

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

FORM 8-K

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

Date of report (Date of earliest event reported): October 2, 2006

Marchex, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-50658
(Commission File Number)

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

**413 Pine Street
Suite 500
Seattle, Washington 98101**
(Address of Principal Executive Offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.**2007 Salaries.**

On October 2, 2006, the Compensation Committee of the Board of Directors of Marchex, Inc. (the "Company" or the "Registrant"), pursuant to its review of long-term incentives and annual compensation for executive officers of the Company, approved salaries for the 2007 fiscal period, effective January 1, 2007, with respect to the executive officers in the below table as follows:

<u>Name of Executive Officer</u>	<u>Salary for Fiscal 2007</u>
Russell C. Horowitz	\$ 50,000
Michael Arends	\$ 255,000
Ethan Caldwell	\$ 150,000
Peter Christothoulou	\$ 150,000
Cameron Ferroni	\$ 200,000
John Keister	\$ 115,000

Annual Incentive Plan.

On October 2, 2006, the Compensation Committee of the Board of Directors of the Company, pursuant to its review of long-term incentives and annual compensation for executive officers of the Company, adopted the Marchex, Inc. Annual Incentive Plan (the "Incentive Plan") effective January 1, 2007. The purpose of the Incentive Plan is to motivate and reward performance resulting in the achievement of corporate objectives, to increase the competitiveness of pay without increasing fixed costs and to align the compensation of the management team to key financial drivers. The Incentive Plan provides for the payment of cash bonuses to the Company's key employees as determined in the sole discretion of the Compensation Committee. Participants in the Incentive Plan are eligible to earn a bonus award under the Plan in an aggregate amount and based on the achievement of certain performance targets by the Company, as determined by the Compensation Committee for each fiscal year of the Company. The performance targets for a fiscal year shall be determined on or before March 31st of each such fiscal year and shall be based on the following objective business criteria and measured against such performance targets, as the Compensation Committee determines: (a) pre-tax income; (b) adjusted operating income before amortization; (c) operating income before amortization; (d) operating income; (e) net earnings; (f) net income; (g) cash flow or funds from operations; (h) adjusted earnings per share; (i) earnings per share; (j) appreciation in the fair market value of the Company's stock; (k) cost reductions or savings; (l) implementation of critical processes or projects; or (m) adjusted EBITDA or earnings before any of the following items: interest, taxes, depreciation or amortization. The Compensation Committee has determined for the 2007 fiscal period that the aggregate amount of the entire bonus pool is up to \$1,000,000 and that the participants shall include the Company's executive officers listed above. Payment of the bonus pool for any fiscal period is in the sole discretion of the Compensation Committee.

The above description is subject to, and qualified in its entirety by the Incentive Plan, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Long-term Restricted Stock.

On October 2, 2006, the Compensation Committee of the Board of Directors of the Company, pursuant to its review of long-term incentives for executive officers of the Company, approved grants of restricted stock which vest over the course of a six (6) year period in accordance with the Company's 2003 Amended and Restated Stock Incentive Plan (the "Plan") effective January 1, 2007 (the "Grant Date") to the executive officers in the below table (subject to continued employment at such time) in the following restricted share amounts:

<u>Name of Executive Officer</u>	<u>Number of Restricted Shares of Class B Common Stock</u>
Russell C. Horowitz	800,000
Michael Arends	300,000
Ethan Caldwell	300,000
Peter Christothoulou	300,000
Cameron Ferroni	200,000
John Keister	400,000
Total:	2,300,000

The restricted stock shall be issued pursuant to the form of Restricted Stock Agreement which is attached as Exhibit 10.2 hereto and shall vest in accordance with the following six (6) year vesting schedule: 12.5% of the aggregate amount of restricted shares shall vest on the respective 18, 24, 30 and 36 month anniversaries of the Grant Date and the remaining 50% of the aggregate amount of the restricted shares shall vest on the 72 month anniversary of the Grant Date and with vesting in full of all such restricted shares in the event of a Change of Control (as defined in the Restricted Stock Agreements). The restricted stock will be valued based upon the closing price of the Company's Class B common stock on the Grant Date. In the event that any portion of these restricted shares and any other payments or benefits which such executive officers are entitled to receive in connection with a Change of Control transaction constitute "parachute payments" under Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended, then the Company will "gross-up" the payment to cover all applicable excise taxes on such parachute payments (including income and excise taxes on such gross-up payment).

