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

FORM 8-K/A
(Amendment No. 1)

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

Date of report (Date of earliest event reported): July 27, 2004

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 July 27, 2004, Marchex, Inc., a Delaware corporation ("Marchex"), completed the acquisition of goClick.com, Inc., a Connecticut corporation ("goClick"). In accordance with the terms of the Agreement and Plan of Merger, dated as of July 21, 2004 (the "Agreement and Plan of Merger"), by and among Marchex, Project TPS, Inc, a Delaware corporation, goClick and the sole stockholder of goClick, Project TPS merged with and into goClick and goClick, as the surviving corporation, became a wholly-owned subsidiary of the Marchex. goClick is a provider of marketing technology and services for small merchants.

In consideration for all of the outstanding shares of goClick stock for purposes of the merger, the sole stockholder of goClick received approximately $12.5 million in a combination of cash and equity subject to the escrow provisions set forth in the Agreement and Plan of Merger. The cash portion of the consideration was equal to $8,229,750. The equity portion of the consideration was equal to 433,541 shares of Class B common stock of Marchex, which shares in the aggregate were valued at $4,250,000 for the purposes of the Merger based on the average of the last quoted sale price for Marchex's Class B common stock on the Nasdaq National Market for the 10 trading days immediately prior to execution of the Agreement and Plan of Merger.

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

Marchex filed a Current Report on Form 8-K on August 10, 2004 to provide the information required by Item 2 as then in effect. The purpose of this Form 8-K/A is to amend the Current Report on Form 8-K filed on August 10, 2004 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 goClick unaudited financial statements for the six months ended June 30, 2004 and 2003 and audited financial statements for the year ended December 31, 2003 are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro forma financial information.

The pro forma financial information for Marchex on a condensed consolidated basis is set forth below.

The presentation of the pro forma financial information below includes: (1) the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 and the six months ended June 30, 2004; and (2) the unaudited pro forma condensed consolidated balance sheet as of June 30, 2004.

Unaudited Pro Forma Condensed Consolidated Statements of Operations.

The Marchex unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 give effect to the acquisitions of the Marchex subsidiaries, eFamily.com, Inc. (including its wholly-owned subsidiary, formerly known as ah-ha.com, Inc. and now known as Enhance Interactive, Inc.), TrafficLeader, Inc. (formerly known as Sitewise Marketing, Inc.) ("TrafficLeader") and goClick, as if the acquisitions had occurred on January 1, 2003.

The Marchex unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 combine: (1) the historical results of operations of goClick for the same period; and (2) Marchex's previously reported unaudited pro forma condensed consolidated statements of operations as set forth in Marchex's final prospectus dated March 30, 2004 (the "final prospectus") and included in the initial registration statement on Form SB-2 filed on March 30, 2004. The presentation of the pro forma condensed consolidated financial statements in the final prospectus combine: (1) Marchex historical results of operations for the period from January 17, 2003 (inception) through December 31, 2003; (2) the predecessor entity (referred to as the "Predecessor" in the notes to the financial statements and in the final prospectus) for the period from January 1 through February 28, 2003; and (3) TrafficLeader for the pre-acquisition period from January 1, 2003 to October 23, 2003.

The Marchex unaudited pro forma condensed consolidated statements of operations for the six month period ended June 30, 2004 combine the historical results of operations of goClick and Marchex and give effect to the acquisition of goClick as if it had occurred on January 1, 2003.

Unaudited Pro Forma Condensed Consolidated Balance Sheet.

The Marchex unaudited pro forma condensed consolidated balance sheet combines the historical balance sheets of goClick and Marchex as of June 30, 2004 and gives effect to the acquisition of goClick as if it had occurred on June 30, 2004.

Unaudited Pro Forma Condensed Consolidated Financial Information.

The presentation of the Marchex 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 acquisitions each taken place as of January 1, 2003. The presentation of the information is not 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 estimates of the fair value of the assets acquired and liabilities assumed, including pre-acquisition contingencies.

The Marchex unaudited pro forma condensed consolidated financial statements should be read in conjunction with the Marchex historical consolidated financial statements and the notes thereto, included in Marchex's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004 and in the Marchex historical and pro forma results for the year ended December 31, 2003 reported in Marchex's final prospectus and included in the initial registration statement on Form SB-2 filed on March 30, 2004.

