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

FORM 8-K/A

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

Date of report (Date of earliest event reported): April 26, 2005

Marchex, Inc.
(Exact name of Registrant as Specified in its Charter)

Delaware	000-50658	35-2194038
(State or other jurisdiction of incorporation)	(Commission File Number)	(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 if the Form 8-K filing is intended to simultaneously satisfy the reporting obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act

☐ Soliciting material pursuant to Rule 14a-12 of the Exchange Act

☐ Pre-commencement communications pursuant to Rule 14d-2(b) Exchange Act

☐ Pre-commencement communications pursuant to Rule 13e-4(c) Exchange Act

Item 2.01. Acquisition or Disposition of Assets.

On April 26, 2005, Marchex, Inc., a Delaware corporation ("Marchex" or the "Company"), completed the acquisition of certain assets of Pike Street Industries, Inc., a Washington corporation ("Pike Street"). Pike Street is an online Yellow Pages and lead generation provider for local merchants. The aggregate consideration pursuant to the Asset Purchase Agreement is an amount of cash equal to $12,500,000, 242,748 shares of Marchex's Class B common stock (which was obtained by dividing $4,000,000 (the "Equity Consideration") by the average of the last quoted sale price for shares of Marchex's Class B common stock on the Nasdaq National Market for the ten trading days immediately prior to the closing) (the "Closing Market Price") and 212,404 shares of Marchex's Class B common stock (which was obtained by dividing $3,500,000 (the "Restricted Equity Consideration") by the Closing Market Price). The Restricted Equity Consideration is subject to vesting over the three year period from the closing date and forfeiture upon the occurrence of certain events.

The Asset Purchase Agreement contains customary representations and warranties and requires Pike Street and the stockholders to indemnify Marchex for certain liabilities arising under the Asset Purchase Agreement, subject to certain limitations and conditions. At closing, Marchex deposited into escrow for a period of twelve months from the closing $1,250,000 in cash, 24,275 shares of Marchex's Class B common stock issued as the Equity Consideration and 81,927 shares of Marchex's Class B common stock issued as the Restricted Equity Consideration for the benefit of Pike Street and the stockholders to secure their respective indemnification and other obligations under the Asset Purchase Agreement.

Marchex has also agreed to use best efforts to file a registration statement to register the shares of Class B common stock issued as the Equity Consideration and Restricted Equity Consideration thereunder for resale with the SEC on or before June 5, 2005. In accordance therewith, Marchex filed a Registration Statement on Form S-3 with the Securities and Exchange Commission on May 31, 2005 under the Securities Act of 1933, as amended, relating to 1,382,093 shares of Marchex's Class B common stock which such shares included the shares of Equity Consideration and Restricted Equity Consideration issued to the Stockholders in connection with the Closing. Such registration statement was declared effective on July 7, 2005.

The acquisition consideration was determined by arms' length negotiation between the parties. Marchex funded the cash portion of the acquisition consideration from cash on hand.

Marchex filed a Current Report on Form 8-K on May 2, 2005 announcing the completion of the acquisition of certain assets of Pike Street. The purpose of this Form 8-K/A is to amend the Current Report on Form 8-K filed on May 2, 2005 to include the financial statements and pro forma financial information required by Item 9.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The unaudited condensed financial statements of Pike Street Industries, Inc. as of March 31, 2005 and for the three months ended March 31, 2004 and 2005 and the audited financial statements of Pike Street Industries, Inc. as of December 31, 2004 and for the years ended December 31, 2003 and 2004 are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed consolidated financial statements for Marchex, Inc. as of March 31, 2005 and for the year ended December 31, 2004 and the three months ended March 31, 2005 are attached hereto as Exhibit 99.3 and are incorporated herein by reference.

(c) Exhibits.

Exhibit No.	Description
2.1*	Asset Purchase Agreement, dated as of April 26, 2005, by and among Marchex, Inc., Pike Street Industries, Inc. and the holders of all of the issued and outstanding capital stock of Pike Street Industries, Inc.
23.1	Independent auditors’ consent.
99.1*	Press Release, dated April 27, 2005.
99.2	The unaudited condensed financial statements of Pike Street Industries, Inc. as of March 31, 2005 and for the three months ended March 31, 2004 and 2005 and the audited financial statements of Pike Street Industries, Inc. as of December 31, 2004 and for the years ended December 31, 2003 and 2004.
99.3	Marchex, Inc. unaudited pro forma condensed consolidated financial statements as of March 31, 2005 and for the year ended December 31, 2004 and the three months ended March 31, 2005.

* Previously filed.

SIGNATURES

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

Date: July 11, 2005	**MARCHEX, INC.**	
	By:	/s/ MICHAEL A. ARENDS
	Name:	**Michael A. Arends**
	Title:	**Chief Financial Officer**

EXHIBIT INDEX

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99.3	Marchex, Inc. unaudited pro forma condensed consolidated financial statements as of March 31, 2005 and for the year ended December 31, 2004 and the three months ended March 31, 2005.

* Previously filed.

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors
Marchex, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-125372) on Form S-3 and registration statements (Nos. 333-116867 and 333-123753) on Form S-8 of Marchex, Inc. of our report dated June 24, 2005, with respect to the balance sheet of Pike Street Industries, Inc. as of December 31, 2004 and the related statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2003 and 2004, which report appears in this Form 8-K/A of Marchex, Inc.