The above description is subject to, and qualified in its entirety by the form of Restricted Stock Agreement, a copy of which is filed hereto as Exhibit 10.2 to this Current Report on Form 8-K and incorporated by referenced herein.

Retention Agreements.

On October 2, 2006, the Compensation Committee of the Company, pursuant to its review of long-term incentives and annual compensation for executive officers, authorized entering into Retention Agreements with the following executive officers: Michael Arends, Ethan Caldwell, Peter Christothoulou, and Cameron Ferroni. The form of Retention Agreement provides for the following termination payment in the event of a Change of Control (as defined in the Retention Agreements): lump sum severance payment payable in cash equal to two (2) times the product of the executive officer's Annual Salary (as defined in the Retention Agreements) plus the greater of the aggregate amount of any bonuses paid to or earned by the executive officer with respect to the Company's immediately prior fiscal year or such executive officers' pro rata portion of the aggregate bonus pool under the Incentive Plan for the then current fiscal year assuming achievement under the Incentive Plan of the maximum performance targets for such fiscal year.

The above description is subject to, and qualified in its entirety by the form of Retention Agreement, a copy of which is filed hereto as Exhibit 10.3 to this Current Report on Form 8-K and incorporated by referenced herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Marchex, Inc. Annual Incentive Plan
10.2	Form of Restricted Stock Agreement
10.3	Form of Retention Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 3, 2006

MARCHEX, INC.

By: /s/ Russell C. Horowitz

Name: Russell C. Horowitz

Title: Chairman and Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Marchex, Inc. Annual Incentive Plan
10.2	Form of Restricted Stock Agreement
10.3	Form of Retention Agreement

MARCHEX, INC.
ANNUAL INCENTIVE PLAN

Adopted October 2, 2006

Marchex, Inc., a Delaware corporation (the "Company"), established the Marchex, Inc. Annual Incentive Plan (the "Incentive Plan"), effective as of January 1, 2007. The purpose of the Incentive Plan is to motivate and reward performance resulting in the achievement of corporate objectives, to increase the competitiveness of pay without increasing fixed costs and to align the compensation of the management team to key financial drivers.

ARTICLE I.
DEFINITIONS

Section 1.1—Base Compensation. "Base Compensation," with respect to a fiscal year, shall mean the Participant's rate of annual base salary as in effect as of the last day of such fiscal year and shall exclude moving expenses, bonus pay and other payments which are not considered part of annual base salary.

Section 1.2—Board. "Board" shall mean the Board of Directors of the Company.

Section 1.3—Code. "Code" shall mean the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein shall be deemed to include a reference to the regulations promulgated under such section.

Section 1.4—Committee. "Committee" shall mean the Compensation Committee of the Board.

Section 1.5—Disability. "Disability" shall mean a permanent and total disability, within the meaning of Section 22(e)(3) of the Code.

Section 1.6—Participant. "Participant" shall mean, with respect to any fiscal year during the term of the Incentive Plan, a key employee of the Company selected by the Committee to participate in the Incentive Plan in accordance with Section 2.3 hereof.

ARTICLE II.
BONUS AWARDS

Section 2.1—Bonus Pool. Each fiscal year the Committee shall determine the maximum aggregate amount of the bonus pool to be awarded hereunder for such fiscal year.