MARCHEX, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2003

	Marchex (Pro Forma)	goClick (Historical)	Pro Forma Adjustments	Pro Forma Combined
Revenue	$27,351,966	$ 3,409,855	$ (104,426)(c)	$30,657,395
Expenses:				
Service costs (1)	16,396,933	2,235,913	(104,426)(c)	18,528,420
Sales and marketing (1)	3,200,019	141,559		3,341,578
Product development (1)	1,576,548	37,259		1,613,807
General and administrative (1)	3,321,955	82,350		3,404,305
Acquisition-related retention consideration (2)	283,269	—		283,269
Stock-based compensation (3)	2,659,280	—		2,659,280
Amortization of intangible assets (4)	4,133,308	—	2,053,333(d)	6,186,641
Total operating expenses	31,571,312	2,497,081	1,948,907	36,017,300
Income (loss) from operations	(4,219,346)	912,774	(2,053,333)	(5,359,905)
Other income (expense):				
Interest income	48,066	5,923		53,989
Adjustment to fair value of redemption obligation	25,500	—		25,500
other	1,892	—		1,892
Total other income	75,458	5,923	—	81,381
Income (loss) before provision for income taxes	(4,143,888)	918,697	(2,053,333)	(5,278,524)
Income tax expense (benefit)	(1,263,526)	—	(442,054)(e)	(1,705,580)
Net income (loss)	(2,880,362)	918,697	(1,611,279)	(3,572,944)
Accretion of redemption value of redeemable convertible preferred stock	1,318,885	—	—	1,318,885
Net Income (loss) applicable to common stockholders	$ (4,199,247)	$ 918,697	$ (1,611,279)	$ (4,891,829)
Pro forma basic and diluted net loss per share applicable to common stockholders	(0.31)			(0.35)
Shares used to calculate pro forma basic and diluted net loss per share	13,634,131		433,541(f)	14,067,672
Adjusted pro forma basic and diluted net loss per share applicable to common stockholders	(0.22)			$ (0.25)
Shares used to calculate adjusted pro forma basic and diluted net loss per share	19,385,477		433,541(f)	19,819,018

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

	Marchex (Pro Forma)	goClick (Historical)	Pro Forma Adjustments	Pro Forma Combined
(2) Components of acquisition-related consideration:				
Service costs	33,723		—	33,723
Sales and marketing	96,262		—	96,262
Product development	104,233		—	104,233
General and administrative	49,051		—	49,051
(3) Components of stock-based compensation:				
Service costs	16,485		—	16,485
Sales and marketing	447,497		—	447,497
Product development	290,145		—	290,145
General and administrative	1,905,153		—	1,905,153
(4) Components of amortization of intangible assets:				
Service costs	2,933,310		1,353,333	4,286,643
Sales and marketing	649,999		250,000	899,999
Product development	—		—	—
General and administrative	549,999		450,000	999,999

See notes to unaudited pro forma condensed consolidated financial statements.

Marchex, Inc.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For for the six months ended June 30, 2004

	Marchex (Historical)	goClick (Historical)	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ 16,467,089	$ 3,060,236	$ (17,037)(c)	$ 19,510,288
Expenses:				
Service costs (1)	10,523,390	1,931,520	(17,037)(c)	12,437,873
Sales and marketing (1)	2,040,682	82,667		2,123,349
Product development (1)	1,033,841	17,947		1,051,788
General and administrative (1)	1,541,427	22,736		1,564,163
Acquisition-related retention consideration (2)	255,660			255,660
Facility relocation	230,459			230,459
Stock-based compensation (3)	595,998			595,998
Amortization of intangible assets (4)	2,069,512		476,667(d)	2,546,179
Total operating expenses	18,290,969	2,054,870	459,630	20,805,469
Income (loss) from operations	(1,823,880)	1,005,366	(476,667)	(1,295,181)
Other income (expense):				
Interest income	81,346	5,148		86,494
Interest expense	(1,813)			(1,813)
Adjustment to fair value of redemption obligation	55,250			55,250
other	3,643		—	3,643
Total other income	138,426	5,148	—	143,574
Income (loss) before provision for income taxes	(1,685,454)	1,010,514	(476,667)	(1,151,607)
Income tax expense (benefit)	(200,803)		207,907(e)	7,104
Net income (loss)	(1,484,651)	1,010,514	(684,574)	(1,158,711)
Accretion of redemption value of redeemable convertible preferred stock	420,430			420,430
Net Income (loss) applicable to common stockholders	$ (1,905,081)	$ 1,010,514	$ (684,574)	$ (1,579,141)
Pro forma basic and diluted net loss per share applicable to common stockholders	$ (0.10)			$ (0.08)
Shares used to calculate pro forma basic and diluted net loss per share	18,810,413		433,541(f)	19,243,954
Adjusted pro forma basic and diluted net loss per share applicable to common stockholders	$ (0.09)			$ (0.07)
Shares used to calculate adjusted pro forma basic and diluted net loss per share	22,357,172		433,541(f)	22,790,713

