the Service of the Company from the Grant Date through the applicable exercisability dates. None of the Options will become exercisable after your Service with the Company ceases, unless the Stock Option Notice provides otherwise with respect to exercisability that arises as a result of your cessation of Service.

(b) Right to Exercise. You may exercise the Options, to the extent exercisable, at any time on or before 5:00 p.m. Eastern Time on the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign securities laws, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such exercise or delivery would not violate such rules. [Section 3](#) below describes certain limitations on exercise of the Options that apply in the event of your death, Total and Permanent Disability, or termination of Service. The Options may be exercised only in multiples of whole Shares and may not be exercised at any one time as to fewer than one hundred Shares (or such lesser number of Shares as to which the Options are then exercisable). No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to exercise the Options, you must provide the following items to the Secretary of the Company or his or her delegate before the expiration or termination of the Options:

- (i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options;
- (ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with [Section 2\(d\)](#) of this Agreement; and
- (iii) full payment of applicable withholding taxes pursuant to [Section 7](#) of this Agreement.

An exercise will not be effective until the Secretary of the Company or his or her delegate receives all of the foregoing items, and such exercise otherwise is permitted under and complies with all applicable federal, state and foreign securities laws. Notwithstanding the foregoing, if the Administrator permits payment by means of delivering properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise and such instructions provide for sale of Shares under a limit order rather than at the market, the exercise will not be effective until the earlier of the date the Company receives delivery of cash or cash equivalents in full payment of the Exercise Price or the date the Company receives confirmation from the broker that the sale instruction has been fulfilled, and the exercise will not be effective unless the earlier of such dates occurs on or before termination of the Options.

(d) Method of Payment. You may pay the Exercise Price by:

- (i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;
- (ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;
- (iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;
- (iv) at the discretion of the Administrator, your delivery of a personal recourse note bearing interest at a fair market interest rate in accordance with applicable accounting practice for such note, or at 100% of the applicable Federal rate ("**AFR**") as defined in Code section 1274(d) if the AFR is greater than a fair market interest rate;
- (v) any other method approved by the Administrator; or
- (vi) any combination of the foregoing.

(e) Issuance of Shares upon Exercise. The Company shall issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate exercise price and the requisite withholding taxes, if any. Upon issuance of such Shares, the Company may deliver, subject to the provisions of [Section 7](#) below, such Shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason, or may retain such Shares in uncertificated book-entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

### 3. Termination of Service.

(a) Termination of Unexercisable Options. If your Service with the Company ceases for any reason, the Options that are then unexercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate immediately upon such cessation.

(b) Exercise Period Following Termination of Service. If your Service with the Company ceases for any reason other than discharge for Cause, the Options that are then

exercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate upon the earliest of:

- (i) the expiration of 90 days following such cessation, if your Service ceases on account of (1) your termination by the Company other than a discharge for Cause, or (2) your voluntary termination other than for Total and Permanent Disability or death;
- (ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;
- (iii) the expiration of 12 months following your death, if your death occurs during the periods described in clauses (i) or (ii) of this [Section 3\(b\)](#), as applicable; or
- (iv) the Expiration Date.

In the event of your death, the exercisable Options may be exercised by your executor, personal representative, or the person(s) to whom the Options are transferred by will or the laws of descent and distribution. In the event you experienced a Total and Permanent Disability prior to the end of the next vesting period, you shall receive a pro rata portion of the additional vesting based upon the number of days of such vest period prior to the date of your Total and Permanent Disability.

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

(d) Changes in Status. If you cease to be a "common law employee" of the Company but you continue to provide bona fide services to the Company following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of Service shall not be deemed to have occurred for purposes of this [Section 3](#) upon such change in capacity. Notwithstanding the foregoing, the Options shall not be treated as incentive stock options within the meaning of Code section 422 with respect to any exercise that occurs more than three months after such cessation of the common law employee relationship (except as otherwise permitted under Code section 421 or 422). In the event that your Service is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part or an Affiliate of the Company, your Service will be deemed to have terminated for purposes of this [Section 3](#) upon such cessation if your Service does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

4. Leave of Absence. The absence from work with the Company or with an Affiliate because of a temporary disability (any disability other than a Total and Permanent Disability), or due to a leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such employment, director status or consultancy with the Company or with an Affiliate but shall suspend the vesting of these Options, except as the Administrator may otherwise expressly provide.

5. Nontransferability of Options. These Options and before exercise, the underlying Shares, are nontransferable otherwise than by will or the laws of descent and distribution and during your lifetime, the Options may be exercised only by you or, during the period you are under

a legal disability, by your guardian or legal representative. Except as provided above, the Options and, before exercise, the underlying Shares, may not be assigned, transferred, pledged, hypothecated, subjected to any "put equivalent position," "call equivalent position" (as each preceding term is defined by Rule 16(a)-1 under the Securities Exchange Act of 1934), or short position, or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

6. Qualified Nature of the Options.

(a) General Status. The Options are intended to qualify as incentive stock options within the meaning of Code section 422 ("**Incentive Stock Options**"), to the fullest extent permitted by Code section 422, and this Agreement shall be so construed. The Company, however, does not warrant any particular tax consequences of the Options. Code section 422 provides limitations, not set forth in this Agreement, respecting the treatment of the Options as Incentive Stock Options. You should consult with your personal tax advisors in this regard.