Section 2.2—Performance Targets. A Participant shall be eligible to earn a bonus award under the Incentive Plan based on the achievement of performance targets by the Company, as determined by the Committee for each fiscal year of the Company. The performance targets for a fiscal year shall be determined on or before March 31st of such year and shall be based on the following objective business criteria and measured against such performance targets, as the Committee determines: (a) pre-tax income; (b) adjusted operating income before amortization; (c) operating income before amortization; (d)

operating income; (e) net earnings; (f) net income; (g) cash flow or funds from operations; (h) adjusted earnings per share; (i) earnings per share; (j) appreciation in the fair market value of the Company's stock; (k) cost reductions or savings; (l) implementation of critical processes or projects; or (m) adjusted EBITDA or earnings before any of the following items: interest, taxes, depreciation or amortization.

Section 2.3—Bonus Awards. Each individual who (a) is a key employee and (b) who is selected by the Committee to participate in the Incentive Plan with respect to such fiscal year, shall be eligible for a bonus award with respect to such fiscal year under this Incentive Plan. Each bonus award shall be in the sole discretion of the Committee based on its assessment of (i) the Company's achievement of the performance targets established by the Committee for the applicable fiscal year, and (ii) the Participant's performance during such fiscal year.

ARTICLE III. PAYMENT OF BONUS AWARD

Section 3.1—Form of Payment. Each Participant's bonus award shall be paid in cash.

Section 3.2—Timing of Payment. Unless a Participant has properly elected to defer all or part of a bonus award under a deferred compensation plan sponsored by the Company, each bonus award made by the Committee shall be paid within seventy (70) days after the end of the fiscal year to which such bonus award relates.

ARTICLE IV. TERMINATIONS

A Participant who, whether voluntarily or involuntarily, is terminated, demoted, transferred or otherwise ceases to be a key employee at any time during a fiscal year shall not be eligible to receive a partial fiscal year bonus award; provided, however, that if a Participant has executed an individually negotiated employment contract or agreement with the Company providing otherwise, such Participant's entitlement to a bonus award for such fiscal year shall be governed by the terms of the individually negotiated employment contract or agreement.

Notwithstanding the terms of the previous paragraph, in the event of a Participant's death or disability, or in the event of a change in ownership or control, the Committee may, in its sole discretion, provide partial fiscal year bonus awards to affected Participants.

ARTICLE V. ADMINISTRATION

It shall be the duty of the Committee to conduct the general administration of the Incentive Plan in accordance with its provisions. The Committee shall have the power to interpret the Incentive Plan, and to adopt such rules for the administration, interpretation and application of the Incentive Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all parties.

**ARTICLE VI.
OTHER PROVISIONS**

Section 6.1—Amendment, Suspension or Termination of the Incentive Plan. This Incentive Plan does not constitute a promise to pay and may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board.

Section 6.2—Miscellaneous.

(a) The Company shall deduct all federal, state and local taxes required by law or Company policy from any bonus paid to a Participant hereunder.

(b) In no event shall the Company be obligated to pay to any Participant a bonus award for a fiscal year by reason of the Company's payment of a bonus to such Participant in any other fiscal year.

(c) The rights of Participants under the Incentive Plan shall be unfunded and unsecured. Amounts payable under the Incentive Plan are not and will not be transferred into a trust or otherwise set aside. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any bonus under the Incentive Plan.

(d) Nothing contained herein shall be construed as a contract of employment or deemed to give any Participant the right to be retained in the employ of the Company, or to interfere with the rights of the Company to discharge any individual at any time, with or without cause, for any reason or no reason, and with or without notice except as may be otherwise agreed in writing.

(e) No rights of any Participant to payments of any amounts under the Incentive Plan shall be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of other than by will or by laws of descent and distribution, and any such purported sale, exchange, transfer, assignment, pledge, hypothecation or disposition shall be void.

(f) Any provision of the Incentive Plan that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of the Incentive Plan.