(1) Excludes acquisition-related retention consideration, stock-based compensation and amortization of intangibles				
(2) Components of acquisition-related consideration:				
Service costs	30,423		—	30,423
Sales and marketing	86,924		—	86,924
Product development	94,083		—	94,083
General and administrative	44,230		—	44,230
(3) Components of stock-based compensation:				
Service costs	6,300		—	6,300
Sales and marketing	116,588		—	116,588
Product development	34,577		—	34,577
General and administrative	438,533		—	438,533
(4) Components of amortization of intangible assets:				
Service costs	1,469,512		126,667	1,596,179
Sales and marketing	325,000		125,000	450,000
Product development	—		—	—
General and administrative	275,000		225,000	500,000

See notes to unaudited pro forma condensed consolidated financial statements.

MARCHEX, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of June 30, 2004

	Marchex, Inc. (Historical)	goClick (Historical)	Pro Forma Adjustments	Pro Forma Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 29,769,037	1,198,955	(8,229,750)(a)	22,173,199
			(565,043)(a)	
Accounts receivable, net	2,361,195	12,147	(908)(a)	2,372,434
Other receivables	4,108	—	—	4,108
Prepaid expenses	412,943	—	—	412,943
Income tax receivable	14,642	—	—	14,642
Deferred tax assets	394,221	—	11,794(a)	406,015
Other current assets	58,366	636	—	59,002
Total current assets	33,014,512	1,211,738	(8,783,907)	25,442,343
Property and equipment, net	1,191,913	26,500		1,218,413
Other assets	152,037	—	(88,000)(a)	64,037
Goodwill	17,279,035	—	9,653,662(a)	26,932,697
Other intangible assets, net	4,632,279	—	3,260,000(a)	7,892,279
	23,255,264	26,500	12,825,662	36,107,426
Total assets	$ 56,269,776	1,238,238	4,041,755	61,549,769
Liabilities and Stockholders' Equity (Deficit)				
Current liabilities:				
Accounts payable	$ 2,871,864	249,350	(908)(a)	3,120,306
Accrued payroll and benefits	232,006	4,049		236,055
Accrued expenses and other current liabilities	672,647	75,196	268,000(a)	986,940
			(28,903)(a)	
Accrued facility relocation	121,071	—		121,071
Deferred revenue	1,055,586	572,892		1,628,478
Earn-out liability payable	258,328	—		258,328
Total current liabilities	5,211,502	901,487	238,189	6,351,178
Deferred tax liabilities	1,068,559	—	—	1,068,559
Deferred revenue	35,897	—		35,897
Accrued facility relocation	45,199			45,199
Other non-current liabilities	39,849	—	—	39,849
Total liabilities	6,401,006	901,487	238,189	7,540,682
Stockholders' equity:				
Common stock		1,000	(1,000)(b)	—
Class A common stock	122,500	—		122,500
Class B common stock - restricted	129,417	—	4,335(a)	133,752
Additional paid-in capital	55,946,513	—	4,135,982(a)	60,082,495
Deferred stock-based compensation	(936,342)	—		(936,342)
Accumulated deficit	(5,393,318)	335,751	(335,751)(a)(b)	(5,393,318)
Total stockholders' equity	49,868,770	336,751	3,803,566	54,009,087
Total liabilities and stockholders' equity	$ 56,269,776	$ 1,238,238	$ 4,041,755	$ 61,549,769

See notes to unaudited pro forma condensed consolidated financial statements.