/s/ KPMG LLP

Seattle, Washington
July 5, 2005

Independent Auditors' Report

The Board of Directors
Pike Street Industries, Inc.:

We have audited the accompanying balance sheet of Pike Street Industries, Inc. as of December 31, 2004, and the related statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2003 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pike Street Industries, Inc. as of December 31, 2004, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Seattle, Washington
June 24, 2005

Pike Street Industries, Inc.

Balance Sheets

	December 31, 2004	Unaudited March 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 678,865	$ 281,364
Accounts receivable, net	651,231	664,322
Prepaid expenses	61,257	44,821
Total current assets	1,391,353	990,507
Property and equipment, net	24,940	24,701
Intangibles assets, net	251,190	233,540
Other assets	23,900	23,800
Total assets	$ 1,691,383	$ 1,272,548
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 49,567	$ 97,331
Accrued payroll and benefits	55,787	250
Accrued expenses and other current liabilities	38,789	14,978
Deferred revenue	—	1,856
Total current liabilities	144,143	114,415
Commitments and subsequent event		
Stockholders’ equity:		
Common stock, $0.01 par value, 200,000 shares authorized, issued and outstanding at December 31, 2004 and at March 31, 2005	2,000	2,000
Additional paid-in capital	98,000	98,000
Retained earnings	1,447,240	1,058,133
Total stockholders’ equity	1,547,240	1,158,133
Total liabilities and stockholders’ equity	$ 1,691,383	$ 1,272,548

See accompanying notes to financial statements.

Pike Street Industries, Inc.

Statements of Operations

	Year ended December 31, 2003	Year ended December 31, 2004	Unaudited Three months ended March 31, 2004	Unaudited Three months ended March 31, 2005
Revenue	$1,477,378	$2,987,261	$ 620,501	$ 963,198
Expenses:				
Service costs	123,262	149,484	37,389	51,929
Sales and marketing	199,506	393,261	97,605	133,824
Product development	115,200	165,940	41,639	59,400
General and administrative	164,862	203,711	39,644	107,516
Total operating expenses	602,830	912,396	216,277	352,669
Income from operations	874,548	2,074,865	404,224	610,529
Other income (expense):				
Interest income	893	2,424	480	173
Interest expense	(5,415)	—	—	—
Other	—	1,171	1,926	191
Total other income (expense)	(4,522)	3,595	2,406	364
Net income	$ 870,026	$2,078,460	$ 406,630	$ 610,893

See accompanying notes to financial statements.

Pike Street Industries, Inc.

Statements of Stockholders' Equity

	Common stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount			
Balances at December 31, 2002	200,000	$ 2,000	$ 98,000	$ 128,754	$ 228,754
Net income	—	—	—	870,026	870,026
Distributions	—	—	—	(500,000)	(500,000)
Balances at December 31, 2003	200,000	2,000	98,000	498,780	598,780
Net income	—	—	—	2,078,460	2,078,460
Distributions	—	—	—	(1,130,000)	(1,130,000)
Balances at December 31, 2004	200,000	2,000	98,000	1,447,240	1,547,240
Net income—unaudited	—	—	—	610,893	610,893
Distributions—unaudited	—	—	—	(1,000,000)	(1,000,000)
Balances at March 31, 2005—unaudited	200,000	$ 2,000	$ 98,000	$ 1,058,133	$ 1,158,133

See accompanying notes to financial statements.

Pike Street Industries, Inc.

Statements of Cash Flows

	Year ended December 31, 2003	Year ended December 31, 2004	Unaudited Three months ended March 31, 2004	Unaudited Three months ended March 31, 2005
Cash flows from operating activities:				
Net income	$ 870,026	$ 2,078,460	$ 406,630	$ 610,893
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization and depreciation	61,974	72,438	16,699	20,716
Loss on disposal of property and equipment	—	1,849	—	—
Change in certain assets and liabilities:				
Accounts receivable, net	(125,550)	(408,651)	(172,661)	(13,090)
Prepaid expenses and other assets	400	(84,257)	(56,553)	16,434
Accounts payable, accrued payroll and benefits, accrued expenses and other current liabilities	25,423	110,104	(20,935)	(31,583)
Deferred revenue	61,175	(61,175)	(61,175)	1,856
Net cash provided by operating activities	893,448	1,708,768	112,005	605,226
Cash flows from investing activities:				
Purchases of property and equipment	(6,257)	(25,423)	—	(2,727)
Increase in intangible and other non current assets	(26,439)	(55,177)	(1,889)	—
Net cash used in investing activities	(32,696)	(80,600)	(1,889)	(2,727)
Cash flows from financing activities:				
Distributions to shareholders	(500,000)	(1,130,000)	—	(1,000,000)
Repayment of shareholder notes payable	(223,450)	—	—	—
Net cash used in financing activities	(723,450)	(1,130,000)	—	(1,000,000)
Net increase in cash and cash equivalents	137,302	498,168	110,116	(397,501)
Cash and cash equivalents at beginning of period	43,395	180,697	180,697	678,865
Cash and cash equivalents at end of period	$ 180,697	$ 678,865	$ 290,813	$ 281,364

See accompanying notes to financial statements.