(g) The Incentive Plan and the rights and obligations of the parties to the Incentive Plan shall be governed by, and construed and interpreted in accordance with, the law of the State of Washington (without regard to principles of conflicts of law).

* * * * *

FORM OF RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (the "Agreement") is entered into this 1st day of January, 2007 between Marchex, Inc., a Delaware corporation (the "Company") and _____ (the "Participant").

WITNESSETH:

WHEREAS, the Compensation Committee of the Company has agreed to grant to the Participant, _____ shares of the Company's Class B common stock, par value \$0.01 per share (the "Shares" or "Common Stock") in accordance with the terms and conditions of the Company's 2003 Amended and Restated Stock Incentive Plan (the "Plan"); and

WHEREAS, the Shares are subject to certain restrictions; and

WHEREAS, a condition to the grant of the Shares to the Participant is that the Participant execute this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Shares. Subject to the terms, conditions and restrictions of the Plan and this Agreement, the Company hereby awards to the Participant, _____ Shares on January 1, 2007 (the "Grant Date"). To the extent required by law, the Participant shall pay the Company the par value (\$0.01) (the "Purchase Price") for each Share awarded to the Participant simultaneously with the execution of this Agreement in cash or cash equivalents payable to the order of the Company. Pursuant to the Plan and Section 4 of this Agreement, the Shares are subject to certain restrictions, which restrictions shall expire in accordance with the provisions of the Plan and Section 4 hereof. While such restrictions are in effect, the Shares subject to such restrictions shall be referred to herein as "Restricted Stock", and Shares as to which such restrictions have expired shall be referred to herein as "Vested Shares."

2. Right to Repurchase Upon Termination of Employment Relationship. In the event Participant's employment relationship with the Company terminates, for any reason whatsoever, whether due to voluntary or involuntary action, death, disability or otherwise, the Company shall have the right to repurchase at the original price paid therefor all or any portion of the Restricted Stock, which right may be exercised at any time and from time to time within ninety (90) days after the date of such termination.

3. Exercise of Right of Repurchase. The Company may exercise its right of repurchase by providing written notice to the Participant stating the number of Shares of Restricted Stock to be repurchased, the aggregate price to be paid (the "Repurchase Price") and the date (the "Repurchase Date") such repurchase shall occur (which shall be a date not fewer than ten (10) and not more than thirty (30) days from the date of such notice). On the Repurchase Date, the Company shall deliver the Repurchase Price to the Participant, by check or wire of immediately

available funds, against delivery of the certificate or certificates representing the Shares to be repurchased and duly endorsed stock powers.

4. Vesting of Shares. So long as the Participant continues to remain as an employee of the Company, the Shares will be deemed to become "Vested Shares" as follows: 12.5% of the aggregate amount of the Shares shall vest on each of the respective 18, 24, 30 and 36 month anniversaries of the Grant Date and the remaining 50% of the aggregate amount of the Shares shall vest on the 72 month anniversary of the Grant Date. One hundred percent (100%) of the Shares not already vested as of the date of a Change of Control, shall become immediately vested upon such Change of Control. For the purposes hereof, "Change of Control" shall mean the occurrence of any of the following events:

- (i) an acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" or "Group" (as such terms are used for the purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) immediately after which such Person or Group has Beneficial Ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the combined voting power of the Company's then-outstanding Voting Securities; provided, however, in determining whether or not a Change of Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would constitute a Change of Control. A "Non-Control Acquisition" shall mean an acquisition by (i) any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company, (ii) the Company, (iii) any Person in connection with a Non-Control Transaction (as hereinafter defined), or (iv) any holder of the Company's Class A Common Stock as of the date hereof;
- (ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iii) the consummation of:
 - (a) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued, unless such merger,

consolidation or reorganization is a “Non-Control Transaction”. A “Non-Control Transaction” is a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued where:

- A. the shareholders of the Company immediately before such merger, consolidation, or reorganization, own, directly or indirectly, at least fifty-one percent (51%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the “Surviving Corporation”) in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,
 - B. the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors of the Surviving Corporation or a corporation owning directly or indirectly fifty-one percent (51%) or more of the Voting Securities of the Surviving Corporation, and
 - C. no Person or Group, other than (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company immediately prior to such merger, consolidation, or reorganization, or (iv) any holder of the Company’s Class A Common Stock as of the date hereof, owns twenty percent (20%) or more of the combined voting power of the Surviving Corporation’s then-outstanding voting securities; or
- (b) a complete liquidation or dissolution of the Company; or
 - (c) the sale or disposition of all or substantially all of the assets of the Company to any Person.

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any Person (the “Subject Person”) acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change of Control would occur (but for the operation of this sentence) and after such acquisition of Voting Securities by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities, then a Change of Control shall occur.

There shall be no proportionate or partial vesting in the periods prior to the applicable vesting dates and all vesting shall occur only on the appropriate vesting date. The Compensation Committee may, in its sole discretion, provide for accelerated vesting of the Restricted Stock at any time. Fractional shares of Common Stock resulting from any vesting hereunder shall be aggregated until, and eliminated at, the time of vesting by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half. Cash settlements shall be made with respect to fractional shares of Common Stock eliminated by rounding in accordance with the Plan.

5. Transfers. No Participant shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or dispose of (either voluntarily or by operation of law or otherwise) all or any of his Restricted Stock (or any interest therein or any option, warrant or other right with respect thereto).

6. Rights as a Holder of Restricted Stock. From and after the Grant Date, the Participant shall have, with respect to the Restricted Stock, all of the rights of a holder of shares of Common Stock, including, without limitation, the right to receive and retain all regular cash dividends payable to holders of shares of record on and after the Grant Date (although such dividends will be treated, to the extent required by applicable law, as additional compensation for tax purposes), voting rights and to exercise all other rights, powers and privileges of a holder of shares with respect to the Restricted Stock, with the exceptions that (i) the Participant shall not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until such shares are no longer Restricted Stock; and (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock.

7. Taxes; Section 83(b) Election. The Participant acknowledges that (i) no later than the date on which any Restricted Stock shall have become vested or upon the filing of an election under Section 83(b) as provided below, the Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested; and (ii) the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested or other withholding taxes that are required by law, including that the Company may, but shall not be required to, sell a number of Shares sufficient to cover applicable withholding taxes. The Participant also acknowledges that it is his or her sole responsibility, and not the Company's, to file timely and properly any election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and any corresponding provisions of state tax laws, if the Participant wishes to utilize such election.

8. Legend. In the event that a certificate evidencing Restricted Stock is issued, the certificate representing the Shares shall have endorsed thereon the following legend:

"THE ANTICIPATION, ALIENATION, ATTACHMENT, SALE, TRANSFER, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR CHARGE OF THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE MARCHEX, INC. (THE "COMPANY") 2003

AMENDED AND RESTATED STOCK INCENTIVE PLAN (THE "PLAN") AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND THE COMPANY DATED AS OF THE 1ST DAY OF JANUARY, 2007. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY."

9. Certain Additional Payments by the Company. In the event it shall be determined at any time that as a result, directly or indirectly, of the Shares or payment or distribution by the Company to or for the benefit of the Participant in connection therewith, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), the Participant would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Participant with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Participant shall be entitled to promptly receive from the Company an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, but excluding any income taxes on the Payment, the Participant is in the same after-tax position as if no Excise Tax had been imposed upon the Participant.

10. Recapitalizations, Reorganizations, Changes in Control and the Like. 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 16 of the Plan, as in effect on the date of this Agreement.