MARCHEX, INC.
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(1) Basis of Presentation

The accompanying Unaudited Pro Forma Condensed Consolidated Statement of Operations gives effect to Marchex's acquisition of goClick as if it had occurred on January 1, 2003.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the period ending December 31, 2003 are based on the historical results of operations of goClick and Marchex's Unaudited Pro Forma Condensed Consolidated Statements of Operations as previously reported in the final prospectus dated March 30, 2004 that combined the historical results of operations of Marchex for the period from January 17, 2003 (inception) through December 31, 2003, the predecessor entity (referred to herein as the "Predecessor") for the period from January 1 through February 28, 2003 and TrafficLeader for the pre-acquisition period from January 1, 2003 to October 23, 2003.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the six month period ended June 30, 2004 are based on the historical results of operations of Marchex and of goClick and give effect to Marchex's acquisition of goClick as if it had occurred on January 1, 2003.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet is based on the combined historical balance sheets of Marchex and goClick as of June 30, 2004 and gives effect to Marchex's acquisition of goClick as if it had occurred on June 30, 2004.

(2) Pro Forma Adjustments

The following adjustments were applied to the historical financial statements of Marchex and goClick to arrive at the unaudited pro forma condensed consolidated financial information:

(a) The purchase price adjustments reflect cash and direct acquisition costs of approximately $8,585,750 to acquire goClick. Additionally, Marchex issued 433,541 shares of Class B common stock. The value assigned to the stock portion of the purchase price was $9.55 per share (based on the average closing price of Marchex's Class B common stock for the five days beginning two days prior to and ending two days after July 29, 2004 (the announcement date of the acquisition)) for accounting purposes.

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

Cash	$ 8,229,750
Stock issued	4,140,317
Direct acquisition costs ($88,000 incurred prior to closing, and $268,000 accrued at closing)	356,000
Total	$12,726,067

The following represents the allocation of the purchase price to the acquired assets of goClick. The allocation is based upon the estimated fair value of goClick's assets and liabilities as of June 30, 2004.

Cash acquired	$ 633,912
Other current assets	23,669
Property and equipment	26,500
Goodwill	9,653,662
Identifiable intangible assets	3,260,000
Liabilities assumed	(871,676)
Total	$12,726,067

The net assets of $336,751, recorded on the goClick historical financial statements at June 30, 2004 were primarily adjusted for the net cash settlement of $565,043, the reduction in accrued expenses of $28,903 related to an incentive program and the recognition of deferred tax assets of $11,794. The cash settlement adjustment was derived from the excess of cash and cash equivalents over total liabilities at the closing date, July 27, 2004.

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 consistent with the guidance in the Financial Accounting Standards Board (FASB), Statement No. 142, Goodwill and Other Intangible Assets.

(b) Represents the elimination of the historical shareholders' equity accounts of goClick.

(c) Represents the elimination of intercompany revenues and service costs between goClick and Marchex.

(d) Represents the amortization of identifiable intangible assets associated with Marchex's acquisition of goClick, which are amortized over their useful lives ranging from 12 to 36 months. Amortization totals $2.1 million in the first twelve month and $2.5 million in the first eighteen months following the acquisition. Estimated amortization relating to intangible assets acquired as part of the acquisition of goClick for the next five years is $883,000 for the remaining six months in 2004, $1.6 million in 2005, $652,000 in 2006, and $144,000 in 2007.

(e) Represents pro-forma income tax expense as though goClick was taxed as a C-corporation for the periods presented using the federal and state statutory tax rates. Prior to Marchex's acquisition, goClick was an S-corporation, in which case shareholders were taxed on their portion of goClick's taxable income.

(f) The following is a reconciliation of shares used to compute historical basic and diluted net loss per share to historical pro forma basic and diluted net loss per share and to shares used to compute adjusted pro forma basic and diluted net loss per share for the combined twelve month period ended December 31, 2003 and the combined six month period ended June 30, 2004. Potentially dilutive securities were not included in the computations because their effects would be anti-dilutive.