(b) Code Section 422(d) Limitation. Pursuant to Code section 422(d), the aggregate fair market value (determined as of the Grant Date) of shares of Common Stock with respect to which all Incentive Stock Options first become exercisable by you in any calendar year under the Plan or any other plan of the Company (and its parent and subsidiary corporations, within the meaning of Code section 424(e) and (f), as may exist from time to time) may not exceed \$100,000 or such other amount as may be permitted from time to time under Code section 422. To the extent that such aggregate fair market value exceeds \$100,000 or other applicable amount in any calendar year, such stock options will be treated as nonstatutory stock options with respect to the amount of aggregate fair market value thereof that exceeds the Code section 422(d) limit. For this purpose, the Incentive Stock Options will be taken into account in the order in which they were granted. In such case, the Company may designate the shares of Common Stock that are to be treated as stock acquired pursuant to the exercise of Incentive Stock Options and the shares of Common Stock that are to be treated as stock acquired pursuant to nonstatutory stock options by issuing separate certificates for such shares and identifying the certificates as such in the stock transfer records of the Company.

(c) Significant Stockholders. Notwithstanding anything in this Agreement or the Stock Option Notice to the contrary, if you own, directly or indirectly through attribution, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its subsidiaries (within the meaning of Code section 424(f)) on the Grant Date, then the Exercise Price is the greater of (a) the Exercise Price stated on the Stock Option Notice or (b) 110% of the Fair Market Value of the Common Stock on the Grant Date, and the Expiration Date is the last business day prior to the fifth anniversary of the Grant Date.

(d) Disqualifying Dispositions. If you make a disposition (as that term is defined in Code section 424(c)) of any Shares acquired pursuant to the Options within two years of the Grant Date or within one year after the Shares are transferred to you, you must notify the Company of such disposition in writing within 30 days of the disposition. The Administrator may, in its discretion, take reasonable steps to ensure notification of such dispositions, including but not limited to requiring that Shares acquired under the Options be held in an account with a Company-designated broker-dealer until they are sold.

7. Withholding of Taxes.

(a) At the time the Options are exercised, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll or any other payment of any kind due to you and otherwise agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Options (including upon a disqualifying disposition within the meaning of Code section 421(b)).



The Company may require you to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Options or issuance of share certificates representing Shares.

(b) The Administrator may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Options either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

8. Adjustments. The Administrator may make various adjustments to your Options, including adjustments to the number and type of securities subject to the Options and the Exercise Price, in accordance with the terms of the Plan. The effect of a Change in Control (as defined in the Plan) or similar transaction on your Options is described in Section 7 of the Plan.

9. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement will alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between you and the Company, or as a contractual right for you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the failure of any of the Options to become exercisable or any other adverse effect on your interests under the Plan.

10. No Rights as a Stockholder. You shall not have any of the rights of a stockholder with respect to the Shares until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

11. The Company's Rights. The existence of the Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12. Entire Agreement. This Agreement, together with the correlating Stock Option Notice and the Plan, plus any employment, service or other agreement between you and the Company or an Affiliate applicable to the award, contain the entire understanding and agreement between you and the Company or an Affiliate with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among you and the Company or an Affiliate with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of this Agreement, the correlating Stock Notice and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

13. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

14. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

15. Section 409A. This Agreement and the Options granted hereunder are intended to be exempt from, or otherwise comply with, Section 409A of the Code. This Agreement and the Options shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.

16. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

17. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the district which includes the city or town in which the Company's principal executive office is located, and you hereby agree and submit to the personal jurisdiction and venue thereof.

18. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

*{Glossary begins on next page}*

## GLOSSARY

(a) “**Administrator**” means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.

(b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Marchex, Inc. For this purpose, “control” means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.

(c) “**Code**” means the Internal Revenue Code of 1986, as amended.

(d) “**Company**” includes Marchex, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Marchex, Inc.

(e) “**Service**” means your continuous, active and fulltime employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not the Company or its successor or an Affiliate of the Company or its successor.

(f) “**Shares**” mean the shares of Common Stock underlying the Options.

(g) “**Stock Option Notice**” means the written notice evidencing the award of the Options that correlates with and makes up a part of this Agreement.

(h) “**Total and Permanent Disability**” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Administrator may require such proof of Total and Permanent Disability as the Administrator in its sole discretion deems appropriate and the Administrator’s good faith determination as to whether you are totally and permanently disabled will be final and binding on all parties concerned.

(i) “**You**”; “**Your**”. “You” or “your” means the recipient of the award of Options as reflected on the Stock Option Notice. Whenever the Agreement refers to “you” under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the word “you” shall be deemed to include such person.

EXERCISE FORM

Administrator of 2021 Stock Incentive Plan  
c/o Office of the Corporate Secretary  
Marchex, Inc.

Gentlemen:

I hereby exercise the Options granted to me on \_\_\_\_\_, by Marchex, Inc. (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Marchex, Inc. 2021 Stock Incentive Plan (the "Plan"), and notify you of my desire to purchase \_\_\_\_\_ shares of Common Stock of the Company at a price of \$\_\_\_\_\_ per share pursuant to the exercise of said Options.

Total Amount Enclosed: \$\_\_\_\_\_

Date: \_\_\_\_\_

(Optionee) \_\_\_\_\_

Received by MARCHEX, INC. on  
\_\_\_\_\_

By: \_\_\_\_\_

Marchex, Inc.