Note 1—Description of Business and Summary of Significant Accounting Policies

a) Description of Business

Pike Street Industries, Inc. (Company), formed in March 2002 and incorporated in the state of Washington, develops, operates, and manages Internet websites, content services, and directory services related to Internet-based yellow and white pages, local or geographical search and content, and college leads markets.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005 or for any other period. The accompanying unaudited condensed consolidated financial statements of the Company do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements and notes should be read with the financial statements and notes thereto of Pike Street Industries, Inc. for the years ended December 31, 2003 and 2004.

b) Revenue Recognition

The Company’s primary sources of revenue are performance-based advertising services, which include pay-per-click services, pay-per-search services and costs-per-action services. Revenue from pay-per-click services and pay-per-search services are generated upon the delivery of qualified and reported click-throughs or searches, which occur when an online user clicks or searches on advertiser listings or advertising service provider listings on the Company’s websites. Cost-per-action revenue is generated when the on-line user is redirected from the Company websites to an advertiser website and completes the specified action.

Revenue is recognized in the period that the advertising impressions, click-throughs, search or actions occur and are reported, the fee is fixed and determinable and collection is reasonably assured.

c) 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.

d) Fair Value of Financial Instruments

The Company had the following financial instruments as of the periods presented: cash and cash equivalents, accounts receivable, accounts payable, accrued payroll and benefits, accrued expenses and other current liabilities. The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued payroll and benefits, accrued expenses and other current liabilities approximates their fair value based on the liquidity of these financial instruments or based on their short-term nature.

e) Trade Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at period-end and do not bear interest. The Company does not require or receive collateral with respect to its sales. The Company records an allowance for doubtful accounts when it estimates probable credit losses in existing accounts receivable. The allowance is determined based on analysis of historical bad debts, customer credit worthiness and current economic trends. Past due balances over 90 days and specific other balances are reviewed individually for collectibility and 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 Company had no allowance and no write-offs in the periods presented.

f) Concentrations and Economic Dependence

Accounts receivable

The percentages of accounts receivable from customers representing 10% or more of accounts receivable are as follows:

		Unaudited
	December 31, 2004	March 31, 2005
Customer A	14%	12%
Customer B	13%	21%
Customer C	33%	20%
Customer D	13%	16%

Revenue

Substantially all of the Company's revenue earned from customers is generated through arrangements that are short-term in nature. The Company may not be successful in renewing any of these agreements, or if they are renewed, they may not be on terms as favorable as current agreements. The Company may not be successful in entering into agreements with new customers on commercially acceptable terms. In addition, several of these customers may be considered potential competitors.

The percentage of revenue earned from customers representing more than 10% of revenue is as follows:

			Unaudited	
	Year ended December 31, 2003	Year ended December 31, 2004	Three months ended March 31, 2004	Three months ended March 31, 2005
Customer A	27%	17%	26%	13%
Customer B	—	12%	17%	15%
Customer C	—	21%	—	14%
Customer D	—	—	—	11%
Customer E	—	—	—	10%
Customer F	—	—	18%	—
	27%	50%	61%	63%

Cash and investments

The Company maintains its cash and investments with a single financial institution. At certain times during the year, its cash balance may exceed the $100,000 FDIC insured limit. Cash equivalents as of the periods presented consist primarily of money market funds.

At December 31, 2004 and at March 31, 2005, the Company had uninsured balances of $579,000 and $181,000, respectively.

g) Property and Equipment

Property and equipment are stated at cost. Depreciation on computers and other related equipment, and furniture and fixtures is calculated for book purposes on the straight-line method over the estimated useful lives of the assets, generally averaging three years. Repairs, maintenance and small purchases are charged to expense in the year incurred.

h) Intangible Assets

The Company capitalizes costs incurred to acquire Internet domain names or URLs, which include the initial registration fees, and amortizes the cost over the expected useful life of the domain names on a straight-line basis. The expected useful lives range from 12 to 72 months. In order to maintain the rights to each domain name acquired, the Company pays periodic registration fees, which generally cover a minimum period of 12 months. The Company records registration renewal fees of domain name intangible assets as a prepaid expense and amortizes the cost over the registration period.

i) Impairment or Disposal of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews its long-lived assets, primarily domain name intangible 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 their estimated 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 would no longer be amortized or depreciated.

j) Advertising Expenses

Advertising costs are expensed as incurred and include Internet-based direct advertising. The amounts for advertising expense for the years ended December 31, 2003 and 2004 and the unaudited three months ended March 31, 2004 and 2005 were approximately $126,000, $318,000, $80,000, and $115,000, 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 Internet sites and services. Research and development expenses 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 costs were research and development costs.

Product development costs are expensed as incurred or capitalized into property and equipment in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). SOP 98-1 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 by capitalized.

l) Management's Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

m) Segment Reporting

Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for the Company's management. For all periods presented, the Company operated as a single segment. The Company operates in a single business segment principally in domestic markets providing Internet transaction services to enterprises.

n) Federal Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the corporate income. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

o) Guarantees

Indemnification provisions contained within the Company's customer and distribution partner agreements are generally consistent with those prevalent in the Company's industry. The Company has not incurred significant obligations under customer and distribution partner indemnification provisions historically and does not expect to incur significant obligations in the future. Accordingly, the Company does not maintain accruals for potential customer and distribution partner indemnification obligations.

p) Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123(R), which replaces SFAS No. 123 and supersedes APB Opinion No. 25. As originally issued, SFAS No. 123 established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that pronouncement permitted entities to continue applying the intrinsic-value-based model of APB Opinion No. 25, provided that the financial statements disclosed the pro forma net income or loss based on the preferable fair-value method. The Company is required to apply SFAS No. 123(R) as of the interim reporting period that begins after December 15, 2005. Thus, the Company's consolidated financial statements will reflect an expense for (a) all share-based compensation arrangements granted after January 1, 2006 and for any such arrangements that are modified, cancelled, or repurchased after that date, and (b) the portion of previous share-based awards for which the requisite service has not been rendered as of that date, based on the grant-date estimated fair value of those awards. The Company does not expect the adoption of SFAS No. 123(R) to have a material impact on the Company's financial statements.