	Year ended December 31, 2003	
	Pro Forma basic and diluted	Adjusted Pro Forma basic and diluted
Shares used to calculate Marchex Pro Forma net loss per share (as previously reported in Marchex's final prospectus dated March 30, 2004)	13,634,131	19,385,477
Weighted average shares assuming conversion of Series A redeemable convertible	—	—
Pro forma shares issued in goClick acquisition	433,541	433,541
Shares used to calculate adjusted pro forma basic and diluted net loss per share	14,067,672	19,819,018

	Six months ended June 30, 2004	
	Pro Forma basic and diluted	Adjusted Pro Forma basic and diluted
Shares used to calculate Marchex net loss per share	18,810,413	18,810,413
Weighted average shares assuming conversion of Series A redeemable convertible	—	3,546,759
Pro forma shares issued in goClick acquisition	433,541	433,541
Shares used to calculate adjusted pro forma basic and diluted net loss per share	19,243,954	22,790,713

The adjusted pro forma shares used to calculate net loss per share is calculated above as if the Series A redeemable convertible preferred stock had converted into shares of common stock at the original issuance date.

c) Exhibits.

2.1*	Agreement and Plan of Merger, dated as of July 21, 2004, by and among Marchex, Inc., Project TPS, Inc., goClick.com, Inc., and the sole stockholder of goClick.com, Inc.
23.1	Independent auditors' consent.
99.1*	Press release, dated July 29, 2004.
99.2	goClick.com, Inc. unaudited condensed financial statements as of June 30, 2004, and for the six months ended June 30, 2003 and 2004 and audited financial statements as of and for the year ended December 31, 2003.

* 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: October 7, 2004	**MARCHEX, INC.**
	By: /s/ Michael A. Arends
	Name: Michael A. Arends
	Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
2.1*	Agreement and Plan of Merger, dated as of July 21, 2004, by and among Marchex, Inc., Project TPS, Inc., goClick.com, Inc., and the sole stockholder of goClick.com, Inc.
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99.1*	Press Release, dated July 29, 2004.
99.2	goClick.com, Inc. unaudited condensed financial statements as of June 30, 2004, and for the six months ended June 30, 2003 and 2004 and audited financial statements as of and for the year ended December 31, 2003.

* Previously filed.

Independent Auditors' Consent

The Board of Directors
Marchex, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-116867) on Form S-8 of Marchex, Inc. of our report dated August 25, 2004, with respect to the balance sheet of goClick.com, Inc. as of December 31, 2003, and the related statements of income, stockholder's equity, and cash flows for the year then ended, which report appears in this Form 8-K/A of Marchex, Inc.

/s/ KPMG LLP

Seattle, Washington
October 6, 2004

Exhibit 99.2

GOCLICK.COM, INC.

Independent Auditors' Report

The Board of Directors and Stockholder
goClick.com, Inc.:

We have audited the accompanying balance sheet of goClick.com, Inc. as of December 31, 2003 and the related statements of income, stockholder's equity, and cash flows for the year then ended. 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 audit.

We conducted our audit 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 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 audit provides 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 goClick.com, Inc. as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
Seattle, Washington
August 25, 2004

GOCLICK.COM, INC.

Balance Sheets

	December 31, 2003	Unaudited June 30, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 1,093,174	1,198,955
Accounts receivable	61,021	12,147
Other current assets	588	636
Total current assets	1,154,783	1,211,738
Property and equipment, net	34,337	26,500
Total assets	$ 1,189,120	1,238,238
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$ 116,670	249,350
Accrued payroll and benefits	29,744	4,049
Accrued expenses and other current liabilities	44,935	75,196
Deferred revenue	429,052	572,892
Total current liabilities	620,401	901,487
Total liabilities	620,401	901,487
Stockholder's equity:		
Common stock, no par value. 20,000 shares authorized and 100 shares issued and outstanding at December 31, 2003 and June 30, 2004	1,000	1,000
Retained earnings	567,719	335,751
Total stockholder's equity	568,719	336,751
Total liabilities and stockholder's equity	$ 1,189,120	1,238,238

See accompanying notes to financial statements.

GOCLICK.COM, INC.

Statements of Income

	Year ended December 31, 2003	Unaudited Six months ended June 30, 2003	Unaudited Six months ended June 30, 2004
Revenue	$ 3,409,855	1,378,214	3,060,236
Expenses:			
Service costs	2,235,913	865,536	1,931,520
Sales and marketing	141,559	66,759	82,667
Product development	37,259	16,600	17,947
General and administrative	82,350	33,467	22,736
Total expenses	2,497,081	982,362	2,054,870
Income from operations	912,774	395,852	1,005,366
Other income:			
Interest income	5,923	2,805	5,148
Net income	$ 918,697	398,657	1,010,514

See accompanying notes to financial statements.

GOCLICK.COM, INC.

Statements of Stockholder's Equity

	Common stock		Retained earnings	Total stockholder's equity
	Shares	Amount		
Balances at December 31, 2002	100	$ 1,000	208,024	209,024
Net income	—	—	918,697	918,697
Dividends	—	—	(559,002)	(559,002)
Balances at December 31, 2003	100	1,000	567,719	568,719
Net income - unaudited	—	—	1,010,514	1,010,514
Dividends - unaudited	—	—	(1,242,482)	(1,242,482)
Balances at June 30, 2004 - unaudited	100	$ 1,000	335,751	336,751

See accompanying notes to financial statements.

GOCLICK.COM, INC.

Statements of Cash Flows

		Unaudited	
	Year ended December 31, 2003	Six months ended June 30, 2003	Six months ended June 30, 2004
Cash flows from operating activities:			
Net income	$ 918,697	398,657	1,010,514
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and depreciation	24,648	11,414	12,947
Change in certain assets and liabilities:			
Accounts receivable	(26,241)	3,165	48,874
Other current assets	(2,153)	(3,192)	(1,125)
Accounts payable	7,731	53,867	132,680
Accrued payroll and benefits	12,551	12,172	(25,695)
Accrued expenses and other current liabilities	(5,355)	16,742	30,261
Deferred revenue	141,519	87,927	143,840
Net cash provided by operating activities	1,071,397	580,752	1,352,296
Cash flows from investing activities:			
Purchases of property and equipment	(15,232)	(5,023)	(4,033)
Net cash used in investing activities	(15,232)	(5,023)	(4,033)
Cash flows from financing activities:			
Dividends paid to shareholder	(559,002)	(404,732)	(1,242,482)
Net cash used in financing activities	(559,002)	(404,732)	(1,242,482)
Net increase in cash and cash equivalents	497,163	170,997	105,781
Cash and cash equivalents at beginning of period	596,011	596,011	1,093,174
Cash and cash equivalents at end of period	$ 1,093,174	767,008	1,198,955

See accompanying notes to financial statements.

Notes to Financial Statements
Year ended December 31, 2003 and unaudited six months ended June 30, 2003 and June 30, 2004

(1) Description of Business and Summary of Significant Accounting Policies and Practices

(a) Description of Business and Basis of Presentation

goClick.com, Inc. (the “Company”), formed in October 2000, provides performance-based advertising services to merchant advertisers, including pay-per-click listings. Through the Company’s per-per-click service, merchant advertisers create keyword listings that describe their products or services, which are marketed to consumers and businesses primarily through search engine or directory results when users search for information, products or services using the Internet.

(b) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase and proceeds in-transit from credit and debit card transactions with settlement terms of less than five days to be cash equivalents. Cash equivalents totaled approximately $858,797 and $622,760 at December 31, 2003, and June 30, 2004, respectively, and consisted primarily of certificates of deposit with seven day original maturity. Cash equivalents include credit and debit card in-transit amounts of approximately $29,024, and $54,913 at December 31, 2003 and June 30, 2004, respectively.

(c) Fair Value of Financial Instruments

At December 31, 2003 and June 30, 2004, the Company had the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their fair value based on the liquidity of these financial instruments or based on their short-term nature.

(d) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. 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, advertiser concentrations, advertiser credit-worthiness and current economic trends. Past due balances over 90 days and specific other balances are reviewed individually for collectibility on a quarterly basis. 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.