**2021 STOCK INCENTIVE PLAN  
NONSTATUTORY STOCK OPTION NOTICE**

This Notice evidences the award of nonstatutory stock options (each, an "**Option**" or collectively, the "**Options**") that have been granted to you, \_\_\_\_\_, subject to and conditioned upon your agreement to the terms of the attached Nonstatutory Stock Option Agreement (the "**Agreement**"). The Options entitle you to purchase shares of Class B common stock, par value \$0.01 per share ("**Common Stock**"), of Marchex, Inc., a Delaware corporation (the "**Company**"), under the Marchex, Inc. 2021 Stock Incentive Plan (the "**Plan**"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein.

Grant Date: \_\_\_\_\_ (the "**Grant Date**").

Number of Options: \_\_\_\_\_ Options, each permitting the purchase of one Share.

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Expiration Date: The Options expire at 5:00 p.m. Eastern Time on the last business day coincident with or prior to the 10<sup>th</sup> anniversary of the Grant Date (the "**Expiration Date**"), unless fully exercised or terminated earlier.

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- (a) 25% of the Options become exercisable on the first anniversary of the Grant Date (the "**Initial Vesting Date**"), and
- (b) 6.25% of the Options become exercisable on the date three months after the Initial Vesting Date and on such date every third month thereafter, through the fourth anniversary of the Grant Date.

The extent to which the Options are exercisable as of a particular date is rounded down to the nearest whole share. However, exercisability is rounded up to 100% on the fourth anniversary of the Grant Date.

MARCHEX, INC.

By:

I acknowledge that I have carefully read the attached Agreement and Summary Plan Description for the Plan and agree to be bound by all of the provisions set forth in these documents.

Enclosures: Nonstatutory Stock Option Agreement  
Summary  
Description  
Exercise Form

Plan      OPTIONEE

**UNDER THE**  
**MARCHEX, INC. 2021 STOCK INCENTIVE PLAN**

1. Terminology. Capitalized terms used in this Agreement are defined in the correlating Stock Option Notice, the Plan, and/or the Glossary at the end of the Agreement.

2. Exercise of Options.

(a) Exercisability. The Options will become exercisable in accordance with the Exercisability Schedule set forth in the Stock Option Notice, so long as you are in the Service of the Company from the Grant Date through the applicable exercisability dates. None of the Options will become exercisable after your Service with the Company ceases, unless the Stock Option Notice provides otherwise with respect to exercisability that arises as a result of your cessation of Service.

(b) Right to Exercise. You may exercise the Options, to the extent exercisable, at any time on or before 5:00 p.m. Eastern Time on the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign securities laws, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such exercise or delivery would not violate such rules. [Section 3](#) below describes certain limitations on exercise of the Options that apply in the event of your death, Total and Permanent Disability, or termination of Service. The Options may be exercised only in multiples of whole Shares and may not be exercised at any one time as to fewer than one hundred Shares (or such lesser number of Shares as to which the Options are then exercisable). No fractional Shares will be issued under the Options.

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- (i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options;
- (ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with [Section 2\(d\)](#) of this Agreement; and
- (iii) full payment of applicable withholding taxes pursuant to [Section 7](#) of this Agreement.

An exercise will not be effective until the Secretary of the Company or his or her delegate receives all of the foregoing items, and such exercise otherwise is permitted under and complies with all applicable federal, state and foreign securities laws. Notwithstanding the foregoing, if the Administrator permits payment by means of delivering properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise and such instructions provide for sale of Shares under a limit order

rather than at the market, the exercise will not be effective until the earlier of the date the Company receives delivery of cash or cash equivalents in full payment of the Exercise Price or the date the Company receives confirmation from the broker that the sale instruction has been fulfilled, and the exercise will not be effective unless the earlier of such dates occurs on or before termination of the Options.

- (d) Method of Payment. You may pay the Exercise Price by:
- (i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;
  - (ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;
  - (iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;
  - (iv) at the discretion of the Administrator, your delivery of a personal recourse note bearing interest at a fair market interest rate in accordance with applicable accounting practice for such note, or at 100% of the applicable Federal rate ("**AFR**") as defined in Code section 1274(d) if the AFR is greater than a fair market interest rate;
  - (v) any other method approved by the Administrator; or
  - (vi) any combination of the foregoing.

(e) Issuance of Shares upon Exercise. The Company shall issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate exercise price and the requisite withholding taxes, if any. Upon issuance of such Shares, the Company may deliver, subject to the provisions of [Section 7](#) below, such Shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason, or may retain such Shares in uncertificated book-entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

### 3. Termination of Service.

(a) Termination of Unexercisable Options. If your Service with the Company ceases for any reason, the Options that are then unexercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate immediately upon such cessation.

(b) Exercise Period Following Termination of Service. If your Service with the Company ceases for any reason other than discharge for Cause, the Options that are then exercisable, after giving effect to any exercise acceleration provisions set forth on the Stock Option Notice, will terminate upon the earliest of:

- (i) the expiration of 90 days following such cessation, if your Service ceases on account of (1) your termination by the Company other than a discharge for Cause, or (2) your voluntary termination other than for Total and Permanent Disability or death;
- (ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;

(iii) the expiration of 12 months following your death, if your death occurs during the periods described in clauses (i) or (ii) of this [Section 3\(b\)](#), as applicable; or

(iv) the Expiration Date.