Note 2—Property and Equipment

Property and equipment consisted of the following at:

	December 31, 2004	Unaudited March 31, 2005
Computers and equipment	$ 33,245	$ 35,972
Less accumulated depreciation	(8,305)	(11,271)
Property and equipment, net	$ 24,940	$ 24,701

Depreciation expense incurred by the Company was approximately $3,800 and $9,200, and $1,200 and $3,000 for the years ended December 31, 2003 and 2004 and the unaudited three months ended March 31, 2004 and 2005, respectively.

Note 3—Intangible assets

Intangible assets consisted of the following at:

	December 31, 2004	Unaudited March 31, 2005
Internet Domain names	417,116	417,116
Less accumulated amortization	(165,926)	(183,576)
Intangible assets, net	$ 251,190	$ 233,540

Amortization expense incurred by the Company was approximately $57,800, $62,900, $15,400 and $17,600 for the years ended December 31, 2003 and 2004 and the unaudited three months ended March 31, 2004 and 2005, respectively, and has been recorded in service costs in the statements of operations. Estimated amortization expense for the next five years is approximately $70,600, $70,600, $70,600, $25,300 and $13,000 in calendar years 2005, 2006, 2007, 2008 and 2009, respectively.

Note 4—Related Party Transaction

At December 31, 2002, the Company had demand notes payable to its stockholders totaling $223,450. The notes were unsecured and interest was charged at 10%. The outstanding principal amounts were due and payable on March 31, 2007. Interest was due and payable annually in arrears on commencing March 31, 2003. These notes were repaid in 2003. Interest expense related to these notes was approximately $5,400 for 2003.

Note 5—Line of Credit

At December 31, 2004, the Company had available a $500,000 bank line of credit, secured by substantially all of the Company’s assets, bearing interest at the prime rate plus 0.75% (approximately 4.75% at December 31, 2004). The Company did not borrow on the line of credit during any of the periods presented. The line of credit was cancelled in February 2005.

Note 6—401(k) Plan

The Company has a retirement plan (the Plan) under Section 401(k) of the Internal Revenue code, which covers those employees that meet eligibility requirements. The Plan began in 2003. Eligible employees may contribute to the maximum allowed by § 401(k) for the specific year. Under the Plan, the Company is obligated to make either a plan contribution of 3% of gross earnings of all eligible employees or match 100% of the first 3% of earnings and 50% of the next 2% of earnings contributed by eligible employees.

The Company contributed $56,000 and $67,000 for the years ended December 31, 2003 and 2004, respectively, and $10,000 and $13,000 for the unaudited three months ended March 31, 2004 and 2005, respectively.

Note 7—Commitments

The Company leases office space under a lease that began April 2004 at approximately $1,400 per month. The lease expires March 31, 2007. The Company prepaid the office lease cost for the term of the lease. The current and long-term portions of this amount have been recorded in “Prepaid expenses” and “Other assets”, respectively, in the balance sheets and are being amortized on a straight-line basis over the lease term. The Company is also required to pay common area maintenance fees of approximately $690 per month. Rent expense incurred by the Company was approximately $4,400, $20,800, $2,400 and $6,400 for the years ended December 31, 2003 and 2004 and the unaudited three months ended March 31, 2004 and 2005, respectively.

In March 2005, the Company entered into a 1-year contract for website hosting services. The Company has commitments for future payments under this contract. Future minimum payments for the years ending December 31, 2005 and 2006 are $20,250 and $6,750, respectively.

Note 8—Subsequent Event

On April 26, 2005, Marchex, Inc. acquired certain assets of the Company. The consideration consisted of :

- $12,500,000 in cash; plus
- 242,748 shares of Marchex, Inc. Class B common stock; plus
- 212,404 shares of restricted Marchex, Inc. Class B common stock, which will vest as employment services are performed over a three-year period in installments of 16.67% after each 6 month period during that term.

The assets acquired include a substantial majority of the operating assets of the Company excluding cash and cash equivalents and accounts receivable.

MARCHEX, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pike Street Industries Acquisition

On April 26, 2005, Marchex, Inc. ("Company") acquired certain assets of Pike Street Industries, Inc. ("Pike Street")**,** an online Yellow Pages and lead generation provider for local merchants.

The purchase price consideration consisted of:

- $12.7 million in cash and estimated acquisition costs; plus
- 242,748 shares of Class B common stock; plus
- 212,404 shares of restricted Class B common stock which will vest over a three-year period in installments of 16.67% after each 6 month period during that term.

The shares of Class B common stock excluding the shares of restricted Class B common stock were valued at $17.18 per share (for accounting purposes, in accordance with Emerging Issues Task Force Issue No. 99-12, *Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Business Combination*), for an aggregate amount of approximately $4.2 million.

The shares of restricted Class B common stock were valued at $16.85 per share (the last reported sales price on the closing date) for an aggregate amount of approximately $3.6 million. The shares of restricted Class B common stock were issued to the former stockholders of Pike Street who became employees of the Company

The asset purchase agreement contained customary representations and warranties and required Pike Street's stockholders to indemnify the Company for various liabilities arising under the agreement, subject to various limitations and conditions. At the closing, the Company deposited into escrow for the benefit of the stockholders for a period of twelve months from the closing an amount of cash equal to $1.3 million, 24,275 shares of the 242,748 shares of Class B common stock, and 81,927 shares of the 212,404 restricted Class B common stock to secure the stockholders' indemnification and other obligations under the asset purchase agreement, which is included in the above total purchase price consideration.