No merchant advertiser represented greater than 10% of revenue for the year ended December 31, 2003 and the six month periods ended June 30, 2003 and June 30, 2004. One merchant advertiser represented 67% and 57% of total accounts receivable at December 31, 2003 and June 30, 2004, respectively.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation on computers and equipment is calculated on the straight-line method over the estimated useful lives of the assets, generally averaging three years.

(f) 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 for impairment in accordance with SFAS No. 144 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 by the amount by which the carrying amount of the assets exceeds fair value. Assets to be disposed of are separately presented on the balance sheet and reported at the lower of their carrying amount or fair value less costs to sell, and are no longer depreciated.

(g) Merchant Advertiser Credit and Incentive Program Reserves

The Company grants merchant advertiser credits to its customers under certain circumstances. The merchant advertiser credit reserve is the Company's best estimate of the amount of expected future reductions in merchant advertisers' payment obligations to the Company related to delivered services. The Company determines the merchant advertiser credit reserve based on analysis of historical credits.

Under the merchant advertiser incentive program, the Company grants merchant advertisers with account credits depending upon the individual amounts of prepayments made. The incentive program reserve is determined based on historical rate of incentives earned and used by merchant advertisers compared to the related revenues recognized by the Company. The costs related to the incentives are comprised primarily of user acquisition costs and other costs as denoted in footnote (1) (n). These costs are expensed as incurred in accordance with Emerging Issues Task Force (EITF) No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.

Revenue is recognized based upon the total estimated click-throughs to be delivered, which includes incentive credits to be provided to merchant advertisers.

The merchant advertiser credit and incentive program reserve balances are included in accrued expenses and other current liabilities and total $33,482 and $60,391 as of December 31, 2003 and June 30, 2004, respectively.

(h) Advertising Expenses

Advertising costs are expensed as incurred and are primarily Internet-based direct advertising. Such costs are included in sales and marketing. Advertising expenses were $104,300, $50,160 and $64,719 for the year ended December 31, 2003 and the six months ended June 30, 2003 and June 30, 2004, respectively.

(i) 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 site 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 expenses are research and development.

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 be capitalized. No costs were capitalized in the periods presented.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company has used estimates in determining certain provisions, including the merchant advertiser credits and incentive program reserves and useful lives for property and equipment and intangibles. Actual results could differ from those estimates.

(k) Concentrations

The Company maintains substantially all of its cash and cash equivalents with one financial institution. Management believes that the financial risks associated with such deposits are minimal. The percentage of revenue earned from merchant advertisers supplied by distribution partners representing more than 10% of total revenue is as follows:

		Unaudited	
	Year Ended December 31, 2003	Six Months Ended June 30, 2003	Six Months Ended June 30, 2004
Distribution Partner A	57%	54%	29%
Distribution Partner B	11%	5%	31%
Distribution Partner C	—	—	21%

Primarily all of the Company's revenue earned from merchant advertisers is generated through arrangements with distribution partners that provide search listings. The Company may not be successful in renewing any of these agreements, or if they are renewed, they may not be on as favorable terms. The Company may not be successful in entering into agreements with new distribution partners on commercially acceptable terms. In addition, several of these distribution partners may be considered potential competitors.

(l) Segment Reporting and Geographic Information

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

(m) Revenue Recognition

Revenue is generated primarily through pay for performance advertising services when a user clicks on a merchant advertiser's listing after it has been placed by the Company or our distribution partners in the search listing. The Company follows Staff Accounting Bulletin 104, *Revenue Recognition* (SAB No. 104). This pronouncement summarizes certain of the Security and Exchange Commission (SEC) staff's views on the application of accounting principles generally accepted in the United States of America to revenue recognition. Revenue from click-through activity is recognized once persuasive evidence of an arrangement is obtained, services are performed (clicks are delivered), provided the fee is fixed and determinable and collection is reasonably assured. The Company has no barter transactions.

The Company enters into agreements with various distribution partners to provide merchant advertisers' listings. The Company generally pays distribution partners based on a specified percentage of revenue or a fixed amount per click-through on these listings. The Company acts as the primary obligor with the merchant advertiser for revenue click-through transactions and is responsible for the fulfillment of services. In accordance with Emerging Issues Task Force (EITF) Issue No. 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, the revenues derived from advertisers are reported gross based upon the amounts received from the merchant advertiser.

(n) Service Costs

Service costs include network operations and customer service costs that consist primarily of costs associated with providing performance-based advertising services, maintaining the Company's Web site, credit card processing fees and network and fees paid to outside service providers that provide and manage the Company's paid listings and customer services. Customer service and other costs associated with serving the Company's search results and maintaining the Company's Web site include depreciation of Web site and network equipment, co-location charges of the Company's Web site equipment, bandwidth, salaries of related personnel and amortization of domain names.

Service costs also include user acquisition costs that relate primarily to payments made to distribution partners who provide an opportunity for the Company's merchant advertisers to market and sell their products. The Company enters into agreements of varying durations with distribution partners that integrate the Company's services into their Web sites and indexes. The primary economic structure of the distribution partner agreements is a variable payment based on a specified percentage of revenue. Other economic structures that to a lesser degree exist include variable payments based on a specific metric, such as number of paid click-throughs.

(o) Income Taxes

The stockholder of the Company elected to utilize the provisions of subchapter S of the Internal Revenue Code. In lieu of corporate income taxes, the stockholder of a subchapter S corporation is taxed on the Company's taxable income. Therefore, no provision or liability for Federal or state income tax was recorded in the financial statements.

(p) Guarantees

The Company adopted FASB Interpretation (FIN) No. 45*, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, during the year ended December 31, 2002. FIN No. 45 provides expanded accounting guidance surrounding liability recognition and disclosure requirements related to guarantees, as defined by the interpretation. In the ordinary course of business, the Company is not subject to potential obligations under guarantees that fall within the scope of FIN No. 45 except for standard indemnification provisions that are contained within many of our advertiser and distribution partner agreements, and give rise only to the disclosure requirements prescribed by FIN No. 45.

Indemnification provisions contained within the Company's advertiser and distribution partner agreements are generally consistent with those prevalent in the Company's industry. The Company has not incurred significant obligations under advertiser 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 advertiser and distribution partner indemnification obligations.

(q) Recently Issued Accounting Standards

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21 ("EITF No. 00-21"), *Revenue Arrangements with Multiple Deliverables.* EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which the vendor will perform multiple revenue generating activities. EITF No. 00-21 became effective for fiscal periods beginning after June 15, 2003. The adoption of EITF No. 00-21 has not had a material impact on the Company's financial position and results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.* SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on our financial statements.

(r) Related Party Transactions

The Company has an affiliate company as one of its distribution partners. The terms of the distribution partner agreement are consistent with the Company's other distribution partner arrangements. Service costs in each period and accounts payable at each balance sheet date were as follows:

		Unaudited	
	Year Ended December 31, 2003	Six Months Ended June 30, 2003	Six Months Ended June 30, 2004
Service costs	$ 11,406	—	12,806

		Unaudited
	December 31, 2003	June 30, 2004
Accounts payable	$ 845	715

(2) Property and Equipment

Property and equipment consisted of the following:

		Unaudited
	December 31, 2003	June 30, 2004
Computers and equipment	$ 77,339	81,372
Less accumulated depreciation	(43,002)	(54,872)
Property and equipment, net	$ 34,337	26,500

Depreciation expense incurred by the Company was $22,566, $10,490 and $11,870 for the year ended December 31, 2003 and the six months ended June 30, 2003 and June 30, 2004, respectively.

(3) Contingencies

The Company is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, management presently believes that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material adverse effect on the Company.

(4) Simplified Employee Pension Plan

The Company has made contributions to eligible employees' individual retirement account under a simplified employee pension described in section 408(K) of the Internal Revenue Code. The Company may elect each year whether or not to contribute. The amounts contributed were $27,735, $12,500 and $0 for the year ended December 31, 2003, the six months ended June 30, 2003 and June 30, 2004, respectively.

(5) Subsequent Events

In July 2004, Marchex, Inc. acquired 100% of the outstanding stock of the Company. The consideration consisted of:

- cash of approximately $8,300,000, and
- 433,541 shares of Class B common stock.