11. Failure to Deliver Shares. If the Participant becomes obligated to sell any Shares to the Company under this Agreement and fails to deliver such Shares in accordance with the terms of this Agreement, the Company may, at its option, in addition to all other remedies it may have, send to the defaulting Participant the Purchase Price for such Shares as is herein specified. Thereupon, the Company, upon written notice to the defaulting Participant, shall cancel on its books the certificate or certificates representing the Shares to be sold, and all of the defaulting Participant's rights in and to such Shares shall terminate.

12. Specific Enforcement. The Participant expressly agrees that the Company may be irreparably damaged if this Agreement is not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Agreement by Participant, the Company shall, in addition to all other remedies, each be entitled to apply for a temporary or permanent injunction, and/or a decree for specific performance, in accordance with the provisions hereof.

13. No Special Employment or Other Contract Rights. Nothing contained in this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment relationship of the Participant for the period within which the Shares shall vest.

14. Attorneys-in-Fact. Each Participant hereby irrevocably appoints each person who may from time to time serve as Chief Executive Officer, Chief Financial Officer or General Counsel of the Company as his or her attorney-in-fact with specific authority to execute,

acknowledge, swear to, file, and deliver all consents, elections, instruments, certificates, and other documents and to take any other action requisite to carrying out the intention and purpose of this Agreement.

15. Provisions of Plan Control. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Compensation Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. A copy of the Plan has been delivered to the Participant. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof (other than any other documents expressly contemplated herein or in the Plan) and supersedes any prior agreements between the Company and the Participant.

16. Governing Law; Successors and Assigns. This Agreement shall be governed by the internal and substantive laws of the State of Delaware without giving effect to the conflicts of laws principles thereof and, except as otherwise provided herein, shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties. Each party hereby consents to the personal jurisdiction of the State of Delaware, acknowledges that venue is proper in any state or Federal court in the State of Delaware, agrees that any action related to this Agreement must be brought in a state or Federal court in the State of Delaware and waives any objection that may exist, now or in the future, with respect to any of the foregoing.

17. Attorney's Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

18. Notices. Any notices or other communications required to be given hereunder shall be given by hand delivery or by first class mail with all fees prepaid and addressed, if to the Company, to it at its principal place of business, Attn: General Counsel, and if to Participant, to him, her or it at the address set forth in the signature page hereto.

19. Severability. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein.

20. Captions. Captions are for convenience only and are not deemed to be part of this Agreement.

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

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MARCHEX, INC.
Restricted Stock Agreement
Counterpart Signature Page

IN WITNESS WHEREOF, this Agreement has been executed as an instrument under seal of the date and year first above written.

COMPANY:

MARCHEX, INC.

By: _____

Name: Russell C. Horowitz

Title: Chief Executive Officer

PARTICIPANT:

Name:

Address: _____

FORM OF RETENTION AGREEMENT

This Retention Agreement (the "Agreement") is entered into effective this 2nd day of October 2006, between Marchex, Inc., a Delaware corporation (the "Company"), and _____ (the "Executive").

WITNESSETH:

WHEREAS, Executive is employed by the Company or one of its wholly-owned subsidiaries (referred to collectively as the "Company") and the Company desires to provide certain security to Executive in connection with any potential change in control of the Company; and

NOW, THEREFORE, it is hereby agreed by and between the parties, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, as follows:

1. Payment Upon a Change of Control. In the event of a Change of Control (as defined below) the Company shall, within thirty (30) days of such Change of Control or such later date as is required by Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code), make a lump sum cash payment to Executive equal to two (2) times the product of the Executive's Annual Salary (as defined below) plus the greater of the aggregate amount of any bonuses paid to or earned by the Executive with respect to the Company's immediately prior fiscal year or such Executive's pro rata portion of the aggregate bonus pool under the Company's Annual Incentive Plan (the "Plan") for the then current fiscal year assuming achievement under the Plan of the maximum performance targets for such fiscal year.