The estimated fair values of assets acquired are based upon preliminary estimates and may not be indicative of the final allocation of the purchase price consideration.

Pro Forma Financial Information

Unaudited Pro Forma Condensed Consolidated Statements of Operations

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2004 and the three months ended March 31, 2005 give effect to previously reported acquisitions, which include goClick.com, Inc. (goClick) and Name Development Ltd. (Name Development) (collectively, the "previously reported acquisitions") and the Company's acquisition of certain assets of Pike Street as if they had occurred on January 1, 2004.

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2004 combine: (1) the Company and its subsidiaries' historical results of operations for the year ended December 31, 2004; (2) goClick's historical results of operations for the pre-acquisition period from January 1, 2004 to July 26, 2004; (3) Name Development's historical results of operations for the year ended December 31, 2004; (4) an offering of only that number of shares of Class B common stock and preferred stock as necessary to consummate the Name Development asset acquisition for the year ended December 31, 2004; and (5) Pike Street's historical results of operations for the year ended December 31, 2004.

The unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2005 combine: (1) the Company and its subsidiaries' historical results of operations for the three months ended March 31, 2005; (2) Name Development's historical results of operations for the pre-acquisition period from January 1, 2005 to February 13, 2005; (3) an offering of only that number of shares of Class B common stock and preferred stock as necessary to consummate the Name Development asset acquisition for the period of January 1, 2005 through February 13, 2005; and (4) Pike Street's historical results of operations for the three months ended March 31, 2005.

The components of revenues, operating expenses and net income reflected as historical operating results included in the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2004 of the previously reported acquisitions from January 1, 2004 through December 31, 2004 or their respective dates of acquisition are as follows:

	Date Acquired	Revenue	Operating Expense	Net Income
goClick	July 27, 2004	3,769,347	2,497,691	1,277,152
Name Development	February 14, 2005	20,667,254	3,039,418	17,386,150

The components of revenues, operating expenses and net income reflected as historical operating results included in the unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2005 of the previously reported acquisition from January 1, 2005 through its respective date of acquisition is as follows:

	Date Acquired	Revenue	Operating Expense	Net Income
Name Development	February 14, 2005	2,544,459	350,343	2,019,785

Unaudited Pro Forma Condensed Consolidated Balance Sheet

The unaudited pro forma condensed consolidated balance sheet combine the historical balance sheets of the Company and its subsidiaries and Pike Street as of March 31, 2005 and gives effect to the acquisition as if had occurred on March 31, 2005.

Unaudited Pro Forma Condensed Consolidated Financial Information

The unaudited pro forma condensed consolidated financial information is intended for illustrative purposes only and is not necessarily indicative of the combined results that would have occurred had the acquisition taken place on January 1, 2004, nor is it necessarily indicative of results that may occur in the future. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Form 8-K/A and result in a preliminary allocation of the purchase price based on preliminary estimates of the fair value of the assets acquired and liabilities assumed, and may not be indicative of the final allocation of the purchase price consideration.

The unaudited pro forma condensed consolidated financial statements and the accompanying notes should be read in conjunction with the historical financial statements and pro forma condensed financial statements of the Company, Pike Street, goClick and Name Development and related notes contained thereto and in the reports and information the Company has on file with the SEC, including the Company's Form 8-K filed on May 31, 2005.

MARCHEX, INC.

Unaudited Pro Forma Condensed Balance Sheet
As of March 31, 2005

	Marchex, Inc. (Historical)	Pike Street (Historical)	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 86,465,826	$ 281,364	$ (12,500,000)	a	$ 73,965,826
			(281,364)	b	
Trade accounts receivable, net	6,005,845	664,322	(664,322)	b	6,005,845
Prepaid expenses and other current assets	1,046,059	44,821	(44,821)	b	1,046,059
Refundable income taxes	1,509,531	—			1,509,531
Deferred tax assets	415,469	—			415,469
Total current assets	95,442,730	990,507	(13,490,507)		82,942,730
Property and equipment, net	1,542,106	24,701	(17,827)	b	1,548,980
Deferred tax assets	402,484	—			402,484
Intangibles and other assets, net	9,159,167	257,340	(257,340)	b	9,159,167
Goodwill	142,482,696	—	11,800,287	a	154,282,983
Intangible assets from acquisitions, net	55,756,253	—	5,025,000	a	60,781,253
	209,342,706	282,041	16,550,120		226,174,867
Total assets	$ 304,785,436	$ 1,272,548	$ 3,059,613		$ 309,117,597
Liabilities and Stockholders' Equity					
Current Liabilities:					
Accounts payable	$ 6,180,961	$ 97,331	$ (97,331)	b	$ 6,180,961
Accrued expenses and other current liabilities	1,979,509	15,228	161,750	a	2,141,259
			(15,228)	b	
Deferred revenue	1,908,869	1,856	(1,856)	b	1,908,869
Earn-out liability payable	—				—
Total current liabilities	10,069,339	114,415	47,335		10,231,089
Other non-current liabilities	76,564	—	—		76,564
Total liabilities	10,145,903	114,415	47,335		10,307,653
Stockholders' equity:					
Convertible preferred stock	55,205,369				55,205,369
Common stock		2,000	(2,000)	b	—
Class A common stock	122,500				122,500
Class B common stock	231,618		4,552	a	236,170
Additional paid-in capital	243,708,679	98,000	7,744,866	a	251,453,545
			(98,000)	b	
Deferred stock-based compensation	(375,282)		(3,579,007)	a	(3,954,289)
Accumulated deficit	(4,253,351)	1,058,133	(1,058,133)	b	(4,253,351)
Total stockholders' equity	294,639,533	1,158,133	3,012,278		298,809,944
Total liabilities and stockholders' equity	$ 304,785,436	$ 1,272,548	$ 3,059,613		$ 309,117,597

See notes to unaudited pro forma condensed consolidated statements.