In the event of your death, the exercisable Options may be exercised by your executor, personal representative, or the person(s) to whom the Options are transferred by will or the laws of descent and distribution. In the event you experienced a Total and Permanent Disability prior to the end of the next vesting period, you shall receive a pro rata portion of the additional vesting based upon the number of days of such vest period prior to the date of your Total and Permanent Disability.

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

(d) Change in Status. In the event that your Service is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part or an Affiliate of the Company, your Service will be deemed to have terminated for purposes of this [Section 3](#) upon such cessation if your Service does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

4. Leave of Absence. The absence from work with the Company or with an Affiliate because of a temporary disability (any disability other than a Total and Permanent Disability), or due to a leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such employment, director status or consultancy with the Company or with an Affiliate but shall suspend the vesting of these Options, except as the Administrator may otherwise expressly provide.

5. Nontransferability of Options. These Options and, before exercise, the underlying Shares, are nontransferable otherwise than by will or the laws of descent and distribution and, during your lifetime, the Options may be exercised only by you or, during the period you are under a legal disability, by your guardian or legal representative. Except as provided above, the Options and, before exercise, the underlying Shares, may not be assigned, transferred, pledged, hypothecated, subjected to any "put equivalent position," "call equivalent position" (as each preceding term is defined by Rule 16(a)-1 under the Securities Exchange Act of 1934), or short position, or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

6. Nonqualified Nature of the Options. The Options are not intended to qualify as incentive stock options within the meaning of Code section 422, and this Agreement shall be so construed. You hereby acknowledge that, upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Exercise Price and must comply with the provisions of [Section 7](#) of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

7. Withholding of Taxes.

(a) At the time the Options are exercised, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll or any other payment of any kind due to you and otherwise agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Options. The Company may require you to make a cash payment to cover any withholding tax



obligation as a condition of exercise of the Options or issuance of share certificates representing Shares.

(b) The Administrator may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Options either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

8. Adjustments. The Administrator may make various adjustments to your Options, including adjustments to the number and type of securities subject to the Options and the Exercise Price, in accordance with the terms of the Plan. The effect of a Change in Control (as defined in the Plan) or similar transaction on your Options is described in Section 7 of the Plan.

9. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement will alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between you and the Company, or as a contractual right for you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the failure of any of the Options to become exercisable or any other adverse effect on your interests under the Plan.

10. No Rights as a Stockholder. You shall not have any of the rights of a stockholder with respect to the Shares until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

11. The Company's Rights. The existence of the Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12. Entire Agreement. This Agreement, together with the correlating Stock Option Notice and the Plan, plus any employment, service or other agreement between you and the Company or an Affiliate applicable to the award, contain the entire understanding and agreement between you and the Company or an Affiliate with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among you and the Company or an Affiliate with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of this Agreement, the correlating Stock Notice and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

13. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

14. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

15. Section 409A. This Agreement and the Options granted hereunder are intended to be exempt from, or otherwise comply with, Section 409A of the Code. This Agreement and the Options shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.

16. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.17. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the district which includes the city or town in which the Company's principal executive office is located, and you hereby agree and submit to the personal jurisdiction and venue thereof.

18. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

*{Glossary begins on next page}*

**GLOSSARY**

- (a) “**Administrator**” means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.
- (b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Marchex, Inc. For this purpose, “control” means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.
- (c) “**Code**” means the Internal Revenue Code of 1986, as amended.
- (d) “**Company**” includes Marchex, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Marchex, Inc.
- (e) “**Service**” means your continuous, active, and fulltime employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not the Company or its successor or an Affiliate of the Company or its successor.
- (f) “**Shares**” mean the shares of Common Stock underlying the Options.
- (g) “**Stock Option Notice**” means the written notice evidencing the award of the Options that correlates with and makes up a part of this Agreement.
- (h) “**Total and Permanent Disability**” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Administrator may require such proof of Total and Permanent Disability as the Administrator in its sole discretion deems appropriate and the Administrator’s good faith determination as to whether you are totally and permanently disabled will be final and binding on all parties concerned.
- (i) “**You**”; “**Your**”. “You” or “your” means the recipient of the award of Options as reflected on the Stock Option Notice. Whenever the Agreement refers to “you” under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the word “you” shall be deemed to include such person.

EXERCISE FORM

Administrator of 2021 Stock Incentive Plan  
c/o Office of the Corporate Secretary  
Marchex, Inc.

Gentlemen:

I hereby exercise the Options granted to me on \_\_\_\_\_, \_\_\_\_\_, by Marchex, Inc. (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Marchex, Inc. 2021 Stock Incentive Plan (the "Plan"), and notify you of my desire to purchase \_\_\_\_\_ shares of Common Stock of the Company at a price of \$\_\_\_\_\_ per share pursuant to the exercise of said Options.

Total Amount Enclosed: \$\_\_\_\_\_

Date: \_\_\_\_\_

(Optionee) \_\_\_\_\_

Received by MARCHEX, INC. on  
\_\_\_\_\_

By: \_\_\_\_\_

**MARCHEX, INC.**  
**2021 STOCK INCENTIVE PLAN**  
**RESTRICTED STOCK AGREEMENT**

This Agreement (the “**Agreement**”) evidences the award of \_\_\_\_\_ restricted shares (each, an “**Award Share**,” and collectively, the “**Award Shares**”) of the Class B Common Stock of Marchex, Inc., a Delaware corporation (the “**Company**”), granted to you, \_\_\_\_\_, effective as of \_\_\_\_\_ (the “**Grant Date**”), pursuant to the Marchex, Inc. 2021 Stock Incentive Plan (the “**Plan**”) and conditioned upon your agreement to the terms described below. All of the provisions of the Plan are expressly incorporated into this Agreement.