2. Benefits Upon a Change of Control. If within twelve (12) months following a Change of Control (as defined below): (i) the Company shall terminate the Executive's employment with the Company without Cause (as defined below), or (ii) the Executive shall voluntarily terminate such employment with Good Reason (as defined below), the Company shall provide reimbursement of health care premiums for Executive and his dependents, for a period of eighteen (18) months from the date of Executive's Employment Termination (as defined below), to the extent that Executive is eligible for and elects continuation coverage under COBRA (provided that such reimbursement shall terminate upon commencement of new employment by an employer that offers health care coverage to its employees).

3. Definitions. For purposes of this Agreement:

(a) "Annual Salary" shall mean Executive's salary at the greater of (i) Executive's annualized base salary (including Executive's monthly car allowance, if any) in effect on the date of the Change of Control, or (ii) Executive's annualized base salary in effect on Executive's Employment Termination.

(b) "Cause" shall mean that the Company's Board of Directors (the "Board") has reasonably determined in good faith that any one or more of the following has occurred:

- (i) the Executive shall have been convicted of, or shall have pleaded guilty or nolo contendere to, any felony;
- (ii) the Executive shall have willfully failed or refused to carry out the reasonable and lawful instructions of the Board (other than as a result of illness or disability) concerning duties or actions consistent with the Executive's then current position in a timely manner and otherwise in a manner reasonable acceptable to the Board and such failure or refusal shall have continued for a period of ten (10) days following written notice from the Board describing such failure or refusal in reasonable detail;
- (iii) the Executive shall have breached any material provision of his confidentiality and assignment of inventions agreement; or
- (iv) the Executive shall have committed any material fraud, embezzlement, misappropriation of funds, breach of fiduciary duty or other act of dishonesty against the Company.

(c) "Change of Control" shall mean the occurrence of any of the following events:

- (i) an acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" or "Group" (as such terms are used for the purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) immediately after which such Person or Group has Beneficial Ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the combined voting power of the Company's then-outstanding Voting Securities; provided, however, in determining whether or not a Change of Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would constitute a Change of Control. A "Non-Control Acquisition" shall mean an acquisition by (i) any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company, (ii) the Company, (iii) any Person in connection with a Non-Control Transaction (as hereinafter defined), or (iv) any holder of the Company's Class A Common Stock as of the date hereof;
- (ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a

majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of:

- (a) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued, unless such merger, consolidation or reorganization is a “Non-Control Transaction”. A “Non-Control Transaction” is a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued where:
 - A. the shareholders of the Company immediately before such merger, consolidation, or reorganization, own, directly or indirectly, at least fifty-one percent (51%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the “Surviving Corporation”) in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,
 - B. the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors of the Surviving Corporation or a corporation owning directly or indirectly fifty-one percent (51%) or more of the Voting Securities of the Surviving Corporation, and
 - C. no Person or Group, other than (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company immediately prior to such merger, consolidation, or reorganization, or (iv) any holder of the Company’s Class A Common Stock as of the date hereof, owns twenty percent (20%) or more of the combined voting power of the Surviving Corporation’s then-outstanding voting securities; or
- (b) a complete liquidation or dissolution of the Company; or
- (c) the sale or disposition of all or substantially all of the assets of the Company to any Person.

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change of Control would occur (but for the operation of this sentence) and after such acquisition of Voting Securities by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities, then a Change of Control shall occur.

(d) "Employment Termination" shall mean the effective date of: (i) Executive's voluntary termination of employment with the Company with Good Reason, or (ii) the termination of Executive's employment by the Company without Cause.

(e) "Good Reason" shall exist if, without Executive's express written consent, the following occurs:

- (i) a material diminution in the nature or scope of the Executive's duties, responsibilities, authority, powers or functions as compared to the Executive's duties, responsibilities, authority, powers or functions immediately prior to the Change of Control;
- (ii) if the Executive is no longer (a) an executive officer of a publicly-traded company, or (b) a Section 16 reporting person under the 1934 Act;
- (iii) a reduction in the Executive's Annual Salary; or
- (iv) the relocation of Executive's office at which he is to perform his duties and responsibilities hereunder to a location more than sixty (60) miles from Seattle, Washington.