MARCHEX, INC.

Unaudited Pro Forma Condensed Consolidated Statements of Operations
For the year ended December 31, 2004

	Marchex, Inc. Historical	Previously Reported Acquisitions (5)	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments		Pro Forma Combined
Revenue	$43,804,272	$ 24,436,601	$ (17,818)	68,223,055	$ 2,987,261	$ —		$71,210,316
Expenses:								
Service costs (1)	27,449,938	4,023,410	(775,775)	30,697,573	149,484	(62,875)	(c)	30,784,182
Sales and marketing (1)	4,414,043	20,453	—	4,434,496	393,261			4,827,757
Product development (1)	2,291,430	96,742	—	2,388,172	165,940			2,554,112
General and administrative (1)	4,111,544	1,396,504	—	5,508,048	203,711			5,711,759
Acquisition-related retention consideration (2)	499,080	—	—	499,080	—			499,080
Facility relocation	199,960	—	—	199,960	—			199,960
Stock-based compensation (3)	890,520	—	—	890,520	—	2,326,355	(d)	3,216,875
Amortization of intangible assets from acquisitions (4)	4,965,503	—	14,843,473	19,808,976	—	1,549,405	(c)	21,358,381
Total operating expenses	44,822,018	5,537,109	14,067,698	64,426,825	912,396	3,812,885		69,152,106
Gain on sale of intangible assets, net	—	1,532,664	—	1,532,664	—			1,532,664
Income from operations	(1,017,746)	20,432,156	(14,085,516)	5,328,894	2,074,865	(3,812,885)		3,590,874
Other income (expense)								
Interest income	265,354	26,228	—	291,582	2,424			294,006
Interest expense	(5,654)	—	—	(5,654)	—			(5,654)
Adjustment to fair value of redemption obligation	55,250	—	—	55,250	—			55,250
Other, net	3,644	(989)	—	2,655	1,171			3,826
Total other income	318,594	25,239	—	343,833	3,595	—		347,428
Income before provision for income taxes	(699,152)	20,457,395	(14,085,516)	5,672,727	2,078,460	(3,812,885)		3,938,302
Income tax expense (benefit)	33,941	1,794,093	628,275	2,456,309	—	(659,082)	(e)	1,797,227
Net income	(733,093)	18,663,302	(14,713,791)	3,216,418	2,078,460	(3,153,803)		2,141,075
Accrual of convertible preferred stock dividends	—	—	2,375,000(g)	2,375,000	—			2,375,000
Accretion of redemption value of redeemable convertible preferred stock	420,430	—	—	420,430	—			420,430
Net income (loss) applicable to common stockholders	$ (1,153,523)	$ 18,663,302	$ (17,088,791)	$ 420,988	$ 2,078,460	$ (3,153,803)		$ (654,355)
Basic net income (loss) per share applicable to common stockholders	$ (0.05)			$ 0.01				$ (0.02)
Shares used to calculate basic net income (loss) per share	22,087,503		6,339,887(f)	28,427,390		260,449	(f)	28,687,839
Diluted net income (loss) per share applicable to common stockholders	$ (0.05)			$ 0.01				$ (0.02)
Shares used to calculate diluted net income (loss) per share	22,087,503		8,126,614(f)	30,214,117		260,449	(f)	28,687,839
						(1,786,727)	(f)	

(1) Excludes acquisition-related retention consideration, stock-based compensation and amortization of intangible assets.

(2) Components of acquisition-related consideration

	Marchex, Inc. Historical	Previously Reported Acquisitions	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments	Pro Forma Combined
Service costs	116,585			116,585			116,585
Sales and marketing	204,528			204,528			204,528
Product development	135,947			135,947			135,947
General and administrative	42,020			42,020			42,020

(3) Components of stock-based compensation

	Marchex, Inc. Historical	Previously Reported Acquisitions	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments	Pro Forma Combined
Service costs	10,800			10,800		383,849	394,649
Sales and marketing	155,734			155,734		581,589	737,323
Product development	59,883			59,883		779,328	839,211
General and administrative	664,103			664,103		581,589	1,245,692

(4) Components of amortization of intangible assets

	Marchex, Inc. Historical	Previously Reported Acquisitions	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments	Pro Forma Combined
Service costs	3,520,878		11,594,548	15,115,426		582,738	15,698,164
Sales and marketing	701,077		142,473	843,550		800,000	1,643,550
General and administrative	743,548		3,106,452	3,850,000		166,667	4,016,667

(5) Represents the historical operating results of the previously reported acquisitions prior to their dates of acquisition by the Company and the pro forma effect of only that number of shares of Class B common stock and preferred stock as necessary to consummate the Name Development asset acquisition. See the unaudited pro forma condensed consolidated financial information for certain operating data for each acquisition.

See notes to unaudited pro forma condensed consolidated statements.

MARCHEX, INC.

Unaudited Pro Forma Condensed Consolidated Statements of Operations
For the three months ended March 31, 2005

	Marchex, Inc. Historical	Previously Reported Acquisitions (5)	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments		Pro Forma Combined
Revenue	$18,395,983	$ 2,544,459	$ —	$20,940,442	$ 963,198	$ —		$21,903,640
Expenses:								
Service costs (1)	10,668,907	216,185	$ (191,540)	10,693,552	51,929	(17,650)	(c)	10,727,831
Sales and marketing (1)	1,324,986	—	$ —	1,324,986	133,824			1,458,810
Product development (1)	774,549	—	$ —	774,549	59,400			833,949
General and administrative (1)	1,452,034	134,158	$ —	1,586,192	107,516			1,693,708
Acquisition-related retention consideration (2)	—	—	$ —	—	—			—
Facility relocation	—	—	$ —	—	—			—
Stock-based compensation (3)	146,538	—	$ —	146,538	—	283,338	(d)	429,876
Amortization of intangible assets from acquisitions (4)	3,083,157	—	$ 1,406,876	4,490,033	—	387,352	(c)	4,877,385
Total operating expenses	17,450,171	350,343	1,215,336	19,015,850	352,669	653,040		20,021,559
Gain on sale of intangible assets, net	—	29,486	$ —	29,486	—			29,486
Income (loss) from operations	945,812	2,223,602	(1,215,336)	1,954,078	610,529	(653,040)		1,911,567
Other income (expense)								
Interest income	268,383	7,957	$ —	276,340	173			276,513
Interest expense	(1,861)	—	$ —	(1,861)	—			(1,861)
Other, net	4,000	(295)	$ —	3,705	191			3,896
Total other income	270,523	7,662	—	278,185	364	—		278,549
Income (loss) before provision for income taxes	1,216,335	2,231,264	(1,215,336)	2,232,263	610,893	(653,040)		2,190,116
Income tax expense (benefit)	478,933	211,479	$ 177,186	867,598	—	(16,016)	(e)	851,582
Net income (loss)	737,402	2,019,785	(1,392,522)	1,364,665	610,893	(637,024)		1,338,534
Convertible preferred stock dividends	348,993(g)	—	$ 282,361	631,354	—			631,354
Net Income (loss) applicable to common stockholders	$ 388,409	$ 2,019,785	$ (1,674,883)	$ 733,311	$ 610,893	$ (637,024)		$ 707,180
Basic net income per share applicable to common stockholders	$ 0.01			$ 0.02				$ 0.02
Shares used to calculate basic net income per share	30,245,678(f)		3,046,414	33,292,092		313,550	(f)	33,605,642
Diluted net income per share applicable to common stockholders	$ 0.01			$ 0.02				$ 0.02
Shares used to calculate diluted net income per share	32,920,472(f)		3,046,414	35,966,886		420,187	(f)	36,387,073

(1) Excludes acquisition-related retention consideration, stock-based compensation, and amortization of intangible assets.

(2) Components of acquisition-related consideration

	Marchex, Inc. Historical	Previously Reported Acquisitions (5)	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments	Pro Forma Combined
Service costs	—			—			—
Sales and marketing	—			—			—
Product development	—			—			—
General and administrative	—			—			—

(3) Components of stock-based compensation

	Marchex, Inc. Historical	Previously Reported Acquisitions (5)	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments	Pro Forma Combined
Service costs	1,800			1,800		46,751	48,551
Sales and marketing	29,507			29,507		70,835	100,342
Product development	10,665			10,665		94,917	105,582
General and administrative	104,566			104,566		70,835	175,401

(4) Components of amortization of intangible assets

	Marchex, Inc. Historical	Previously Reported Acquisitions (5)	Pro Forma Adjustments for Previously Reported Acquisitions	Subtotal	Pike Street (Historical)	Pike Street Pro Forma Adjustments	Pro Forma Combined
Service costs	2,393,425		1,059,108	3,452,533		145,685	3,598,218
Sales and marketing	120,833		—	120,833		200,000	320,833
General and administrative	568,899		347,768	916,667		41,667	958,334

(5) Represents the historical operating results of the previously reported acquisitions prior to their dates of acquisition by the Company and the pro forma effect of only that number of shares of Class B common stock and preferred stock as necessary to consummate the Name Development asset acquisition. See the unaudited pro forma condensed consolidated financial information for certain operating data for each acquisition.

See notes to unaudited pro forma condensed consolidated statements.

Pro Forma Adjustments

Pro Forma Adjustments for Pike Street

(a) The purchase price adjustments reflect cash and direct acquisition costs of approximately $12.7 million to acquire certain assets of Pike Street. Additionally, the Company issued 242,748 shares of Class B common stock valued at $17.18 per share (for accounting purposes) for an aggregate amount of $4.2 million and 212,404 shares of restricted Class B common stock valued at $16.85 per share (the last reported sales price on the closing date) for an aggregate amount of $3.6 million. The $3.6 million of restricted Class B common stock was recorded as deferred stock compensation and the Company expects to recognize stock-based compensation expense over the associated three-year employment periods over which those shares vest, using the accelerated methodology described in FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*.

For purposes of the pro forma financial information, a summary of the purchase price consideration for the acquisition is as follows:

Cash	$ 12,500,000
Stock issued	4,170,411
Direct acquisition costs	161,750
Total	$ 16,832,161

The following represents the allocation of the acquired assets of Pike Street. The allocation is based upon Pike Street's assets as of March 31, 2005.

Equipment	$ 6,874
Goodwill	11,800,287
Identifiable intangible assets	5,025,000
Total	$ 16,832,161

Goodwill represents the excess of the purchase price over the fair value of tangible and identifiable intangible assets. The unaudited pro forma condensed consolidated statements of operations do not reflect the amortization of goodwill acquired which is consistent with the guidance in the Financial Accounting Standards Board (FASB), Statement No. 142, *Goodwill and Other Intangible Assets*. The amortization expense of the identifiable intangible assets is deductible for tax purposes over 15 years.

(b) Represents the elimination of the historical stockholders' equity and assets, liabilities not acquired or assumed as part of the Pike Street asset acquisition.

(c) Represents the amortization of identifiable intangible assets associated with the acquisition of certain assets of Pike Street, which are amortized over their useful lives ranging from 36 to 84 months. Amortization totals $1.5 million in the first twelve months and $1.9 million in the first fifteen months following the acquisition. Pike Street for the year ended December 31, 2004 and for the three months ended March 31, 2005, recorded approximately $63,000 and $18,000, respectively, of amortization included in service costs related to the above-noted intangible assets.

(d) Represents stock-based compensation expense associated with shares of restricted Class B common stock issued to the former stockholders of Pike Street who became employees of the Company. The shares of restricted Class B common stock were value at approximately $3.6 million at the acquisition date. The Company is recognizing stock-based compensation expense for the value of these shares over the associated employment period in which these shares vest, which results in $2.3 million in amortization in the first twelve months and $2.6 million in the first fifteen months following the acquisition.

(e) Represents pro forma income tax benefit as though Pike Street, a Washington corporation, was taxed as a C corporation for the periods presented using the Company's combined pro forma effective federal and state rate of 38% for 2004 and its estimated combined effective federal and state rate of 38% for 2005. Prior to the Company's acquisition, Pike Street was an S-Corporation, whereby shareholders were taxed on their portion of Pike Street's taxable income.

Pro Forma Adjustments for Earnings per Share

(f) The following is a reconciliation of shares used to compute the historical basic and diluted net income (loss) per share to pro forma basic and diluted net income (loss) per share for the year ended December 31, 2004 and the three months ended March 31, 2005. Potentially dilutive securities were not included in the computations when their effects would be anti-dilutive.

	For the year ended December 31, 2004	
	Pro Forma basic	**Pro Forma diluted**
Shares used to calculate Marchex Pro Forma net income per share (as previously reported in Marchex's Form 8-K filed on May 31, 2005)	28,427,390	30,214,117
Exclude pro forma weighted average stock options and warrants and common shares subject to repurchase or cancellation which were included in Marchex's pro forma shares reported on Form 8-K filed on May 31, 2005	—	(1,786,727)
Pike Street:		
Pro forma effect of shares issued in Pike Street asset acquisition	242,748	242,748
Weighted average restricted shares issued in Pike Street asset acquisition for services expected to vest during the period	17,701	17,701
Shares used to calculate pro forma and adjusted pro forma basic and diluted net loss per share	28,687,839	28,687,839

	For the three months ended March 31, 2005	
	Pro Forma basic	**Pro Forma diluted**
Shares used to calculate Marchex Pro Forma net income per share (as previously reported in Marchex's Form 8-K filed on May 31, 2005)	33,292,092	35,966,886
Pike Street:		
Pro forma effect of shares issued in Pike Street asset acquisition	242,748	242,748
Weighted average restricted shares issued in Pike Street asset acquisition for services expected to vest during the period	70,802	177,439
Shares used to calculated pro forma and adjusted pro forma basic and diluted net income per share	33,605,642	36,387,073

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For purposes of calculating the shares used for pro forma basic and diluted net income (loss) per share for the year ended December 31, 2004 and the three months ended March 31, 2005, we have adjusted for the following:

- included 242,748 shares of Class B common stock issued in the Pike Street asset acquisition.
- included the weighted average impact of the 212,404 Class B restricted common shares issued in connection with the Pike Street asset acquisition. These shares are for future services that vest over 3 years. Unvested shares were excluded from the computation of pro forma basic net income (loss) per share in both periods.
- excluded the weighted average impact of 1,786,727 of stock options, warrants and common shares subject to repurchase or cancellation from the computation of pro forma diluted net loss per share for the year ended December 31, 2004 due to a pro forma net loss to common stockholders. These shares were included in the Company's pro forma shares for the year ended December 31, 2004 reported on Form 8-K filed on May 31, 2005.

Other information

The estimated amortization relating to estimated intangible assets recorded as of March 31, 2005 for the period of April to December 2005 and the next 3 years and thereafter is as follows:

	Period of April 1 to December 31, 2005	2006	2007	2008	2009 and thereafter	Total
Enhance Interactive	$ 1,148,000	$ 83,000	$ —	$ —	$ —	$ 1,231,000
TrafficLeader	265,000	227,000	—	—	—	492,000
goClick	1,067,000	652,000	144,000	—	—	1,863,000
Name Development	10,255,000	13,501,000	10,974,000	9,763,000	8,000,000	52,493,000
Pike Street	1,050,000	1,549,000	1,549,000	646,000	231,000	5,025,000
	$ 13,785,000	$ 16,012,000	$ 12,667,000	$ 10,409,000	$ 8,231,000	$ 61,104,000