1. Terminology. Unless otherwise provided in this Agreement, capitalized words used herein are defined in the Glossary at the end of this Agreement or the Plan.

2. Vesting.

(a) All of the Award Shares are nonvested and forfeitable as of the Grant Date.

(b) So long as your Service with the Company is continuous and you remain an active and fulltime employee from the Grant Date through the applicable date upon which vesting is scheduled to occur, 25% of the Award Shares will vest on the first, second, third and fourth annual anniversaries of the Grant Date.

(c) Unless otherwise determined by the Administrator, none of the Award Shares will become vested and nonforfeitable after your Service with the Company ceases.

3. Termination of Employment or Service.

(a) If your Service with the Company ceases for any reason, except as otherwise specified in Section 2, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited by you and transferred to the Company upon such cessation for no consideration.

(b) You acknowledge and agree that upon the forfeiture of any unvested Award Shares in accordance with [Section 3\(a\)](#), (i) your right to vote and to receive cash dividends on, and all other rights, title or interest in, to or with respect to, the forfeited Award Shares shall automatically, without further act, terminate and (ii) the forfeited Award Shares shall be returned to the Company. You hereby irrevocably appoint (which appointment is coupled with an interest) the Company as your agent and attorney-in-fact to take any necessary or appropriate action to cause the forfeited Award Shares to be returned to the Company, including without limitation executing and delivering stock powers and instruments of transfer, making endorsements and/or making, initiating or issuing instructions or entitlement orders, all in your name and on your behalf. You hereby ratify and approve all acts done by the Company as such attorney-in-fact. Without limiting the foregoing, you expressly acknowledge and agree that any transfer agent for the Common Stock of the Company is fully authorized and protected in relying on, and shall incur no liability in acting on, any documents, instruments, endorsements, instructions, orders or communications from the Company in connection with the forfeited Award Shares or the transfer thereof, and that any such transfer agent is a third party beneficiary of this Agreement.

4. Leave of Absence. The absence from work with the Company or with an Affiliate because of a temporary disability (any disability other than a Total and Permanent Disability), or due to a leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such employment, director status or consultancy with the Company or with an Affiliate but shall suspend the vesting of these Award Shares, except as the Administrator may otherwise expressly provide.

5. Restrictions on Transfer.

(a) Until an Award Share becomes vested and nonforfeitable, it may not be sold, assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), except by will or the laws of descent and distribution, and shall not be subject to execution, attachment or similar process.

(b) Any attempt to dispose of any such Award Shares in contravention of the restrictions set forth in Section 5(a) shall be null and void and without effect. The Company shall not be required to (i) transfer on its books any Award Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Award Shares, or otherwise accord voting, dividend or liquidation rights to, any transferee to whom Award Shares have been transferred in contravention of this Agreement.

6. Stock Certificates.

(a) You are reflected as the owner of record of the Award Shares as of the Grant Date on the Company's books. The Company or an escrow agent appointed by the Administrator will hold in escrow the share certificates for safekeeping, or the Company may otherwise retain the Award Shares in uncertificated book entry form, until the Award Shares become vested and nonforfeitable. Until the Award Shares become vested and nonforfeitable, any share certificates representing such shares will include a legend to the effect that you may not sell, assign, transfer, pledge, or hypothecate the Award Shares. All regular cash dividends on the Award Shares held by the Company will be paid directly to you on the dividend payment date. As soon as practicable after vesting of an Award Share, the Company will continue to retain the Award Share in uncertificated book entry form but remove the restrictions on transfer on its books with respect to that Award Share. Alternatively, upon your request, the Company will deliver a share certificate to you or deliver a share electronically or in certificate form to your designated broker on your behalf, for the vested Award Share.

(b) You are not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Award Shares, the consideration for which shall be past services actually rendered or, if none, future services to be rendered to the Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, you shall furnish consideration in the form of cash or past services rendered to the Company or for its benefit having a value not less than the par value of the Award Shares.

7. Tax Election and Tax Withholding.

(a) You hereby agree to make adequate provision for foreign (non-United States), federal, state and local taxes and social insurance contributions required by law to be withheld, if any, which arise in connection with the grant or vesting of the Award Shares. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of shares of Common Stock or redeeming Award Shares) the amount of any foreign (non-United States), federal, state or local taxes and social insurance contributions required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part; provided, however, that the value of the shares of Common Stock withheld may not exceed the statutory minimum withholding amount required by law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld or the Company may, but will not be required to, sell a number of Award Shares sufficient to cover applicable withholding taxes. If you do not make such payment when requested, the Company may refuse to issue any stock certificate under this Agreement or otherwise release for transfer any such shares until arrangements satisfactory to the Company for such payment have been made.

(b) The Company may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Award Shares either by electing to have the Company withhold from the shares to be released upon vesting that number of shares, or by electing to deliver to the Company already-owned shares, in either case having a fair market value equal to no more than the amount necessary to satisfy the statutory minimum withholding amount due. Subject

to your compliance with the Company's policy on insider trading (as in effect from time to time), you may elect to pay the Company your obligations for the payment of such taxes through a special sale and remittance procedure commonly referred to as a "sell to cover" transaction pursuant to which you will concurrently provide irrevocable written instructions: (i) to the Company's designated stock plan administrator to effect the immediate sale of a sufficient number of the Award Shares upon the vesting of the Award Shares to enable the Company's designated stock plan administrator to remit, out of the sales proceeds available upon the settlement date, sufficient funds to the Company to cover all applicable federal, state and local income and employment taxes required to be withheld by the Company by reason of such vesting and/or sale; and (ii) to the Company to deliver any certificate(s) or other evidence of ownership for such sold Award Shares directly to the Company's designated stock plan administrator in order to complete the sale transaction.

(c) You hereby acknowledge that you have been advised by the Company to seek independent tax advice from your own advisors regarding the availability and advisability of making an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, and that any such election, if made, must be made within 30 days of the Grant Date. You expressly acknowledge that you are solely responsible for filing any such Section 83(b) election with the appropriate governmental authorities, irrespective of the fact that such election is also delivered to the Company. You may not rely on the Company or any of its officers, directors or employees for tax or legal advice regarding this award. You acknowledge that you have sought tax and legal advice from your own advisors regarding this award or have voluntarily and knowingly foregone such consultation.

8. Adjustments for Corporate Transactions and Other Events. Adjustments and certain other matters relating to recapitalizations, reorganizations, sale of the assets of the Company, changes in control and the like shall be made and determined in accordance with Section 7(d) of the Plan, as in effect on the date of this Agreement.

9. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan.

10. Rights as Stockholder. Except as otherwise provided in this Agreement with respect to the nonvested and forfeitable Award Shares, you will possess all incidents of ownership of the Award Shares, including the right to vote the Award Shares and receive dividends and/or other distributions declared on the Award Shares.

11. The Company's Rights. The existence of the Award Shares shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of the Company for the attention of its Corporate Secretary at its principal executive office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

13. Entire Agreement. This Agreement, together with any employment, service or other agreement between you and the Company or an Affiliate applicable to the Award Shares, contain the entire understanding and agreement between you and the Company or an Affiliate with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions,

representations, or warranties among you and the Company or an Affiliate with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of this Agreement shall survive any vesting of the Award Shares and shall remain in full force and effect.

14. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on your rights with respect to the Award Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

15. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

16. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions.

17. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

18. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Electronic Delivery of Documents. By your signing this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Award Shares and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

20. Consideration for Award Shares. To ensure compliance with applicable state corporate law, the Company may require you to furnish consideration in the form of cash or cash equivalents equal to the par value of the Award Shares and you hereby authorize the Company to withhold such amount from remuneration otherwise due you from the Company.



## GLOSSARY

- (a) **“Administrator”** means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.
- (b) **“Affiliate”** means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Marchex, Inc. For this purpose, “control” means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.
- (c) **“Common Stock”** means the Class B common stock, \$0.01 par value per share, of Marchex, Inc.
- (d) **“Company”** means Marchex, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Marchex, Inc.
- (e) **“Service”** means your continuous, active and fulltime employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not Marchex, Inc. or its successor, or an Affiliate of Marchex, Inc. or its successor.
- (f) **“Total and Permanent Disability”** means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Administrator may require such proof of Total and Permanent Disability as the Administrator in its sole discretion deems appropriate and the Administrator’s good faith determination as to whether you are totally and permanently disabled will be final and binding on all parties concerned.
- (g) **“You”; “Your”**. “You” or your” means the recipient of the Award Shares as reflected in the first paragraph of this Agreement. Whenever the word “you” or “your” is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the Award Shares may be transferred by will or by the laws of descent and distribution, the words “you” and “your” shall be deemed to include such person.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer.

MARCHEX, INC.

By:

The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees to be bound by all of the provisions set forth herein. The undersigned also consents to electronic delivery of all notices or other information with respect to the Award Shares or the Company.

WITNESS:

GRANTEE

Enclosure: Marchex, Inc. 2021 Stock Incentive Plan and Summary Plan Description

MARCHEX, INC.  
2021 STOCK INCENTIVE PLAN  
RESTRICTED STOCK UNITS NOTICE

Name of Grantee: \_\_\_\_\_

This Notice evidences the award of restricted stock units (each, an "RSU," and collectively, the "RSUs") of Marchex, Inc., a Delaware corporation (the "Company"), that have been granted to you pursuant to the Marchex, Inc. 2021 Stock Incentive Plan (the "Plan") and conditioned upon your agreement to the terms of the attached Restricted Stock Units Agreement (the "Agreement"). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each RSU is equivalent in value to one share of the Company's Common Stock and represents the Company's commitment to issue one share of the Company's Common Stock at a future date, subject to the terms of the Agreement and the Plan.

Grant Date: \_\_\_\_\_

Number of RSUs: \_\_\_\_\_

Vesting Schedule: All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service (as defined in the Agreement) is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, twenty five percent (25%) of the RSUs will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the RSUs will be vested and nonforfeitable on the fourth anniversary of the Grant Date.

None of the RSUs will become vested and nonforfeitable after your Service ceases.

\_\_\_\_\_  
Marchex, Inc.

\_\_\_\_\_  
Date

I acknowledge that I have carefully read the Agreement and the Summary Plan Description for the Plan. I agree to be bound by all of the provisions set forth in those documents. I also consent to electronic delivery of all notices or other information with respect to the RSUs or the Company.

\_\_\_\_\_  
Signature of Grantee

\_\_\_\_\_  
Date

## RESTRICTED STOCK UNITS AGREEMENT

UNDER THE

## MARCHEX, INC. 2021 STOCK INCENTIVE PLAN

1. Terminology. Unless otherwise provided in this Agreement, capitalized terms used herein are defined in the Glossary at the end of this Agreement or in the Plan.

2. Vesting. All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the RSUs will become vested and nonforfeitable in accordance with the vesting schedule set forth in the Notice. Except for the circumstances, if any, described in the Notice, none of the RSUs will become vested and nonforfeitable after your Service ceases.

3. Termination of Employment or Service; Leave of Absence. Unless otherwise provided in the Notice, if your Service with the Company ceases for any reason, all RSUs that are not then vested and nonforfeitable will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration therefor and you will have no further right, title or interest in or to such RSUs or the underlying shares of Common Stock. The absence from work with the Company or with an Affiliate because of a temporary disability (any disability other than a Total and Permanent Disability), or due to a leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such employment, director status or consultancy with the Company or with an Affiliate but shall suspend the vesting of these RSUs, except as the Administrator may otherwise expressly provide.

4. Restrictions on Transfer. Neither this Agreement nor any of the RSUs may be assigned, transferred, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and the RSUs shall not be subject to execution, attachment or similar process. All rights with respect to this Agreement and the RSUs shall be exercisable during your lifetime only by you or your guardian or legal representative.

5. Settlement of RSUs.

(a) Manner of Settlement. You are not required to make any monetary payment (other than applicable tax withholding, if required) as a condition to settlement of the RSUs. The Company will issue to you, in settlement of your RSUs and subject to the provisions of Section 6 below, the number of whole shares of Common Stock that equals the number of whole RSUs that become vested, and such vested RSUs will terminate and cease to be outstanding upon such issuance of the shares. Upon issuance of such shares, the Company will determine the form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) and may deliver such shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason.

(b) Timing of Settlement. Your RSUs will be settled by the Company, via the issuance of Common Stock as described herein, on the date that the RSUs become vested and nonforfeitable. However, if a scheduled issuance date falls on a Saturday, Sunday or federal holiday, such issuance date shall instead fall on the next following day that the principal executive offices of the Company are open for business. Notwithstanding the foregoing, in the event that you are subject to the Company's policy permitting officers and directors to sell shares only during certain "window" periods, in effect from time to time or you are otherwise prohibited from selling shares of the Company's Common Stock in the public market and any shares covered by your RSUs are scheduled to be issued on a day (the "**Original Distribution Date**") that does not occur during an open "window period" applicable to you, as determined by the Company in accordance with such policy, or does not occur on a date when you are otherwise permitted to sell shares of the Company's Common Stock in the open market then such shares shall not

be issued and delivered on such Original Distribution Date and shall instead be issued and delivered on the first business day of the next occurring open "window period" applicable to you pursuant to such policy (regardless of whether you are still providing continuous services at such time) or the next business day when you are not prohibited from selling shares of the Company's Common Stock in the open market, but in no event later than the fifteenth day of the third calendar month of the calendar year following the calendar year in which the Original Distribution Date occurs. In all cases, the issuance and delivery of shares under this Agreement is intended to comply with Treasury Regulation 1.409A-1(b)(4) and shall be construed and administered in such a manner.

6. Tax Withholding. On or before the time you receive a distribution of the shares subject to your RSUs, or at any time thereafter as requested by the Company, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate which arise in connection with your RSUs (the "**Withholding Taxes**"). Additionally, the Company may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your RSUs by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; (iii) permitting you to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "**FINRA Dealer**") whereby you irrevocably elect to sell a portion of the shares to be delivered under the Agreement to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company; or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the RSUs with a Fair Market Value (measured as of the date shares of Common Stock are issued to you pursuant to Section 5) equal to the amount of such Withholding Taxes; provided, however, that the number of such shares of Common Stock so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock. In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

7. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of outstanding RSUs shall, without further action of the Administrator, be adjusted to reflect such event; provided, however, that any fractional RSUs resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

(b) Merger, Consolidation and Other Events. If the Company shall be the surviving or resulting corporation in any merger or consolidation and the Common Stock shall be converted into other securities, the RSUs shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled. If the stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled, in the same manner and to the same extent as the RSUs.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the forfeiture of any nonvested and forfeitable RSUs or any other adverse effect on your interests under the Plan.

9. Rights as Stockholder. You shall not have any of the rights of a stockholder with respect to any shares of Common Stock that may be issued in settlement of the RSUs until such shares of Common Stock have been issued to you. No adjustment shall be made for dividends, distributions, or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 7(d) of the Plan.

10. The Company's Rights. The existence of the RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Restrictions on Issuance of Shares. The issuance of shares of Common Stock upon settlement of the RSUs shall be subject to and in compliance with all applicable requirements of federal, state, or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the RSUs shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the RSUs, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

12. Notices. All notices and other communications made or given pursuant to this Agreement shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company, or in the case of notices delivered to the Company by you, addressed to the Administrator, care of the Company for the attention of its Secretary at its principal executive office or, in either case, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this award of RSUs by electronic means or to request your consent to participate in the Plan or accept this award of RSUs by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

13. Entire Agreement. This Agreement, together with the relevant Notice and the Plan, plus any employment, service or other agreement between you and the Company or an Affiliate applicable to the RSUs, contain the entire understanding and agreement between you and the Company or an Affiliate with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among you and the Company or an Affiliate with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of this Agreement, the Notice and the Plan shall survive any vesting of the RSUs and shall remain in full force and effect.

14. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the RSUs as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

15. Section 409A. This Agreement and the RSUs granted hereunder are intended to fit within the “short-term deferral” exemption from Section 409A of the Code as set forth in Treasury Regulation Section 1.409A-1(b)(4). In administering this Agreement, the Company shall interpret this Agreement in a manner consistent with such exemption. Notwithstanding the foregoing, if it is determined that the RSUs fail to satisfy the requirements of the short-term deferral rule and are otherwise deferred compensation subject to Section 409A, and if you are a “Specified Employee” (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a “separate payment” for purposes of Section 409A of the Code and Treasury Regulation Section 1.409A-2(b)(2).

16. No Obligation to Minimize Taxes. The Company has no duty or obligation to minimize the tax consequences to you of this award of RSUs and shall not be liable to you for any adverse tax consequences to you arising in connection with this award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this award and by signing the Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

17. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

18. No Funding. This Agreement constitutes an unfunded and unsecured promise by the Company to issue shares of Common Stock in the future in accordance with its terms. You have the status of a general unsecured creditor of the Company as a result of receiving the grant of RSUs.

19. Effect on Other Employee Benefit Plans. The value of the RSUs subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company’s or any Affiliate’s employee benefit plans.

20. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the district which includes the city or town in which the Company’s principal executive office is located, and you hereby agree and submit to the personal jurisdiction and venue thereof.

21. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

22. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the RSUs, and any reports of the Company provided generally to the Company’s stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting

the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

*{Glossary begins on next page}*

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## GLOSSARY

- (a) **“Administrator”** means the Board or such committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.
- (b) **“Affiliate”** means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Marchex, Inc. For this purpose, “control” means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.
- (c) **“Agreement”** means this document, as amended from time to time, together with the Plan which is incorporated herein by reference.
- (d) **“Code”** means the Internal Revenue Code of 1986, as amended, and the Treasury regulations and other guidance promulgated thereunder.
- (e) **“Common Stock”** means the Class B common stock, \$0.01 par value per share, of Marchex, Inc.
- (f) **“Company”** means Marchex, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Marchex, Inc.
- (g) **“Grant Date”** means the effective date of a grant of RSUs made to you as set forth in the relevant Notice.
- (h) **“Notice”** means the statement, letter or other written notification provided to you by the Company setting forth the terms of a grant of RSUs made to you.
- (j) **“RSU”** means the Company’s commitment to issue one share of Common Stock at a future date, subject to the terms of the Agreement and the Plan.
- (k) **“Service”** means your continuous, active and fulltime employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger, or other corporate transaction, the trade, business, or entity with which you are employed or otherwise have a service relationship is not Marchex, Inc. or its successor or an Affiliate of Marchex, Inc. or its successor.
- (f) **“Total and Permanent Disability”** means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Administrator may require such proof of Total and Permanent Disability as the Administrator in its sole discretion deems appropriate and the Administrator’s good faith determination as to whether you are totally and permanently disabled will be final and binding on all parties concerned.
- (l) **“You”; “Your”.** “You” or “your” means the recipient of the RSUs as reflected on the applicable Notice. Whenever the Agreement refers to “you” under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the RSUs may be transferred by will or by the laws of descent and distribution, the word “you” shall be deemed to include such person.

## List of Subsidiaries of the Registrant

	<b>Name</b>	<b>Jurisdiction</b>
1.	Marchex Paymaster, LLC	Delaware
2.	Marchex, LLC	Delaware
3.	Marchex Sales, LLC	Delaware
4.	Marchex CAH, Inc.	Delaware
5.	Telmetrics Corporation (formerly, Telmetrics Inc.)	Nova Scotia
6.	Marchex International, Ltd.	Ireland
7.	Marchex Voice Services, Inc.	Pennsylvania
8.	Archonic, LLC	Delaware
9.	Callcap, LLC (formerly, SITA Laboratories, Inc.)	Delaware
10.	DCCI Support Service, Inc.	Delaware
11.	Sonar Technologies, Inc.	Delaware

## **Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-261840, 333-255254, 333-230538, 333-223898, 333-216935, 333-210367, 333-202868, 333-194509, 333-194508, 333-187469, 333-116867, 333-123753, 333-132957, 333-141797, 333-149790, 333-158394, 333-165536, 333-172967, 333-180212, 333-181327, and 333-237344) of Marchex, Inc. of our report dated March 29, 2022, relating to the consolidated financial statements of Marchex, Inc. (which report expresses an unqualified opinion) appearing in the Annual Report on Form 10-K of Marchex, Inc. for the year ended December 31, 2021.

Seattle, Washington  
March 29, 2022

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

I, Michael A. Arends, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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: March 29, 2022

/s/ Michael A. Arends  

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**Michael A. Arends**  
**Co-CEO (Principal Executive Officer for SEC reporting purposes and 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 Annual Report on Form 10-K of Marchex, Inc. (the “Company”) for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael A. Arends, as Principal Executive Officer and as Principal Financial Officer of the Company, 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, 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.

Dated: March 29, 2022

By:           /s/ MICHAEL A. ARENDS            
Name: **Michael A. Arends**  
Title: **Co-CEO (Principal Executive Officer for SEC reporting purposes and Principal Financial Officer)**