4. Certain Additional Payments by the Company. In the event it shall be determined at any time that as a result, directly or indirectly, of any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), the Executive would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax), then the Executive shall be entitled to promptly receive from the Company an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, but excluding any income taxes on the Payment, the Executive is in the same after-tax position as if no Excise Tax had been imposed upon the Executive.

5. Mitigation and Set-Off. Executive shall not be required to mitigate Executive's damages by seeking other employment or otherwise, and except as expressly provided in Section

2 of this Agreement, the Company's obligations under this Agreement shall not be reduced in any way by reason of any compensation or benefits received (or foregone) by Executive from sources other than the Company after Executive's employment termination, or any amounts that might have been received by Executive in other employment had Executive sought other employment.

6. Attorney's Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7. Assignment and Transfer. This Agreement shall not be terminated by the merger or consolidation of the Company with any corporate or other entity or by the transfer of all or substantially all of the assets of the Company to any other person, corporation, firm or entity. In the event of a sale of all or substantially all of the assets of the Company and in connection with such sale the person or entity purchasing such assets does not assume this Agreement, the Executive shall have the right to terminate his employment hereunder for Good Reason. The provisions of this Agreement shall be binding on and shall inure to the benefit of any such successor in interest to the Company. Neither this Agreement nor any of the rights, duties or obligations of the Executive shall be assignable by the Executive, nor shall any of the payments required or permitted to be made to the Executive by this Agreement be encumbered, transferred or in any way anticipated, except as required by applicable laws.

8. Severable Provisions. The provisions of this Agreement are severable and the invalidity of any one or more provisions shall not affect the validity of any other provision.

9. Withholding. The Company may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law.

10. Amendment. This Agreement may be amended at any time by written agreement between the Company and Executive.

11. Financing. Cash and benefit payments under this Agreement shall constitute general obligations of the Company. Executive shall have only an unsecured right to payment thereof out of the general assets of the Company. Notwithstanding the foregoing, the Company may, by agreement with one or more trustees to be selected by the Company, create a trust on such terms, as the Company shall determine, to make payments to Executive in accordance with the terms of this Agreement.

12. Notices. All notices hereunder shall be in writing and shall be deemed to have been duly given on the date of personal delivery; or on the date of electronic confirmation of receipt, if sent by telecopier; or three (3) days after deposit in the United States mail, if mailed by certified or registered mail, return receipt requested (postage prepaid); or one (1) day after delivery by a reputable overnight courier (delivery charges prepaid), as follows:

If to the Company:

Marchex, Inc.
413 Pine Street, Suite 500
Seattle, WA 98101
Telephone No.: 206.331.3310
Facsimile No: 206.331.3696
Attention: General Counsel

Copy to:

Francis J. Feeney, Jr., Esq.
DLA Piper US LLP
33 Arch Street, 26th floor
Boston, MA 02110
Telephone No: (617) 406-6063
Facsimile No: (617) 406-6163

If to the Executive:

Telephone No.:
Facsimile No.

or to such other address as a party may notify the other pursuant to a notice given in accordance with this Section 12.

13. Governing Law. This Agreement shall be construed under and enforced in accordance with the internal substantive laws of the State of Washington. Any litigation arising out of or incidental to this Agreement shall be initiated only in a court of competent jurisdiction located within the State of Washington. Each party hereby consents to the personal jurisdiction of the State of Washington, acknowledges that venue is proper in any state or Federal court in the State of Washington, agrees that any action related to this Agreement must be brought in a state or Federal court in the State of Washington and waives any objection that may exist, now or in the future, with respect to any of the foregoing.

14. Employment. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed to in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as an instrument under seal on the day and year first written above.

MARCHEX, INC

By: _____

Name:

Title:

EMPLOYEE:

Name: