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

FORM 10-K

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

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 000-50658

Marchex, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**35-2194038**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S Employer Identification No.)**
520 Pike Street, Suite 2000 Seattle, WA	**98101**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

Title of Each Class	**Name of Exchange on Which Registered**
Class B Common Stock, $0.01 par value per share	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒
The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on June 30, 2018 was $103,876,348.
The number of shares of Registrant's Class A common stock outstanding as of March 14, 2019 was 5,056,136. The number of shares of Registrant's Class B common stock outstanding as of March 14, 2019 was 37,041,338.
Portions of the Registrant's Definitive Proxy Statement relating to the 2019 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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FORWARD-LOOKING STATEMENTS

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

PART 1

ITEM 1. BUSINESS.

Overview

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

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

We believe that mobile devices have changed the consumer journey. We believe people are spending more time than previously on their smartphones. It's become more common to research on mobile devices and interact with a business over the phone. We believe that understanding this behavior and connecting key data points of this online-to-offline consumer journey is a progressive step in marketing analytics.

We believe we have a set of tools for enterprises that depend on phone calls, texts and other communication channels to convert prospects into customers and maximize advertising returns. Our mission is to help our customers grow by giving them real-time insights into the conversations they are having with their customers across phone, text and other communication channels. Marchex leverages proprietary data and conversational insights to deliver real-time AI-powered functionality that drives solutions that help enable brands to personalize customer interactions in order to accelerate sales and grow their business. We connect key media sources – paid and owned – to offline purchase outcomes and deliver these insights directly into marketer workflows. We provide and are developing products and services for businesses of all sizes that depend on calls, texts and other communication channels to drive sales. Our analytics products can provide actionable intelligence on the major media channels advertisers use to acquire customers over the phone.

Our primary product offerings are:

- ***Marchex Call Analytics.*** Marchex Call Analytics is an analytics platform for enterprises that depend on inbound phone calls to drive sales, appointments and reservations. Marketers can use this platform to understand which marketing channels, advertisements, search keywords, or other digital marketing advertising formats are driving calls to their business, allowing them to optimize their advertising expenditures across media channels. Marchex Call Analytics also includes technology that can extract data and insights about what is happening during a call and measures the outcome of calls and return on investment. The platform also includes technology that can block robocalls, telemarketers and spam calls to help save businesses time and expense. Marchex Call Analytics data can integrate directly into third-party marketer workflows such as Salesforce, Eloqua, Adobe, DoubleClick Search, Kenshoo, Marin Software, Facebook and Instagram, in addition to other marketing dashboards and tools. Advertisers pay us a fee for each call/text or call/text related data element they receive from calls or texts, including call-based ads we distribute through our sources of call distribution or for each phone number tracked based on pre-negotiated rates.

    - ***Marchex Speech Analytics.*** Launched in 2017, Marchex Speech Analytics is a product that can enable actionable insights for enterprise, mid-sized and small businesses, helping them understand what is happening on inbound calls from consumers to their business. Marchex Speech Analytics leverages our proprietary and patent pending speech recognition technology. Marchex Speech Analytics incorporates machine and deep learning algorithms and AI-powered conversation analysis functionality that can give customers strategic, real-time visibility into company performance in customer interactions. Marchex Speech Analytics includes customizable dashboards and visual analytics to make it easier for marketers, salespeople and call center teams to realize actionable insights across a growing amount of call data. According to a February 2018 MarketsandMarkets report, the speech analytics market is expected to grow from $941 million in 2017 to $2.2 billion by 2022.

    - ***Text Analytics and Communications.*** With the acquisitions of SITA Laboratories, Inc. (d/b/a Callcap) (“Callcap”) and Telmetrics, Inc. (“Telmetrics”) in November 2018, Marchex enables businesses to send and receive text/SMS messages with customers. In addition, the Company can provide insights for businesses on text and messaging interactions to improve the customer experience and accelerate the sales process. According to a 2018 study by Mobilesquared, there were 1.67 trillion applications to consumer SMS messages globally with the number expected to rise to 2.8 trillion by 2022. According to a 2017 study from Listrak, 75% of consumers prefer offers from businesses delivered via text and business offers delivered via SMS text marketing had a 97% read-rate.

    - ***Call Monitoring.*** With the acquisition of Callcap and Telmetrics, Marchex provides businesses the ability to have an unbiased view into every inbound or outbound call, from providing a call recording, to offering services to create customized call performance scorecards, both of which can help businesses learn more about their customers and enhance service quality and customer satisfaction. Through these services, businesses can customize the insights they want in order to improve business practices and to grow faster.

    - ***Marchex Omnichannel Analytics Cloud.*** Marchex Omnichannel Analytics Cloud leverages the call analytics platform and can provide a single source to marketers to see which media channels are driving phone calls across search, display, video, site, and social media. Our Omnichannel Analytics Cloud products include:

        - ***Marchex Search Analytics.*** Marchex Search Analytics is a product for search marketers that can drive phone calls from search campaigns. Marchex Search Analytics can attribute inbound phone calls made from paid search ads and landing pages to a keyword. The platform can deliver this data as well as data about call outcomes directly into search management platforms like DoubleClick Search and Kenshoo. According to a June 2016 BIA Kelsey report, mobile calls represent 60% of inbound calls to businesses in 2016. This equals 85 billion global mobile calls annually, a figure that is projected to grow to 169 billion by 2020.

- ***Marchex Display and Video Analytics.*** Marchex Display and Video Analytics is a product for marketers that buy digital display advertising. Marchex Display and Video Analytics can measure the influence that display advertising has on inbound phone calls so that marketers can better attribute their return on advertising spend for inbound phone calls and delivers this data to marketers in a reporting dashboard. According to a December 2017 eMarketer report, US advertisers are expected to spend nearly $48 billion in 2018 and are projected to spend $67 billion in 2021 on display advertising.

- ***Marchex Site Analytics.*** Marchex Site Analytics is a product for marketers that can drive phone calls from websites. Marchex Site Analytics can identify which websites are driving calls and provides actionable insights to help marketers understand the customer's journey to their website, what drove them to call, and can enable marketers to better optimize both online and offline.

- ***Marchex Social Analytics.*** Marchex Social Analytics is a product for marketers that buy social media advertising. Marchex Social Analytics can help measure the influence of social media advertising has on inbound calls from platforms like Facebook or Instagram so marketers can see which posts are working. According to a December 2016 Zenith Media report, global social media is forecasted to grow 72% between 2016 and 2019, rising from $29 billion to $50 billion.

- ***Marchex Audience Targeting***. Marchex Audience Targeting leverages call data to automatically build unique audience segments for display and social media platforms. Marchex Audience Targeting can help marketers target high intent audiences with their display campaigns and fine-tune campaigns to specific audience segments that are most likely to convert to customers, or can find new segments and opportunities that have not been targeted before.

- ***Marchex Call Marketplace.*** Marchex Call Marketplace is a mobile advertising network for businesses that depend on inbound phone calls to drive sales. We offer advertisers ad placements across numerous mobile and online media sources to deliver qualified calls to their businesses. It leverages analytics for tracking, reporting and optimization. Advertisers are charged on a pay-per-call or cost per action basis.

- ***Local Leads.*** Our local leads platform is a white-labeled, full service advertising solution for small business resellers, such as Yellow Pages providers and vertical marketing service providers, to sell call advertising, search marketing and other lead generation products through their existing sales channels to their small business advertisers. These calls and leads are then fulfilled by us across our distribution network, including mobile sources, and search engines. Reseller partners and publishers generally pay us account fees and agency fees for our products in the form of a percentage of the cost of every click or call delivered to their advertisers. Under one of our primary contracts with Yellowpages.com LLC ("YP"), we generate revenues from our local leads platform. This local leads platform agreement, which expires December 31, 2019, provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four months notice. In 2017, Dex Media, Inc. ("Dex") acquired YP Holdings LLC ("YP Holdings"), which is the parent company of YP. We also have separate pay-for-call services and distribution partner agreements with YP and separate reseller partner agreements with Dex for pay-for-call and call analytics services. YP including Dex (collectively "DexYP") is our largest reseller partner and was responsible for 21% and 23% of our total revenues in the years ended December 31, 2017 and 2018 respectively.

We operate primarily in domestic markets.

Industry Overview

For many businesses, calls are critical to drive sales. For businesses of all sizes, in-bound phones calls can be a key source of new customer leads and increased revenue. We believe consumers that call businesses directly typically have higher purchase intent and can be more likely to make a purchase or become a customer. According to a July 2017 independent research study by Forrester Consulting, the study found that phone customers convert faster, spend more, and have a higher retention rate than customers who contact brands through other channels. Based on a survey of marketing decision makers, the study found that that 60% of marketers said that those who initiate an inbound call in the course of the customer journey convert an average of 30% faster, spend an average of 28% more, and 54% of marketers said they have a 28% higher retention rate. Calls can be particularly relevant in high-value categories, such as automotive, digital agencies, home services, insurance, telecommunications and travel and hospitality, where transaction values are large, complex or require additional information prior to completion. Calls are also important for local businesses that set appointments or sell products and services over the phone. Historically, the majority of this advertising has been spent on traditional media such as television, newspapers and directories. With the mass adoption of mobile, both large and small advertisers are increasingly seeking new marketing channels that allow them to connect with consumers over the phone. According to a July 2016 BIA/Kelsey Industry Watch report, mobile calls represents 60% of inbound calls to businesses which equates to 85 billion in global calls annually, that will grow to 169 billion in 2020. In that same report, BIA/Kelsey estimates phone calls influence $1 trillion in U.S. spending at some stage of the path to purchase.

Calls and texts are becoming the increasingly important to business and consumer interactions and to mobile advertising. The global mobile advertising market was $138.1 billion in 2018 and is expected to grow to $212.4 billion by 2021, according to a December 2018 Zenith Media report. Calls and texts are two of the primary consumer communication methods with businesses on mobile devices and building solutions to help businesses understand their consumer interactions through these communication channels can help businesses engage and grow their customers. Furthermore, the mobile advertising market matures, we believe advertisers will increasingly utilize performance based advertising formats available on mobile devices, as they did on desktop. Further, we believe the demand for businesses to connect with consumers over the phone combined with the inherent functionality and technical capabilities of mobile devices will result in calls and texts becoming a primary measurement unit/format for mobile advertising. As advertisers continue to shift their budgets to accommodate for the growth of mobile channels, we believe the market for call analytics and advertising solutions will grow even more.

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

Mobile search and calls from search are growing. Today we believe we are witnessing an evolution in consumer behavior as Internet-enabled mobile devices proliferate and media consumption shifts to mobile devices. According to a December 2017 Zenith report, mobile devices are projected to account for 73% of internet consumption in 2018. This trend is increasingly evident in the way consumers research products and services and connect with businesses through the phone or through walking into a store, both offline environments, when they are ready to make a purchase decision. According to a BIA/Kelsey study in January 2014, mobile searches also have higher conversion rates in driving calls (57%) compared to desktop searches (7%). Mobile users in this sense are more ready-to-buy, in the right location and with a device whose core function is to make phone calls.

Ad budgets are shifting to performance-based models. As businesses have expanded their marketing through digital channels, they have increasingly turned to performance-based advertising formats in which they are only charged when a desired outcome is reached. Performance-based advertising models provide advertisers with greater transparency into their advertising spend and the ability to more accurately measure results and return on investment. Over time, the online advertising market has shifted from CPM-based banner and display advertisements and included more cost-per-click search advertising and other forms of performance marketing. According to Interactive Advertising Bureau's April 2017 advertising revenue report, performance-based formats accounted for 64% of an estimated $73 billion online advertising market in 2016 compared to 7% of the $5 billion market in 1999.

Our Competitive Strengths

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

Call analytics platform powered by proprietary speech technology. Marchex's speech technology delivers data and can provide closed loop marketing insights on offline customer interactions and operational insights to customers looking to accelerate sales and to measure the performance of their customer interactions during the sales process over the phone. When consumers call a business or call center from their phones, our technology can analyze that call data using machine and deep learning algorithms and AI-powered conversation analysis functionality that can deliver real-time conversational insights and feedback to companies on the quality of their customer interactions during the sales process as well as to identity lost businesses opportunities. Our data can also help advertisers adjust and improve their marketing strategies in order to create personalized solutions to drive more sales over the phone either directly with the business or the call center. This intelligence can help advertisers optimize their ad campaigns across media channels, keywords, and creative elements, which helps maximize their return on investment. We also provide integrations with other marketing dashboards to provide advertisers one place to review their analytics information. Integrations may take the form of working with CRM platforms or customer-specific systems, with the purpose of enhancing advertisers' understanding and measurement of outcomes at scale. We are consistently working to create products to help advertisers understand what is happening on the calls with their customers and how to spend their budgets more efficiently, whether the channel is online, offline, or mobile. Our speech analytics technology can help determine which of these calls converts into a sale. Access to these insights provides advertisers visibility and measurement into their ad expenditures. With Marchex's Speech Analytics technology, we are leveraging proprietary technology to analyze and deliver actionable advertising and operational insights to advertisers that engage with consumers over the phone.

Transparent, performance-based model. Through our call analytics technology, we can develop a deep understanding of which publishers, devices, ad formats, keywords and ad creatives drive call conversion for specific advertising verticals and helps optimize the placements of advertisements across our network to maximize the number of calls for our advertisers and revenue for our partners. As a result, advertisers utilize us to place ads on their behalf and our partners believe we will deliver ads on their properties to help generate revenue and/or customers for them. Through our pay-for-call business model, we can better align our interests with those of our

advertising customers and our publishing partners. We work with customers to define a quality call for their business, and then charge our customers, on a per call basis. As a result, we are able to deliver qualified leads that can provide a measurable return on investment for our advertisers.

Scalable technology platform and business model. We have developed our technology platform to address the large advertisers, while also being able to support a large number of small local business advertisers. Our platform can support hundreds of millions of calls and thousands of unique advertiser accounts, and in aggregate manage many dollars in advertising spend across various digital channels. We leverage our relationships with Yellow Pages providers and vertical market service providers to efficiently re-sell our solutions to their small businesses customers, adding scale and data to our platform, which provides us with revenues with reduced associated sales costs. We have deployed a direct sales model to acquire and service large advertisers and also have been successful at deepening our relationships with existing advertiser clients over time in an effort to capture a greater share of their advertising budgets.

Strategy

Our Strategy

Key elements of our strategy include:

Innovating on Conversational Analytics Technology and Solutions. We plan to continue to expand and invest in our speech analytics technology and expand our AI, data science, and machine learning capabilities. We also plan to continue to expand our range of call, text, and other communication channels analytics product capabilities by growing our conversation analytics offerings, including AI-driven speech technology solutions, call tracking, call monitoring, text communications, keyword-level tracking, display ad impression measurement and other products as part of our owned, end-to-end, call and text based advertising solutions. Our expanding capabilities are enabling us to develop new solutions, like sales acceleration and personalization solutions that enable us to take advantage of our growing conversational data assets. Our products and features that are at the center of our investments and innovation include: (1) *Marchex Speech Analytics,* which can help companies understand what is happening on inbound calls from consumers and can deliver actionable operational and advertising insights from those consumer interactions; (2) *Text Analytics and Communications,* which enables businesses to send and receive text/SMS messages with customers and can provide insights for businesses on text and messaging interactions to improve the customer experience and accelerate the sales process; *(3) Sales Acceleration Solutions*, a host of new solutions powered by AI speech technology that can help organizations identify valuable customer conversations across communication channels and train salespeople and contact center representatives to create a better consumer experience, maintain strong relationships and win new business; (4) *Marchex Omnichannel Analytics Cloud,* which can connect call data to media channels, including search, display and video, social and sites, to phone calls made to a business; and (5) *Marchex Audience Targeting,* which leverages call data and can automatically build audience segments for display and social media platforms. Additional information regarding our product offerings is included in the Overview section on pages 1 through 3. We are also focused on growing our base of call distribution by bringing in new sources of the rapidly growing mobile advertising market as well as other online and offline sources of distribution.

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

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

- revenue growth and expanding margins and operating profitability or the characteristics to achieve larger scale and profitability;
- opportunities for business model, product or service innovation, evolution or expansion;

- under-leveraged and under-commercialized assets in related or unrelated businesses;
- an opportunity to enhance efficiencies and provide incremental growth opportunities for our operating businesses; and
- business defensibility.

In November 2018, we acquired Telmetrics Inc. ("Telmetrics"), an enterprise call and text tracking and analytics company, for consideration of $10.1 million in cash at closing and up to $3.0 million in cash based upon the achievement of certain financial growth targets over two corresponding 12 month periods following the closing.

In November 2018, we acquired SITA Laboratories, Inc. (d/b/a Callcap) ("Callcap"), a call monitoring and analytics solutions company, for consideration of approximately $25 million in cash at closing and approximately $10 million in value of shares of Machex's Class B common stock ("Common Stock"), calculated based on a 10 day trailing average of Marchex's Common Stock daily closing price on Nasdaq prior to the closing with 25% of such shares of Common Stock to be issued on the first, second, third and fourth annual anniversary of the closing, respectively.

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

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

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

Our Distribution Network

We have built a broad distribution network for our pay-for-call advertising services that includes many call-ready media and traffic sources, including mobile sources, search engines and applications, directories, third party vertical and branded web sites, and offline sources. We distribute advertisements from our tens of thousands of advertiser accounts including our reseller partners' advertisers in our call advertising, local leads and search marketing services, through our distribution network.

Our Distribution partners include:

Selected Carriers	*AT&T*	*T-Mobile*	*TracFone*	*Verizon*
Selected Search Engines	*Google*	*Bing*	*Yahoo!*	
Selected Vertical and Local Distribution	*Avantar* *Mapquest*	*GroundTruth* *MSN*	*Google Mobile* *Whitepages, Inc.*	

Payment arrangements with our distribution partners are often subject to minimum payment amounts per phone call or cost per action. Other payment structures that we may use to a lesser degree include:

- variable payments based on a specified metric, such as number of paid phone calls;
- advance or fixed payments, based on a guaranteed minimum amount of usage delivered; and
- a combination arrangement with both fixed and variable amounts.

Sales, Marketing & Business Development

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

- ***Direct Sales.*** Our direct sales team targets new relationships with national and global advertisers and the advertising agencies that represent them through in-person presentations, direct marketing, telesales and attendance at industry events, among other methods. Our advertiser agreements include a combination of agency fees, pay-for-call fees, and cost-per-action fees.
- ***Technology Integration Partnerships and Referral Agreements.*** We have integration partnerships with Adobe, DoubleClick, Salesforce, and other third-party marketers and in 2017, we signed an agreement with Facebook which will integrate across Facebook's social analytics solution into the Marchex Omnichannel Analytics Cloud. We also have referral agreements with entities that promote our services to large numbers of potential advertisers including select technology partners. Our referral partner agreements are based on a combination of revenue sharing and performance-based fees.
- ***Reseller Partnerships.*** We have a business development team that focuses primarily on securing partnerships with large advertiser reseller partners, under which we supply and integrate our products and services. Our reseller partner agreements include a combination of revenue and profit sharing, licensing revenue, pay-for-call, call analytics, and cost-per-action.

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

Information Technology and Systems

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

Our technology platform is compatible with the systems used by our distribution partners, enabling us to deliver call, click-based, and cost-per-action advertising products and services through mobile, online and offline sources in rapid response to user queries made through such partners at scale. We continue to build and innovate additional functionality to attempt to meet the quickly evolving demands of the marketplace. We devote significant financial and human resources to improving our advertiser and partner experiences by continuing to develop our technology infrastructure. The cost of developing our technology solutions is included in the overall cost structure of our services and is not separately funded by any individual advertisers or partners. In order to maintain a

professional level of service and availability, we primarily rely upon third parties to provide hosting services, including hardware support and service, and network monitoring at various domestic and international locations. Our servers are configured for high availability and large volumes of call, mobile and Internet traffic and are located in leased third party facilities. Back-end databases make use of redundant servers and data storage arrays. We also have standby servers that provide for additional capacity as necessary. The facilities housing our servers provide redundant HVAC, power and internet connectivity. As revenue grows and the volume of transactions and call, mobile and internet traffic increases, we will need to expand our network infrastructure. Inefficiencies in our network infrastructure to scale and adapt to higher call, mobile and internet traffic volumes could materially and adversely affect our revenue and results of operations.

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

Competition

Our offerings currently or potentially compete with a variety of companies in a highly competitive and fragmented industry. We currently or potentially compete with leading search engines and digital advertising networks such as Google, Microsoft, and Oath, and call analytics technology providers such as Twilio, Invoca, Convirza, and Dialogtech. As we continue to advance our data analytics technologies, we anticipate facing increased competition from companies providing a wide range of analytics and more broad advertising solutions, such as data management companies like Oracle. We also face competition on the call supply side, where competing mobile advertising companies like GroundTruth look to outbid, partner with or otherwise secure sources of call supply we utilize. Many of our potential competitors, as well as potential entrants into our target markets, have longer operating histories, larger customer or user bases, greater brand recognition and greater financial, marketing and other resources than we have. Many current and potential competitors can devote substantially greater resources than we can to marketing, web site and systems development. In addition, as the use of the mobile, Internet, and other online services increases, there will likely be larger, more well-established and well-financed entities that acquire companies relevant to our business strategy; and invest in or form joint ventures in categories or countries relevant to our business strategy; all of which could adversely impact our business. Any of these trends could increase competition, reduce the demand for any of our services and could have a material adverse effect on our business, operating results and financial condition.

We believe our strategy allows us to work with most, if not all, of the relevant companies in our industry, even those companies that may be perceived as our competitors. To some extent, we may compete with our business partners, as we do with all other types of advertising sales companies and agencies. We may also compete with traditional offline media, such as television, radio and print and direct marketing companies, for a share of advertisers' total advertising budgets. Although our strategy enables us to work with most, if not all, of our competitors, there are no guarantees that all companies will view us as a potential partner.

We provide our services to and also may compete with: (1) mobile and online advertisers; (2) partners who provide a distribution network for mobile, online, and offline advertising; and (3) other intermediaries who may provide purchasing and/or sales opportunities, including advertising agencies, and other search engine marketing companies. Many of the companies that could fall into these categories are also our partners, including Google, Oath, Citysearch, Microsoft and DexYP. We depend on maintaining and continually expanding our network of partners and advertisers to generate mobile and online transactions.

The mobile and online advertising and marketing services industry is highly competitive. In addition, we believe today's typical Internet and mobile advertiser is becoming more sophisticated in utilizing the different forms of mobile and online advertising, purchasing Internet and mobile advertising in a cost-effective manner, and measuring return on investment. The competition for this pool of advertising dollars has also put downward pressure on price points and mobile and online advertisers have demanded more effective means of reaching customers. We believe these factors have contributed to the growth in performance-based advertising relative to certain other forms of online advertising and marketing, and as a result this sector has attracted many competitors.

Due to the long-term growth trends in mobile and online advertising, these competitors, real and potential, range in size and focus. Our competitors may include such diverse participants as small referral companies, established advertising agencies, inventory resellers, search engines, and destination web sites. We are also affected by the competition among destination web sites that reach users or customers of search services. While thousands of smaller outlets are available to customers, several large media and search engine companies, such as Google, Oath, Microsoft and IAC, dominate online user traffic. The online search industry continues to experience consolidation of major web sites and search engines, which has the effect of increasing the negotiating power of these parties in relation to smaller providers. The major destination web sites and distribution providers may have leverage to demand more favorable contract terms, such as pricing, renewal and termination provisions.

There are additional competitive factors relating to attracting and retaining users, including the quality and relevance of our search results, and the usefulness, accessibility, integration and personalization of the mobile and online services that we offer as well as the overall user experience on our web sites. The other features that we offer, which we believe attract advertisers are reach, effectiveness and creativity of marketing services, and tools and information to help track performance.

Finally, we operate in the relatively nascent market of call-based advertising. The adoption of these call-based products could take longer than we expect and could become more competitive as the category becomes more developed and visible.

Seasonality

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

Intellectual Property and Proprietary Rights

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

As of December 31, 2018, in the United States, we have been issued 41 patents, which are estimated to expire between 2022 and 2035, and have 9 patent applications pending for examination. As of such date, in Canada we also

have 1 issued patent which expires in 2026 and 1 patent application pending for examination. In addition, as of December 31, 2018, we have 16 trademarks registered in the United States, 3 trademarks pending registration in the United States, 18 trademarks registered in foreign jurisdictions and 1 trademark pending registration in Canada.

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

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

Despite our efforts to protect our technology and proprietary rights through intellectual property rights, licenses and other contractual protections, unauthorized parties may still copy or otherwise obtain and use our software and other technology. In addition, we may continue to expand our international operations, and effective intellectual property, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Further, companies in the internet, communications and technology industries may own large numbers of patents, copyrights and trademarks and may frequently threaten litigation, or file suit against us based on allegations of infringement or other violations of intellectual property rights, which may adversely affect our business or financial prospects.

Regulation

The manner in which existing laws and regulations should be applied to the Internet and call-based advertising services in general, and how they relate to our businesses in particular, is unclear. A host of federal and state laws covering user privacy, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, financial market regulation, quality of products and services, computer trespass, telemarketing, spyware, adware, child protection and intellectual property ownership and infringement are potentially applicable to our business practices and the content offered by our mobile and online distribution partners.

In addition, our business is impacted by laws in a constant state of flux, and new legislation is introduced on a regular basis. Any such new legislation could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations. Courts may apply each of these laws in unintended and unexpected ways. As a company that provides services over the Internet as well as call recording and call tracking services, we may be subject to an action brought under any of these or future laws.

A number of federal, state and foreign laws that could have an impact on our business practices and compliance costs have already been adopted:

- The Digital Millennium Copyright Act (DMCA) provides protection from copyright liability for online service providers that list or link to third party web sites. We currently qualify for the safe harbor under the DMCA; however, if it were determined that we did not meet the safe harbor requirements, we could be exposed to copyright infringement litigation, which could be costly and time-consuming.
- The Children’s Online Privacy Protection Act (COPPA) restricts the online collection of personal information about children and the use of that information. The Federal Trade Commission (FTC) has the authority to impose fines and penalties upon web site operators and online service providers that do not comply with the law’s requirements. We do not currently offer any web sites or online services “directed to children,” nor do we knowingly collect personal information from children.

- The Protection of Children from Sexual Predators Act requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.
- The Controlling the Assault of Non-Solicited Pornography and Marketing (CAN-SPAM) Act of 2003 establishes requirements for those who send commercial e-mails, spells out penalties for entities that transmit noncompliant commercial e-mail and/or whose products are advertised in noncompliant commercial e-mail and gives consumers the right to opt-out of receiving commercial e-mails. The majority of the states also have adopted similar statutes governing the transmission of commercial e-mail. The FTC and the states, as applicable, are authorized to enforce the CAN-SPAM Act and the state-specific statutes, respectively. CAN-SPAM gives the Department of Justice the authority to enforce its criminal sanctions. Other federal and state agencies can enforce the law against organizations under their jurisdiction, and companies that provide Internet access may sue violators as well.
- The Electronic Communications Privacy Act prevents private entities from disclosing Internet subscriber records and the contents of electronic communications, subject to certain exceptions.
- The Computer Fraud and Abuse Act and other federal and state laws protect computer users from unauthorized computer access/hacking, and other actions by third parties which may be viewed as a violation of privacy. Courts may apply each of these laws in unintended and unexpected ways. As a company that provides services over the Internet as well as call recording and call tracking services, we may be subject to an action brought under any of these or future laws.
- Among the types of legislation currently being considered at the federal and state levels are consumer laws regulating for the use of certain types of software applications or downloads and the use of "cookies." These proposed laws are intended to target specific types of software applications often referred to as "spyware," "invasiveware" or "adware," and may also cover certain applications currently used in the online advertising industry to serve and distribute advertisements. In addition, the FTC has sought inquiry regarding the implementation of a "do-not-track" requirement. Federal legislation is also expected to be introduced that would regulate "online behavioral advertising" practices. If passed, these laws would impose new obligations for companies that use such software applications or technologies.
- The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "Act"), and the regulations promulgated by the Federal Communications Commission under Title II of the Act, may impose federal licensing, reporting and other regulatory obligations on the Company. To the extent we contract with and use the networks of voice over IP service providers, new legislation or FCC regulation in this area could restrict our business, prevent us from offering service or increase our cost of doing business. There are an increasing number of regulations and rulings that specifically address access to commerce and communications services on the Internet, including IP telephony. We are unable to predict the impact, if any that future legislation, legal decisions or regulations concerning voice services offered via the Internet may have on our business, financial condition, and results of operations.
- The U.S. Congress, the FCC, state legislatures or state agencies may target, among other things, access or settlement charges, imposing taxes related to Internet communications, imposing tariffs or other regulations based on encryption concerns, or the characteristics and quality of products and services that we may offer. Any new laws or regulations concerning these or other areas of our business could restrict our growth or increase our cost of doing business.
- The FCC has initiated a proceeding regarding the regulation of broadband services. The increasing growth of the broadband IP telephony market and popularity of broadband IP telephony products and services heighten the risk that the FCC or other legislative bodies will seek to regulate broadband IP telephony and the Internet. In addition, large, established telecommunication companies may devote substantial lobbying efforts to influence the regulation of the broadband IP telephony market, which may be contrary to our interests.
- There is risk that a regulatory agency will require us to conform to rules that are unsuitable for IP communications technologies or rules that cannot be complied with due to the nature and efficiencies of

IP routing, or are unnecessary or unreasonable in light of the manner in which we offer voice-related services such as call recording and pay-for-call services to our customers.

- Federal and state telemarketing laws including the Telephone Consumer Protection Act, the Telemarketing Sales Rule, the Telemarketing Consumer Fraud and Abuse Prevention Act and the rules and regulations promulgated thereunder.
- Laws affecting telephone call recording and data protection, such as consent and personal data statutes. Under the federal Wiretap Act, at least one party taking part in a call must be notified if the call is being recorded. Under this law, and most state laws, there is nothing illegal about one of the parties to a telephone call recording the conversation. However, several states (i.e., California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Montana, Nevada, New Hampshire, Pennsylvania and Washington) require that all parties consent when one party wants to record a telephone conversation. The telephone recording laws in other states, like federal law, require only one party to be aware of the recording.
- The Communications Assistance for Law Enforcement Act may require that we undertake material modifications to its platforms and processes to permit wiretapping and other access for law enforcement personnel.
- Under various Orders of the Federal Communications Commission, including its Report and Order and Further Notice of Proposed Rulemaking in Docket Number WC 04-36, dated June 27, 2006, we may be required to make material retroactive and prospective contributions to funds intended to support Universal Service, Telecommunications Relay Service, Local Number Portability, the North American Numbering Plan and the budget of the Federal Communications Commission.
- Laws in most states of the United States of America may require registration or licensing of one or more of our subsidiaries, and may impose additional taxes, fees or telecommunications surcharges on the provision of our services which we may not be able to pass through to customers.
- Our international operations may expose us to telecommunications regulations and data and privacy regulations (including the EU General Data Protection Regulation) in the countries where we are operating and these regulations could negatively affect the viability of our business.

In addition, there are a large number of federal, state and foreign legislative proposals related to our business. It is not possible to predict whether, or when, such legislation might be adopted, and certain proposals, if adopted, could result in a decrease in user registrations and revenue.

We comply with existing law and intend to fully comply with all future laws and regulations that may govern our industry. We have dedicated internal resources and hired outside professionals who regularly establish, review and maintain policies and procedures to reduce the risk of noncompliance. Nevertheless, these laws may impose significant additional costs on our business or subject us to additional liability, if we failed to fully comply, even if such failure was unintentional.

The acquisition of Internet domains generally is governed by Internet regulatory bodies, predominantly the Internet Corporation for Assigned Names and Numbers (ICANN). The regulation of Internet domains in the United States and in foreign countries is subject to change. ICANN and other regulatory bodies could establish additional requirements for previously owned Internet domains or modify the requirements for Internet domains. Furthermore, ICANN has and will likely continue to make changes to the scope of domain products available to the marketplace that could have an impact on the competition for domain.

Compliance with complex foreign and U.S. laws and regulations that apply to our international operations, including Telmetrics, increases our cost of doing business in international jurisdictions and could interfere with our ability to offer our products and services to one or more countries or expose us or our employees to fines and penalties. Our international operations, including Telmetrics, also subject us to increased foreign currency exchange rate risks and will require additional management attention and resources.

We post a privacy policy which describes our practices concerning the use and disclosure of any user data collected or submitted via our web sites. Any failure by us to comply with our posted privacy policies, Federal Trade Commission requirements or other federal, state or international privacy or direct marketing laws and regulations could result in governmental or regulatory investigations that could potentially harm our businesses, operational results and overall financial condition.

Employees

As of December 31, 2018, we employed a total of 254 full-time employees. We have never had a work stoppage, and none of our employees are represented by a labor union. We consider our employee relationships to be positive. If we were unable to retain our key employees or we were unable to maintain adequate staffing of qualified employees, particularly during peak sales seasons, our business would be adversely affected.

Web site

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

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

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

ITEM 1A. RISK FACTORS

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

Risks Relating to Our Company

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

We had an accumulated deficit of $256.2 million as of December 31, 2018. Our net expenses may increase based on the initiatives we undertake which for instance, may include increasing our sales and marketing activities, hiring additional personnel, incurring additional costs as a result of being a public company, acquiring additional businesses and making additional equity grants to our employees. This may result in the reduction of our cash balances or the incurrence of debt.

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

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

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

A relatively small number of distribution partners currently deliver a significant percentage of calls and traffic to our advertisers. There was no distribution partner paid more than 10% of total revenues for the year ended December 31, 2018. Our existing agreements with many of our larger distribution partners permit either company to terminate without penalty on short notice and are primarily structured on a variable-payment basis, under which we make payments based on a specified percentage of revenue or based on the number of paid phone calls or click-throughs. We intend to continue devoting resources in support of our larger distribution partners, but there are no guarantees that these relationships will remain in place over the short-or long-term. In addition, we cannot be assured that any of these distribution partners will continue to generate current levels of revenue for us or that we will be able to maintain the applicable variable payment terms at their current levels. A loss of any of these distribution partners or a decrease in revenue or contribution due to lower calls and traffic or less favorable variable payment terms from any one of these distribution relationships could have a material adverse effect on our business, financial condition and results of operations.

Companies distributing advertising through mobile or online Internet have experienced, and will likely continue to experience, consolidation. This consolidation has reduced the number of partners that control the mobile and online advertising outlets with the most user calls and traffic. According to the comScore qSearch analysis of the U.S. desktop search marketplace for December 2018, Oath and Microsoft accounted for 11.5% and 24.7%, respectively, of the core search market in the United States and Google accounted for 62.8%. As a result, the larger distribution partners have greater control over determining the market terms of distribution, including placement of call and click-based advertisements and cost of placement. In addition, many participants in the performance-based advertising and search marketing industries control significant portions of mobile and online traffic that they deliver to advertisers. We do not believe, for example, that Google, Microsoft, and Oath are as reliant as we are on a third-party distribution network to deliver their services. This gives these companies a significant advantage over us in delivering their services, and with a lesser degree of risk.

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

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

Under one of our primary contracts with YP, we generate revenues from our local leads platform. This local leads platform agreement, which expires December 31, 2019, provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four months notice. We expect YP may decrease the number of new advertiser accounts with us and may elect to migrate certain active accounts to itself or a third-party provider which would result in fewer small business accounts and related revenues, as well as reduced contribution and profitability. YP's small business account base utilizing our platform has declined, and to the extent declines occur in their business, their small business accounts may spend fewer dollars on our pay-for-call services. We expect YP and local leads platform advertisers in future periods will comprise lower total revenues compared to previous periods and YP as a percentage of our total revenue may also comprise a smaller percentage of our total revenue. In 2017, Dex Media, Inc ("Dex") acquired YP Holdings LLC ("YP Holdings"), which is the parent company of YP. We also have separate pay-for-call services and distribution partner agreements with YP and separate reseller partner agreements with Dex for pay-for-call and call analytics services. YP including Dex (collectively "DexYP") is our largest reseller partner and was responsible for 23% of our total revenues for the year ended December 31, 2018. It is possible that changes to our relationship and agreements with DexYP may occur and result in a significant reduction in the paid account fees and agency fees that we receive from DexYP. There can be no assurance that our business with DexYP in the future will continue at or near current revenue and contribution levels, that we will be able to renew and extend the contracts, and if renewed, the contracts may be on less favorable terms to us, any of which could have a material adverse effect on our future operating results.

We also have agreements with advertising agencies, such as Resolution Media and OMD Digital, who act on an advertiser's behalf and may represent more than one advertiser that utilizes our products and services. Our primary agreements with Resolution Media and OMD Digital are for pay-for-call services whereby we charge an agreed-upon price for qualified calls or leads from our network and call analytic services. Resolution Media and OMD Digital accounted for 14% and less than 10% of total revenues, respectively, for the year ended December 31, 2018.

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

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

We received approximately 52% and 51% of our revenue from our five largest customers for the years ended December 31, 2017 and 2018, respectively, and the loss of one or more of these customers could adversely impact our results of operations and financial condition.

Our five largest customers accounted for approximately 52% and 51% of our total revenues for the years ended December 31, 2017 and 2018, respectively. DexYP was our largest customer and was responsible for 23% of our total revenues for the year ended December 31, 2018.

We have agreements with Resolution Media and OMD Digital, who act as agents on advertisers' behalf, for pay-for-call services whereby we charge an agreed upon price for qualified calls or leads from our network and call analytic services. A single advertiser, State Farm who utilizes our services primarily through Resolution Media and OMD Digital, accounted for 19% of total revenues for the year ended December 31, 2018. We expect in the near to intermediate term campaign spend levels related to State Farm to be similar to modestly lower compared to recent quarters, which will result in lower total revenues and contribution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We could experience a substantial strain on our resources, including time and money, and we may not be successful;
- Our management's attention could be diverted from our ongoing business concerns;
- We may seek to enter new markets where we have no or limited experience or where competitors may have stronger market positions;
- Integrating new companies, including Telmetrics and Callcap, may take longer than expected;
- While integrating new companies, we may lose key executives or other employees of these companies;
- We may issue shares of our Class B common stock as consideration for acquisitions which may result in ownership dilution to our stockholders;
- Acquisitions of certain companies may result in us pursuing a diversified operating or holding company structure to allow us to focus on running diverse businesses independently, but in such event we may not realize the anticipated strategic benefits;
- We could fail to successfully integrate our financial and management controls, technology, reporting systems and procedures, or adequately expand, train and manage our workforce;
- We could experience customer dissatisfaction or performance problems with an acquired company or technology;
- We could become subject to unknown or underestimated liabilities of an acquired entity or incur unexpected expenses or losses from such acquisitions, including litigation;
- We could incur possible impairment charges related to goodwill or other intangible assets resulting from acquisitions or other unanticipated events or circumstances, any of which could harm our business; and
- We may be exposed to investigations and/or audits by federal, state or other taxing authorities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Business and Our Industry

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

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

- sales to advertisers of call and text analytics and call tracking;
- sales to advertisers of pay-for-call services;
- delivery of pay-for-call advertising to end users or customers of advertisers through mobile and online destination websites or other offline distribution outlets;
- services and outsourcing of technologies that allow advertisers to manage their advertising campaigns across multiple networks and track the success of these campaigns;
- aggregation or optimization of online advertising for distribution through mobile and online search engines and applications, product shopping engines, directories, websites or other offline outlets;
- provision of local and vertical websites containing information designed to attract users and help consumers make better, more informed local decisions, while providing targeted advertising inventory for advertisers; and
- local search sales training.

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

We currently or potentially compete with leading search engines and digital advertising networks such as Google, Microsoft, and Oath. We also compete with call analytics technology providers such as Twilio, Invoca, DialogTech, and Convirza. As we continue to advance our data analytics technologies, we anticipate facing increased competition from companies providing more broad advertising solutions, such as data management companies like Oracle. We also face competition on the call supply side, where competing mobile advertising companies like GroundTruth look to outbid, partner with or otherwise secure sources of call supply we utilize. Many of these actual or perceived competitors also currently or may in the future have business relationships with us, particularly in distribution. However, such companies may terminate their relationships with us. Furthermore, our competitors may be able to secure agreements with us on more favorable terms, which could reduce the usage of our services, increase the amount payable to our distribution partners, reduce total revenue and thereby have a material adverse effect on our business, operating results and financial condition. We expect competition to intensify in the future because current and new competitors can enter our market with little difficulty. The barriers to entering our

market are relatively low. Further, if the consolidation trend continues among the larger media and search engine companies with greater brand recognition, the share of the market remaining for smaller search marketing services providers could decrease, even though the number of smaller providers could continue to increase. These factors could adversely affect our competitive position. Some of our competitors, as well as potential entrants into our market, may be better positioned to succeed in this market. They may have:

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

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

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

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

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

The market for our products and services is characterized by rapid change in business models and technological infrastructure, and we will need to constantly adapt to changing markets and technologies to provide new and competitive products and services. If we are unable to ensure that our users, advertisers, reseller partners, and distribution partners have a high-quality experience with our products and services, then they may become dissatisfied and move to competitors' products and services. Accordingly, our future success will depend, in part, upon our ability to develop and offer competitive products and services for both our target market and for applications in new markets. We may not, however, be able to successfully do so, and our competitors may develop innovations that render our products and services obsolete or uncompetitive.

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

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

- fire;
- floods;
- network failure;

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

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

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

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

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

We rely upon third-party colocation providers to host our main servers. If these providers are unable to handle current or higher volumes of use, experience any interruption in operations or cease operations for any reason or if we are unable to agree on satisfactory terms for continued hosting relationships, we would be forced to enter into a

relationship with other service providers or assume hosting responsibilities ourselves. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the computer servers ourselves. We may also be limited in our remedies against these providers in the event of a failure of service. In the past, we have experienced short-term outages in the service maintained by one of our colocation providers.

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

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

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

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

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

As of December 31, 2018, in the United States, we have been issued 41 patents, which are estimated to expire between 2022 and 2035, and have 9 patent applications pending for examination. As of such date, in Canada we also have 1 issued patent which expires in 2026 and 1 patent application pending for examination. In addition, as of December 31, 2018, we have 16 trademarks registered in the United States, 3 trademarks pending registration in the United States, 18 trademarks registered in foreign jurisdictions and 1 trademark pending registration in Canada.

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

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

Despite our efforts to protect our technology and proprietary rights through intellectual property rights, licenses and other contractual protections, unauthorized parties may still copy or otherwise obtain and use our software and other technology. In addition, we may continue to expand our international operations, and effective intellectual property, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Further, companies in the internet, communications and technology industries may own large numbers of patents, copyrights and trademarks and may frequently threaten litigation, or file suit against us based on allegations of infringement or other violations of intellectual property rights, which may adversely affect our business or financial prospects.

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

We may initiate patent litigation against third parties to protect or enforce our patent rights, and we may be sued by others seeking to invalidate our patents or prevent the issuance of future patents. We may also become subject to interference proceedings conducted in the patent and trademark offices of various countries to determine the priority of inventions. The defense and prosecution, if necessary, of intellectual property suits, interference proceedings and related legal and administrative proceedings is costly and may divert our technical and management personnel from their normal responsibilities. We may not prevail in any of these suits. An adverse determination of any litigation or defense proceedings could put our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not being issued. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments in the litigation. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the trading price of our Class B common stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Many Internet services are automated, and companies such as ours may be unknowing conduits for illegal or prohibited materials. It is possible that some courts may impose a strict liability standard or require such companies to monitor their customers' conduct. Although we would not be responsible or involved in any way in such illegal

conduct, it is possible that we would somehow be held responsible for the actions of our advertisers or distribution partners.

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

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

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

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

- The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the “Act”), and the regulations promulgated by the Federal Communications Commission under Title II of the Act, may impose federal licensing, reporting and other regulatory obligations on the Company. To the extent we contract with and use the networks of voice over IP service providers, new legislation or FCC regulation in this area could restrict our business, prevent us from offering service or increase our cost of doing business. There are an increasing number of regulations and rulings that specifically address access to commerce and communications services on the Internet, including IP telephony. We are unable to predict the impact, if any, that future legislation, legal decisions or regulations concerning voice services offered via the Internet may have on our business, financial condition, and results of operations.
- The U.S. Congress, the FCC, state legislatures or state agencies may target, among other things, access or settlement charges, imposing taxes related to Internet communications, imposing tariffs or other regulations based on encryption concerns, or the characteristics and quality of products and services that we may offer. Any new laws or regulations concerning these or other areas of our business could restrict our growth or increase our cost of doing business.
- The FCC has initiated a proceeding regarding the regulation of broadband services. The increasing growth of the broadband IP telephony market and popularity of broadband IP telephony products and services heighten the risk that the FCC or other legislative bodies will seek to regulate broadband IP

telephony and the Internet. In addition, large, established telecommunication companies may devote substantial lobbying efforts to influence the regulation of the broadband IP telephony market, which may be contrary to our interests.

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

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

The federal government has placed a ban for now on state and local governments' imposition of new taxes on Internet access or electronic commerce transactions through the Internet Tax Freedom Act. The proposed Marketplace Fairness Act, if enacted into law, would allow states to require online and other out of state merchants to collect and remit sales and use tax on products and services that they may sell. Additionally, a June 2018 U.S. Supreme Court decision held that states can require remote sellers to collect state and local sales taxes. An increase in taxes may make electronic commerce transactions less attractive for advertisers and businesses, which could result in a decrease in the level of usage of our services. Furthermore, from time to time, various state, federal and other jurisdictional tax authorities undertake reviews of us and our filings. In evaluating the exposure associated with various tax filing positions, we may on occasion accrue charges for probable exposures. We cannot predict the outcome of any of these reviews.

Risks Relating to Ownership of our Class B common stock

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

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

- actual or anticipated fluctuations in our operating results;
- developments concerning proprietary rights, including patents, by us or a competitor;
- announcements by us or our competitors of significant contracts, acquisitions, financings, commercial relationships, joint ventures or capital commitments;
- loss of senior management or other key personnel;
- registration of additional shares of Class B common stock in connection with acquisitions;
- lawsuits initiated against us or lawsuits initiated by us;
- announcements of acquisitions or technical innovations;
- potential loss or reduced contributions from distribution partners, reseller partners and agencies, or advertisers;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- changes in growth or earnings estimates or recommendations by analysts;
- changes in the market valuations of similar companies;
- changes in our industry and the overall economic environment;
- volume of shares of Class B common stock available for public sale, including upon conversion of Class A common stock or upon exercise of stock options;
- Class B common stock repurchases under our share repurchase program;
- sales and purchases of stock by us or by our stockholders, including sales by certain of our executive officers and directors pursuant to written pre-determined selling and purchase plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- short sales, hedging and other derivative transactions on shares of our Class B common stock; and
- an adverse impact on us from any of the other risks cited n this Risk Factors section.

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

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

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

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

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

As of December 31, 2018, Russell C. Horowitz and Ethan A. Caldwell, two of our founders, beneficially owned 100% of the outstanding shares of our Class A common stock, which shares represented 77% of the combined voting power of all outstanding shares of our capital stock. These founders together controlled 78% of the combined voting power of all outstanding shares of our capital stock as of December 31, 2018. The holders of our Class A common stock and Class B common stock have identical rights except that the holders of our Class B common stock are entitled to one vote per share, while holders of our Class A common stock are entitled to twenty-five votes per share on all matters to be voted on by stockholders. This concentration of control could be disadvantageous to our other stockholders with interests different from those of these founders. This difference in the voting rights of our Class A common stock and Class B common stock could adversely affect the price of our Class B common stock to the extent that investors or any potential future purchaser of our shares of Class B common stock give greater value to the superior voting rights of our Class A common stock. Further, as long as these founders have a controlling interest, they will continue to be able to elect all or a majority of our board of directors and generally be able to determine the outcome of all corporate actions requiring stockholder approval. As a result, these founders will be in a position to continue to control all fundamental matters affecting our company, including any merger involving, sale of substantially all of the assets of, or change in control of, our company. The ability of these founders to control our company may result in our Class B common stock trading at a price lower than the price at which such stock would trade if these founders did not have a controlling interest in us. This control may deter or prevent a third party from acquiring us which could adversely affect the market price of our Class B common stock.

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

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

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

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

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

Under Delaware law, dividends to stockholders may be made only from the surplus of a company, or, in certain situations, from the net profits for the current fiscal year or the fiscal year before which the dividend is declared. We recently declared and paid a special dividend in the last quarter of 2017 and the first quarter of 2018, respectively. Special dividends generally result in a reduction in stock price with the dividend distributed. In addition, we paid a quarterly dividend on our Class B common stock from November 2006 through May 2015. Our ability to pay dividends is dependent upon a variety of factors, including our financial results, liquidity and financial condition and capital requirements. There is no assurance that we will pay dividends in the future. Furthermore, the payment by us of special dividends or dividends in general may have an impact on our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

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

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

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

Market Information

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

	High	Low
Year ended December 31, 2017		
First Quarter	$ 3.07	$ 2.54
Second Quarter	$ 3.03	$ 2.60
Third Quarter	$ 3.13	$ 2.80
Fourth Quarter	$ 3.50	$ 3.05
Year ended December 31, 2018		
First Quarter	$ 3.55	$ 2.64
Second Quarter	$ 3.18	$ 2.58
Third Quarter	$ 3.10	$ 2.66
Fourth Quarter	$ 3.11	$ 2.56

Holders

As of March 14, 2019, there were approximately 2 and 36 stockholders of record of our Class A common stock and Class B common stock, respectively. Since many of our shares of Class B common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

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

Issuer Purchases of Equity Securities

In November 2014, we established a 2014 share repurchase program, which supersedes and replaces any prior repurchase programs, and authorized the Company to repurchase up to 3 million shares in the aggregate of the Company's Class B common stock. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. During the fourth quarter of 2018, we did not have any share repurchases and 1,319,128 Class B common shares remain available for purchase under the plan.

ITEM 6. SELECTED FINANCIAL DATA.

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

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

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

Overview

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

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

Our primary product offerings are:

- ***Marchex Call Analytics.*** Marchex Call Analytics is an analytics platform for enterprises that depend on inbound phone calls to drive sales, appointments and reservations. Marketers can use this platform to understand which marketing channels, advertisements, search keywords, or other digital marketing advertising formats are driving calls to their business, allowing them to optimize their advertising expenditures across media channels. Marchex Call Analytics also includes technology that can extract data and insights about what is happening during a call and measures the outcome of calls and return on investment. The platform also includes technology that can block robocalls, telemarketers and spam calls to help save businesses time and expense. Marchex Call Analytics data can integrate directly into third-party marketer workflows such as Salesforce, Eloqua, Adobe, DoubleClick Search, Kenshoo, Marin Software, Facebook and Instagram, in addition to other marketing dashboards and tools. Advertisers pay us a fee for each call/text or call/text related data element they receive from calls or texts, including call-based ads we distribute through our sources of call distribution or for each phone number tracked based on pre-negotiated rates.

- ***Marchex Speech Analytics.*** Launched in 2017, Marchex Speech Analytics is a product that can enable actionable insights for enterprise, mid-sized and small businesses, helping them understand what is happening on inbound calls from consumers to their business. Marchex Speech Analytics leverages our proprietary and patent pending speech recognition technology. Marchex Speech Analytics incorporates machine and deep learning algorithms and AI-powered conversation analysis functionality that can give customers strategic, real-time visibility into company performance in customer interactions. Marchex Speech Analytics includes customizable dashboards and visual analytics to make it easier for marketers, salespeople and call center teams to realize actionable insights across a growing amount of call data. According to a February 2018 MarketsandMarkets report, the speech analytics market is expected to grow from $941 million in 2017 to $2.2 billion by 2022.

- ***Text Analytics and Communications.*** With the acquisitions of SITA Laboratories, Inc. (d/b/a Callcap) ("Callcap") and Telmetrics, Inc. ("Telmetrics") in November 2018, Marchex enables businesses to send and receive text/SMS messages with customers. In addition, the Company can provide insights for businesses on text and messaging interactions to improve the customer experience and accelerate the sales process. According to a 2018 study by Mobilesquared, there were 1.67 trillion applications to consumer SMS messages globally with the number expected to rise to 2.8 trillion by 2022. According to a 2017 study from Listrak, 75% of consumers prefer offers from businesses delivered via text and business offers delivered via SMS text marketing had a 97% read-rate.

- ***Call Monitoring.*** With the acquisition of Callcap and Telmetrics, Marchex provides businesses the ability to have an unbiased view into every inbound or outbound call, from providing a call recording, to offering services to create customized call performance scorecards, both of which can help businesses learn more about their customers and enhance service quality and customer satisfaction. Through these services, businesses can customize the insights they want in order to improve business practices and to grow faster.

- ***Marchex Omnichannel Analytics Cloud.*** Marchex Omnichannel Analytics Cloud leverages the call analytics platform and can provide a single source to marketers to see which media channels are driving phone calls across search, display, video, site, and social media. Our Omnichannel Analytics Cloud products include:

    - ***Marchex Search Analytics.*** Marchex Search Analytics is a product for search marketers that can drive phone calls from search campaigns. Marchex Search Analytics can attribute inbound phone calls made from paid search ads and landing pages to a keyword. The platform can deliver this data as well as data about call outcomes directly into search management platforms like DoubleClick Search and Kenshoo. According to a June 2016 BIA Kelsey report, mobile calls represent 60% of inbound calls to businesses in 2016. This equals 85 billion global mobile calls annually, a figure that is projected to grow to 169 billion by 2020.

    - ***Marchex Display and Video Analytics.*** Marchex Display and Video Analytics is a product for marketers that buy digital display advertising. Marchex Display and Video Analytics can measure the influence that display advertising has on inbound phone calls so that marketers can better attribute their return on advertising spend for inbound phone calls and delivers this data to marketers in a reporting dashboard. According to a December 2017 eMarketer report, US advertisers are expected to spend nearly $48 billion in 2018 and are projected to spend $67 billion in 2021 on display advertising.

    - ***Marchex Site Analytics.*** Marchex Site Analytics is a product for marketers that can drive phone calls from websites. Marchex Site Analytics can identify which websites are driving calls and provides actionable insights to help marketers understand the customer's journey to their website, what drove them to call, and can enable marketers to better optimize both online and offline.

    - ***Marchex Social Analytics.*** Marchex Social Analytics is a product for marketers that buy social media advertising. Marchex Social Analytics can help measure the influence of social media advertising has on inbound calls from platforms like Facebook or Instagram so marketers can see which posts are working. According to a December 2016 Zenith Media report, global social media is forecasted to grow 72% between 2016 and 2019, rising from $29 billion to $50 billion.

- ***Marchex Audience Targeting***. Marchex Audience Targeting leverages call data to automatically build unique audience segments for display and social media platforms. Marchex Audience Targeting can help marketers target high intent audiences with their display campaigns and fine-tune campaigns to specific audience segments that are most likely to convert to customers, or can find new segments and opportunities that have not been targeted before.

- ***Marchex Call Marketplace.*** Marchex Call Marketplace is a mobile advertising network for businesses that depend on inbound phone calls to drive sales. We offer advertisers ad placements across numerous mobile and online media sources to deliver qualified calls to their businesses. It leverages analytics for tracking, reporting and optimization. Advertisers are charged on a pay-per-call or cost per action basis.
- ***Local Leads.*** Our local leads platform is a white-labeled, full service advertising solution for small business resellers, such as Yellow Pages providers and vertical marketing service providers, to sell call advertising, search marketing and other lead generation products through their existing sales channels to their small business advertisers. These calls and leads are then fulfilled by us across our distribution network, including mobile sources, and search engines. Reseller partners and publishers generally pay

us account fees and agency fees for our products in the form of a percentage of the cost of every click or call delivered to their advertisers. Under one of our primary contracts with Yellowpages.com LLC ("YP"), we generate revenues from our local leads platform. This local leads platform arrangement, which expires December 31, 2019. provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four months notice. In 2017, Dex Media, Inc. ("Dex") acquired YP Holdings LLC ("YP Holdings"), which is the parent company of YP. We also have separate pay-for-call services and distribution partner agreements with YP and separate reseller partner arrangements with Dex for pay-for-call and call analytics services. YP including Dex (collectively "DexYP") was responsible for 21% and 23% of our total revenues for the years ended December 31, 2017 and 2018, respectively.

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

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

Acquisitions

Telmetrics Acquisition:

In November 2018, the Company acquired 100% of the outstanding stock of Telmetrics, an enterprise call and text tracking and analytics company for consideration of $10.1 million in cash at closing and up to $3.0 million in cash based upon the achievement of certain financial growth targets over two corresponding 12 month periods following the closing.

Callcap Acquisition:

In November 2018, the Company acquired 100% of the outstanding stock of Callcap, a call monitoring and Analytics solutions company based in Kansas for total consideration of approximately $35.0 million, consisting approximately $25.0 million in cash at closing and approximately $10.0 million in value of shares of Marchex's Class B common stock ("Common Stock"), calculated based on a 10 day trailing average of Marchex's Common Stock daily closing price on Nasdaq prior to the closing, with 25% of such shares of Common Stock to be issued on the first, second, third and fourth annual anniversary of the closing, respectively. The number of shares to be issued is fixed at the transaction date and their issuance is not contingent.

The Company accounted for the Telmetrics and Callcap acquisitions as business combinations. See *Note 8. Acquisitions* of the Notes to Consolidated Financial Statements for further discussion.

Consolidated Statements of Operations

All significant inter-company transactions and balances within Marchex have been eliminated in consolidation.

Presentation of Financial Reporting Periods

The comparative periods presented are for the years ended December 31, 2017 and 2018.

Revenue

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

Performance-Based Advertising and Other Services

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

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

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

Our local leads platform allows reseller partners to sell call advertising, search marketing, and other lead generation products through their existing sales channels to small business advertisers. We generate revenue from reseller partners utilizing our local leads platform and are paid account fees and/or agency fees for our products in the form of a percentage of the cost of every call or click delivered to advertisers. The reseller partners engage the advertisers and are the primary obligor, and we, in certain instances, are only financially liable to the publishers in our capacity as a collection agency for the amount collected from the advertisers. We recognize revenue for these fees under the net revenue recognition method. In limited arrangements resellers pay us a fee for fulfilling an advertiser's campaign in our distribution network and we act as the primary obligor. We recognize revenue for these fees under the gross revenue recognition method.

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

Industry and Market Factors

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

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

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

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

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

Service Costs

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

- user acquisition costs;
- telecommunication costs, including the use of phone numbers relating to our call products and services
- colocation service charges of our network website equipment;
- bandwidth and software license fees;
- network operations;
- serving our search results;
- payroll and related expenses of related personnel;
- fees paid to outside service providers;
- depreciation of our websites, network equipment and software;
- delivering customer service; license and content fees;
- amortization of intangible assets;
- maintaining our websites;
- domain name registration renewal fees;
- domain name costs;
- credit card processing fees; and
- stock-based compensation of related personnel.

User Acquisition Costs

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

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

Sales and Marketing

Sales and marketing expenses consist primarily of:

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

Product Development

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

Our research and development expenses include:

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

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

General and Administrative

General and administrative expenses consist primarily of:

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

Stock-Based Compensation

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

Amortization of Intangibles from Acquisitions

Amortization of intangible assets excluding goodwill relates to intangible assets identified in connection with our acquisitions.

The intangible assets have been identified as:

- customer relationships;
- acquired technology;
- non-competition agreements;
- tradenames.

These assets are amortized over useful lives ranging from 12 to 60 months.

Provision for Income Taxes

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

Comparison of the year ended December 31, 2017 (2017) to the year ended December 31, 2018 (2018) and comparison of the year ended December 31, 2016 (2016) to the year ended December 31, 2017 (2017).

Segments

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

Revenue

2017 to 2018

Revenue decreased 6% from $90.3 million in 2017 to $85.3 million in 2018. This decrease was due primarily to fewer accounts and platform revenues from reseller partners like DexYP, and larger advertiser budget reductions for our pay-for-call services. These decreases were offset in part by an increase in revenue from our call analytics services including contribution from Telmetrics and Callcap, which we acquired in November 2018.

We expect our revenues to be modestly higher in the near term compared to the most recent quarters due to our recent acquisitions of Telmetrics and Callcap in November 2018, offset in part by lower revenues due to fewer small business accounts on our local leads platform.

Under one of our primary contracts with YP, we generate revenues from our local leads platform to sell call advertising and/or search marketing packages through their existing sales channels, which are then fulfilled by us across our distribution network. We are paid account fees and agency fees for our products in the form of a percentage of the cost of every call or click delivered to their advertisers. We also have a separate pay-for-call relationship with YP, through which we charge an agreed-upon price for qualified calls or leads from our network. These agreements expire December 31, 2019. The local leads platform agreement provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four-months prior notice. We expect YP may decrease the number of new advertiser accounts with us and may elect to migrate certain active accounts to itself or a third-party provider which would result in fewer small business accounts and related revenues, as well as reduced contribution and profitability. YP's small business account base utilizing our platform has declined, and to the extent declines occur in their business,

their small business accounts may spend fewer dollars on our pay-for-call services. We expect YP and local leads platform advertisers in future periods will comprise lower total revenues compared to previous periods and YP as a percentage of our total revenue may also comprise a smaller percentage of our total revenue. In 2017, Dex Media, Inc. ("Dex") acquired YP Holdings, which is the parent company of YP. We have separate partner reseller agreements with Dex for pay-for-call and call analytics services. Dex may spend more dollars on our pay-for-call and call analytics services in the near term compared to previous periods if they expand their use of these service offerings. It is undetermined whether Dex's use of these service offerings will continue prospectively at or near current levels or at all. YP including Dex (collectively "DexYP") is our largest reseller partner and was responsible for 21% and 23% of our total revenues for the years ended December 31, 2017 and 2018, respectively. We also have a separate distribution partner agreement with YP. It is possible that changes to our relationship and agreements with DexYP may occur and result in a significant reduction in the paid account fees and agency fees that we receive from DexYP. There can be no assurance that our business with DexYP in the future will continue at or near current revenue and contribution levels, that we will be able to renew and extend the contracts, and if renewed, the contracts may be on less favorable terms to us, any of which could have a material adverse effect on our future operating results.

We also have agreements with advertising agencies, such as Resolution Media and OMD Digital, who act on an advertiser's behalf and may represent more than one advertiser that utilizes our products and services. Our primary agreement with Resolution Media is for pay-for-call services whereby we charge an agreed-upon price for qualified calls or leads from our network and call analytic services. Resolution Media accounted for 10% and 14% of total revenues for the years ended December 31, 2017 and 2018, respectively, of which the majority related to a single advertiser, State Farm. State Farm, who utilizes our services through Resolution Media and OMD Digital, accounted for 17% and 20% of total revenues for the years ended December 31, 2017 and 2018, respectively. Resolution Media and OMD Digital place insertion orders for our services on behalf of State Farm for campaigns, which are generally for a set period of time and/or budget level. We expect in the near to intermediate term campaign spend levels related to State Farm to be similar to modestly lower compared to recent quarters, which will result in lower total revenues and contribution.

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

Our ability to maintain and grow our revenues will depend in part on maintaining and increasing the number and volume of transactions with advertisers and advertising services providers and maintaining and increasing the number of phone calls and the other actions performed by users of our services through our distribution partners. We believe this is dependent in part on delivering quality traffic that ultimately results in purchases or conversions as well as providing through our call analytics quality data and insights that can measure the performance of advertising spend for our advertisers and advertising service providers. A significant amount of our revenues are primarily generated using third-party distribution networks to deliver the advertisers' listings. The distribution

network includes mobile and online search engine applications, directories, destination sites, shopping engines, third-party Internet domains or web sites, other targeted Web-based content and offline sources. We generate revenue upon delivery of qualified and reported phone calls to our advertisers or to advertising services providers' listings. We pay a revenue share to the distribution partners to access their mobile, online, offline or other user traffic. We also generate revenue from cost-per-action services, which occurs when a user makes a phone call from our advertiser's listing or is redirected from one of our web sites or a third-party web site in our distribution network to an advertiser web site and completes the specified action. Other revenues include our local leads platform for resellers, and campaign management services. Companies distributing advertising through mobile and internet based sources have experienced, and are likely to continue to experience consolidation. If we do not add new distribution partners or renew our existing distribution partner agreements and on terms as favorable as current arrangements, replace traffic lost from terminated distribution agreements with other sources, or if our distribution partners' businesses do not grow or are adversely affected, our revenue and results of operations may be materially and adversely affected. We utilize phone numbers as part of our call analytics and pay-for-call services to advertisers, which enables advertisers and other users of our services to help measure the effectiveness of mobile, online, and offline advertising campaigns. If we are not able to secure or retain sufficient phone numbers needed for our services or we are limited in the number of available telecommunication carriers or vendors to provide such phone numbers to us in the event of any industry consolidation or if telecommunication carriers or vendors were to experience system disruptions, our revenue and results of operations may be materially and adversely affected. In addition, if revenue grows and the volume of transactions and traffic increases, we will need to expand our network infrastructure. Inefficiencies in our network infrastructure to scale and adapt to higher call volumes could materially and adversely affect our revenue and results of operations.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new advertisers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability. For additional discussion of trends and other factors in our business, refer to Industry and Market Factors in Item 7 of this Annual Report on Form 10-K.

Expenses

Expenses were as follows (in thousands):

	Years ended December 31,			
	2017	% of revenue	2018	% of revenue
Service costs	$ 49,339	55%	$ 47,804	56%
Sales and marketing	15,652	17%	13,788	16%
Product development	18,094	20%	15,423	18%
General and administrative	13,567	15%	10,881	13%
Amortization of intangible assets from acquisitions	—	—	781	1%
Acquisition related costs	—	0%	462	1%
	$ 96,652	107%	$ 89,139	105%

We record stock-based compensation expense under the fair value method. We account for forfeitures as they occur, whereas we utilized estimated forfeitures in prior periods. Stock-based compensation expense has been included in the same lines as compensation paid to the same employees in the consolidated statements of operations. Stock-based compensation expense was included in the following operating expense categories as follows (in thousands):

	Years ended December 31,	
	2017	2018
Service costs	$ 515	$ 435
Sales and marketing	1,014	563
Product development	679	356
General and administrative	2,389	1,686
Total stock-based compensation	$ 4,597	$ 3,040

See *Note 5 (b). Stock Option Plan* of the Notes to Consolidated Financial Statements, as well as our Critical Accounting Policies for additional information about stock-based compensation.

Service Costs. Service costs decreased 3% from $49.3 million in 2017 to $47.8 million in 2018. The net decrease in dollars was primarily due to an aggregate decrease in communication and network costs, facility related costs, and outside service provider costs totaling $1.8 million, offset partially by an increase in distribution partner payments totaling $394,000. As a percentage of revenue, service costs were 55% and 56% for 2017 and 2018, respectively. The increase as a percentage of revenue in 2018 was primarily the result of our local leads platform comprising a lower percentage of revenue compared to the 2017 period, offset in part by an increase in our call analytics platform revenues. Our local leads platform and call analytics platform revenues have a lower service cost as a percentage of revenue relative to our overall service cost percentage.

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

Sales and Marketing. Sales and marketing expenses decreased 12% from $15.7 million in 2017 to $13.8 million in 2018. The decrease in dollars was primarily attributable to an aggregate decrease in personnel costs, which included $307,000 of employee separation related costs in the 2017 period, stock-based compensation, outside service provider costs, and facility related costs totaling $1.8 million. As a percentage of revenue, sales and marketing expenses were relatively flat at 17% and 16% for 2017 and 2018, respectively.

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

Product Development. Product development expenses decreased 15% from $18.1 million in 2017 to $15.4 million in 2018. As a percentage of revenue, product development expenses were 20% and 18% for the years ended December 31, 2017 and 2018, respectively. The net decrease in dollars and percentage was primarily due to an aggregate decrease in personnel and outside service provider costs, which included $358,000 of employee separation related costs in the 2017 period, stock-based compensation, and facility related costs totaling $2.7 million.

We expect product development expenditures to be modestly higher in the near and intermediate term in absolute dollars relative to our most recent quarterly periods due to our recent acquisitions of Telmetrics and Callcap. In the longer term, to the extent our revenues increase, we expect that product development expenses will increase in absolute dollars as we increase the number of personnel and consultants to enhance our service offerings and as a result of additional stock-based compensation expense.

General and Administrative. General and administrative expenses decreased 20% from $13.6 million in 2017 to $10.9 million in 2018. As a percentage of revenue, general and administrative expenses were 15% and 13% for 2017 and 2018, respectively. The net decrease in dollars and percentage of revenue were primarily due to a decrease in personnel and outside service provider costs, stock-based compensation, professional fees, facility related costs, travel costs and bad debt expense totaling $2.6 million.

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

Amortization of Intangible Assets from Acquisitions. Intangible amortization expense was $781,000 in 2018 and was associated with amortization of intangible assets acquired in the Telmetrics and Callcap acquisitions in November 2018. During 2018, the amortization of intangibles related to service costs, sales and marketing and general and administrative expenses.

Our purchase accounting resulted in all assets and liabilities from our acquisitions being recorded at their estimated fair values on their respective acquisition dates. All goodwill, identifiable intangible assets and assumed liabilities resulting from our acquisitions have been recorded in our financial statements. The identified intangible assets acquired in the Telmetrics and Callcap acquisitions are $21.5 million in aggregate and are being amortized on a straight-line basis over a range of useful lives of 12 to 60 months. Events and circumstances considered in determining whether the carrying value of amortizable intangible assets and goodwill may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; or a significant decline in our stock price and/or market capitalization for a sustained period of time.

No impairment of our intangible assets has been identified in 2018. The current business environment is subject to evolving market conditions and requires significant management judgment to interpret the potential impact to our assumptions. To the extent that changes in the current business environment impact our ability to achieve levels of forecasted operating results and cash flows, or should other events occur indicating the remaining carrying value of our assets might be impaired, we would test its goodwill and intangible assets for impairment and may recognize an additional impairment loss to the extent that the carrying amount exceeds such assets' fair values.

Acquisition related costs. Acquisition related costs of $462,000 were primarily for professional fees associated with our acquisitions of Telmetrics and Callcap in November 2018.

Income Taxes. The income tax benefit for the year ended December 31, 2018 was $156,000 and was primarily related to the release of valuation allowance on certain foreign deferred tax assets due to our acquisition of Telmetrics in November 2018. In 2018, the effective tax rate differed from the expected tax rate of 21% for 2018 due to our full valuation allowance and to a lesser extent due to state income taxes, non-deductible stock-based compensation related to incentive stock options recorded under the fair-value method, federal research and development credits, and other non-deductible amounts. We recognized approximately $13,000 of federal research and experimental credits for 2018.

The income tax expense from continuing operations was $42,000 in 2017 and was primarily related to state income taxes. In 2017, the effective tax rate differed from the expected tax rate of 34% due to a full valuation allowance and to a lesser extent due to state income taxes, non-deductible stock-based compensation related to incentive stock options recorded under the fair-value method, federal research and development credits, and other non-deductible amounts. We recognized approximately $157,000 of federal research and experimental credits for 2017.

On December 22, 2017, the 2017 Tax Act was signed into law making significant changes to U.S. federal corporate income tax law. Changes include, but are not limited to, a U.S. federal corporate tax rate decrease from 34% to 21% for years beginning after December 31, 2017, limitation on the utilization of NOLs arising after December 31, 2017, and imposing a one-time mandatory deemed repatriation tax on accumulated earnings of foreign subsidiaries for the year ended December 31, 2017. The reduction in the U.S. federal corporate tax rate decreased our net deferred tax balances by $14.4 million, which was fully offset by a corresponding decrease to our deferred tax valuation allowance. We do not expect to pay U.S. federal cash taxes due to an accumulated deficit in foreign earnings for tax purposes related to the one-time mandatory deemed repatriation tax on foreign earnings. We recorded our provision for income taxes in accordance with the 2017 Tax Act and guidance available as of the date of this filing.

At December 31, 2018, based upon both positive and negative evidence available, we determined that it is not more likely than not that our deferred tax assets (excluding certain insignificant Canadian deferred tax assets) of $35.1 million will be realized and accordingly, we have recorded 100% valuation allowance of $35.1 million against these deferred tax assets. This compares to a valuation allowance of $32.7 million at December 31, 2017. In assessing the realizability of deferred tax assets, we considered whether it is more likely than not that some or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. We considered the future reversal of deferred tax liabilities, carryback potential, projected taxable income, and tax planning strategies as well as its history of taxable income or losses in the relevant jurisdictions in making this assessment. We have incurred federal taxable losses in 2017 and 2018.

Net Loss. Net loss was $6.1 million in 2017 compared to net loss of $2.7 million in 2018. The decrease in net loss was primarily attributable to the effect of fewer personnel and lower operating costs in 2018, which were partially offset by lower revenues and higher amortization of intangible assets from acquisitions in 2018.

Liquidity and Capital Resources

As of December 31, 2017, and 2018, we had cash and cash equivalents of $104.2 million and $45.2 million, respectively. As of December 31, 2018, we had current and long term contractual obligations of $17.4 million, of which $10.2 million is for rent under our facility operating leases and $3.0 million is for contingent cash earnout payments related to the Telmetrics acquisition.

Cash provided by operating activities primarily consists of net loss adjusted for certain non-cash items such as amortization and depreciation, stock-based compensation, allowance for doubtful accounts and advertiser credits, and changes in working capital.

Cash provided by operating activities for the year ended December 31, 2018 of approximately $5.1 million consisted primarily of a net loss of $2.7 million adjusted for non-cash items of $5.9 million, which included depreciation and amortization, accretion of interest expense, allowance for doubtful accounts and advertiser credits, stock-based compensation, and approximately $1.9 million provided by working capital and other activities. Cash provided by operating activities for the year ended December 31, 2017 of approximately $1.7 million consisted primarily of a net loss of $6.1 million adjusted for non-cash items of $7.6 million, which included depreciation and amortization, allowance for doubtful accounts and advertiser credits, stock-based compensation, and approximately $165,000 provided by working capital and other activities.

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

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

For the year ended and as of December 31, 2018, amounts from these partners and agencies totaled 49% of revenue and $8.1 million in accounts receivable. Based on the timing of payments, we generally have this level of amounts in outstanding accounts receivable at any given time from these partners and advertising agencies. A single advertiser, State Farm, who represented the majority of the revenue and accounts receivable generated by Resolution Media and OMD Digital, accounted for 20% of total revenues for the year ended December 31, 2018 and 31% of accounts receivable as of December 31, 2018. We expect in the near to intermediate term campaign spend levels related to State Farm to be similar to modestly lower compared to recent quarters, which will result in lower total revenues and contribution. Net accounts receivable balances outstanding as of December 31, 2018 from DexYP totaled $2.4 million.

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

Cash used in investing activities for the year ended December 31, 2018 of $36.6 million was primarily attributable to cash paid for our acquisition of Telmetrics and Callcap in 2018, net of cash acquired. In November 2018, we acquired Telmetrics for $10.1 million in cash which was paid at closing and with potential future earnout consideration payments in aggregate of up to $3.0 million in cash on the 12th and 24th month anniversaries of the closing. Also, in November 2018, we acquired Callcap for approximately $35.0 million, including cash of approximately $25.0 million and 3.4 million shares of Class B common stock valued at approximately $10.0 million, to be issued over the four-year period following the acquisition date. Cash used in investing activities for

the year ended December 31, 2017 of $1.6 million was primarily attributable to purchases for property and equipment.

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

Cash used in financing activities for the year ended December 31, 2018 of approximately $27.4 million was primarily attributable to common stock dividend payments. Cash provided by financing activities for the year ended December 31, 2017 of approximately $125,000 was primarily attributable to proceeds from employee stock option exercises and the employee stock purchase plan.

We anticipate that we will need to invest working capital towards the development of our overall operations and to fund any losses from operations, and we expect that capital expenditures may increase in future periods, particularly with any increase in our operating activities. We may also pursue a significant number of acquisitions. As a result, we could experience a reduction of our cash balances or the incurrence of debt. During the first quarter of 2019, we committed $2.5 million in funding for a strategic technology initiative over the next 12 months.

In the second quarter of 2018, we provided a bank letter of credit to the lessor of our office space in Seattle, Washington in the amount of $575,000, which we fully collateralized with a certificate of deposit to the issuing bank. The letter of credit will be reduced by $100,000 annually starting in April 2019.

In November 2014, our board of directors authorized a new share repurchase program (the “2014 Repurchase Program”) which supersedes and replaces any prior repurchase programs. Under the 2014 Repurchase Program, we are authorized to repurchase up to 3 million shares of our Class B common stock in the aggregate through open market and privately negotiated transactions, at such times and in such amounts as we deem appropriate. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. The 2014 Repurchase Program does not have an expiration date and may be expanded, limited or terminated at any time without prior notice. We have made no repurchases under the 2014 Repurchase Program for the years ended December 31, 2017 and 2018. In May 2018, the Company repurchased approximately 2.3 million shares of its Class B common stock for approximately $5.7 million from a former member of the Company’s board of directors. The Company’s board of directors approved the repurchase transaction and the Company retired these shares in the second quarter of 2018.

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

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

Critical Accounting Policies

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

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

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

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

Revenue

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

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

We generate revenue from reseller partners utilizing our local leads platform and are paid account fees and/or agency fees for our products in the form of a percentage of the cost of every call or click delivered to advertisers. The reseller partners engage the advertisers and are the principal for the transaction, and we, in certain instances, are only financially liable to the publishers in our capacity as a collection agency for the amount collected from the advertisers. We recognize revenue for these fees under the net revenue recognition method. In limited arrangements

resellers pay us a fee for fulfilling an advertiser's campaign in its distribution network and we act as the principal and recognize revenue for these fees under the gross revenue recognition method.

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

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

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

Stock-Based Compensation

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

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

Although the fair value of stock-based awards is determined in accordance with ASC 718, *Compensation – Stock Compensation* the assumptions used in calculating fair value of stock-based awards and the use of the Black-Scholes option pricing model is highly subjective, and other reasonable assumptions could provide differing results. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. *See Note 5(b). Stock Option Plan* in the Notes to Consolidated Financial Statements for additional information.

Allowance for Doubtful Accounts and Advertiser Credits

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

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

Goodwill and Intangible Assets

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

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

Goodwill is tested annually on November 30 for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. The provisions of the accounting standard for goodwill and other intangible assets allow us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Events and circumstances considered in determining whether the carrying value of goodwill may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; and significant changes in competition and market dynamics. These estimates are inherently uncertain and can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, a loss of a significant customer, changes in competition or changes in the share price of common stock and market capitalization. If our stock price were to trade below book value per share for an extended period of time and/or we experience adverse effects of a continued downward trend in the overall economic environment, changes in the business itself, including changes in projected earnings and cash flows, we may have to recognize an impairment of all or some portion of our goodwill. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. If the fair value is lower than the carrying value, a material impairment charge may be reported in our financial results. We exercise judgment in the assessment of the related useful lives of intangible assets, the fair values, and the recoverability. In certain instances, the fair value is determined in part based on cash flow forecasts and discount rate estimates. We cannot accurately predict the amount and timing of any impairment of goodwill. Should the value of goodwill become impaired, we would record the appropriate charge, which could have an adverse effect on our financial condition and results of operations.

The current business environment is subject to evolving market conditions and requires significant management judgment to interpret the potential impact to our assumptions. To the extent that changes in the current business environment impact our ability to achieve levels of forecasted operating results and cash flows, if our stock price were to trade below book value per share for an extended period of time and/or should other events occur indicating the remaining carrying value of our assets might be impaired, we would test our goodwill for impairment and may recognize an impairment loss to the extent that the carrying amount exceeds such asset's fair value. We will continue to monitor our financial performance, stock price and other factors in order to determine if there are any indicators of impairment prior to our annual impairment evaluation in November 2019.

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

Provision for Income Taxes

We are subject to income taxes in the U.S. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in results of operations in the period that includes the enactment date. On January 1, 2017, previously unrecognized excess tax benefits of $3.7 million were recorded to accumulated deficit and an increase to our deferred tax assets with a corresponding change to the valuation allowance as a result of the adoption of ASU 2016-09. This resulted in no net impact to equity due to the Company's full valuation allowance. We also adopted ASU 2015-17, on January 1, 2017, which requires all deferred tax assets and liabilities, and any related valuation allowance, to be classified as non-current on the balance sheet. The adoption of this standard did not have any impact on the Company's financial statements due to the full valuation allowance recorded on our deferred taxes. Uncertain tax positions as of December 31, 2017 and 2018 amounted to $1.1 million and $1.2 million, respectively.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was signed into law making significant changes to U.S. federal corporate income tax law. Changes include, but are not limited to, a U.S. federal corporate tax rate decrease from 34% to 21% for years beginning after December 31, 2017, limitation on the utilization of NOLs arising after December 31, 2017, and imposing a one-time mandatory deemed repatriation tax on accumulated earnings of foreign subsidiaries for the year ended December 31, 2017. The reduction in the U.S. federal corporate tax rate decreased the Company's net deferred tax balances by $14.4 million, which was fully offset by a corresponding decrease to its deferred tax valuation allowance. The Company does not expect to pay U.S. federal cash taxes due to an accumulated deficit in foreign earnings for tax purposes related to the one-time mandatory deemed repatriation tax on foreign earnings. The Company recorded its provision for income taxes in accordance with the 2017 Tax Act with no material changes made to positions considered provisional as of December 31, 2017.

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

As of December 31, 2018, our federal NOL carryforwards were approximately $79.6 million for income tax purposes, and federal research and development credit carryforwards of $5.0 million for income tax purposes, which are potentially available to offset future tax liabilities. As of December 31, 2018, our state, city, and other foreign jurisdiction NOL carryforwards were approximately $6.4 million, which begin to expire in 2025.

In addition, at December 31, 2017 and 2018, we have certain federal NOL carryforwards of approximately $1.7 million, which prior to the 2017 Tax Act were set to begin to expire in 2019. The Tax Reform Act of 1986 limits the use of NOL and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. We believe that such a change has occurred related to these specific NOL carryforwards, and that the utilization is limited such that substantially all of these NOL carryforwards will likely never be utilized. Accordingly, we have not included these federal NOL carryforwards in its deferred tax assets.

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

Recent Accounting Pronouncement Not Yet Effective

For discussion regarding recent accounting pronouncements not yet effective, see *Note 1(r). Description of Business and Summary – Recent Accounting Pronouncement Not Yet Effective* of the notes to our consolidated financial statements.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Marchex, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Marchex, Inc. and Subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Moss Adams LLP

Seattle, Washington
March 18, 2019

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Marchex, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Marchex, Inc. and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated March 18, 2019, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to change in accounting principle.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Management's Report on Internal Control Over Financial Reporting, in November 2018, the Company acquired Telmetrics, Inc. ("Telmetrics") and SITA Laboratories (d/b/a Callcap) ("Callcap"). For the purposes of assessing internal control over financial reporting, management excluded Telmetrics and Callcap, whose financial statements constitute approximately 3% of the Company's consolidated total assets (excluding $45.1 million of goodwill and intangible assets, which were integrated into the Company's control environment) and approximately 3% of consolidated revenue as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting of Telmetrics and Callcap.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Moss Adams LLP

Seattle, Washington
March 18, 2019

MARCHEX, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except per share amounts)

	As of December 31,	
	2017	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 104,190	$ 45,230
Accounts receivable, net	14,860	16,198
Prepaid expenses and other current assets	2,041	2,657
Total current assets	121,091	64,085
Property and equipment, net	2,405	2,921
Other assets, net	326	917
Goodwill	—	24,442
Intangible assets from acquisitions, net	—	20,697
Total assets	$ 123,822	$ 113,062
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,928	$ 5,968
Accrued expenses and other current liabilities	5,585	5,807
Current portion of acquisition-related liabilities	—	1,215
Deferred revenue and deposits	313	1,782
Dividends payable	21,907	—
Total current liabilities	32,733	14,772
Other non-current liabilities	1,090	1,287
Deferred tax liabilities	—	1,531
Non-current portion of acquisition-related liabilities	—	446
Total liabilities	33,823	18,036
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value. Authorized 137,500 shares;		
Class A: 12,500 shares authorized; 5,056 shares issued and outstanding, at December 31, 2017 and 2018	53	53
Class B: 125,000 shares authorized; 38,736 shares issued and outstanding at December 31, 2017, including 710 shares of restricted stock; and 36,965 shares issued and outstanding, at December 31, 2018, including 574 shares of restricted stock	387	370
Additional paid-in capital	343,268	350,801
Accumulated deficit	(253,709)	(256,198)
Total stockholders' equity	89,999	95,026
Total liabilities and stockholders' equity	$ 123,822	$ 113,062

See accompanying Notes to Consolidated Financial Statements.

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

	Years ended December 31,	
	2017	2018
Revenue	$ 90,291	$ 85,251
Expenses:		
Service costs (1)	49,339	47,804
Sales and marketing (1)	15,652	13,788
Product development (1)	18,094	15,423
General and administrative (1)	13,567	10,881
Amortization of intangible assets from acquisitions (2)	—	781
Acquisition related costs	—	462
Total operating expenses	96,652	89,139
Loss from operations	(6,361)	(3,888)
Interest income and other, net	316	1,054
Loss before provision for income taxes	(6,045)	(2,834)
Income tax expense (benefit)	42	(156)
Net loss	(6,087)	(2,678)
Dividends applicable to participating securities	(355)	—
Net loss applicable to common stockholders	$ (6,442)	$ (2,678)
Basic and diluted net loss per Class A share applicable to common stockholders	$ (0.16)	$ (0.06)
Basic and diluted net loss per Class B share applicable to common stockholders	$ (0.15)	$ (0.06)
Dividends per share	$ 0.50	$ —
Shares used to calculate basic net loss per share applicable to common stockholders:		
Class A	5,056	5,056
Class B	37,657	37,390
Shares used to calculate diluted net loss per share applicable to common stockholders:		
Class A	5,056	5,056
Class B	42,713	42,446
(1) Excludes amortization of intangibles from acquisitions		
(2) Components of amortization of intangibles from acquisitions:		
Service costs	$ —	$ 302
Sales and marketing	—	295
Product development	—	—
General and administrative	—	184
Total	$ —	$ 781

See accompanying Notes to Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(in thousands)

	Class A common stock		Class B common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2016	5,056	$ 53	38,004	$ 380	—	—	$ 360,422	$ (247,584)	$ 113,271
Issuance of common stock upon exercise of options, issuance and vesting of restricted stock and under employee stock purchase plan, net	—	—	971	9	(239)	(2)	118	—	125
Stock compensation from options and restricted stock, net of forfeitures	—	—	—	—	—	—	4,597	—	4,597
Cumulative effect of a change in accounting principle related to stock-based compensation	—	—	—	—	—	—	38	(38)	—
Retirement of treasury stock	—	—	(239)	(2)	239	2	—	—	—
Common stock cash dividends declared	—	—	—	—	—	—	(21,907)	—	(21,907)
Net loss	—	—	—	—	—	—	—	(6,087)	(6,087)
Balances at December 31, 2017	5,056	$ 53	38,736	$ 387	—	—	$ 343,268	$ (253,709)	$ 89,999
Issuance of common stock upon exercise of options, issuance and vesting of restricted stock and under employee stock purchase plan, net	—	—	563	6	—	—	130	—	136
Stock compensation from options and restricted stock, net of forfeitures							3,040		3,040
Repurchase of Class B common stock	—	—	—	—	(2,334)	(5,673)	—	—	(5,673)
Retirement of treasury stock	—	—	(2,334)	(23)	2,334	5,673	(5,650)	—	—
Deferred issuance of Class B common stock in connection with acquisition	—	—	—	—	—	—	10,017	—	10,017
Cumulative effect of a change in accounting principle related to revenue recognition	—	—	—	—	—	—	—	189	189
Net loss	—	—	—	—	—	—	—	(2,678)	(2,678)
Common stock cash dividends	—	—	—	—	—	—	(4)	—	(4)
Balances at December 31, 2018	5,056	$ 53	36,965	$ 370	—	—	$ 350,801	$ (256,198)	95,026

See accompanying Notes to Consolidated Financial Statements.

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

	Years ended December 31,	
	2017	2018
Cash flows from operating activities:		
Net loss	$ (6,087)	$ (2,678)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization and depreciation	2,791	2,598
Accretion of interest expense	—	50
Allowance for doubtful accounts and advertiser credits	226	399
Deferred income taxes	—	(185)
Stock-based compensation	4,597	3,040
Change in certain assets and liabilities:		
Accounts receivable, net	3,836	254
Prepaid expenses, other current assets, and other assets	48	76
Accounts payable	(1,963)	618
Accrued expenses and other current liabilities	(1,763)	(211)
Deferred revenue and deposits	(36)	1,087
Other non-current liabilities	43	3
Net cash provided by operating activities	1,692	5,051
Cash flows from investing activities:		
Purchases of property and equipment	(1,562)	(1,651)
Purchases of intangibles and changes in other non-current assets	(15)	(577)
Cash paid for acquisitions	—	(34,335)
Net cash used in investing activities	(1,577)	(36,563)
Cash flows from financing activities:		
Repurchase of Class B common stock for treasury stock	—	(5,673)
Common stock dividends payments	—	(21,911)
Proceeds from exercises of stock options, issuance and vesting of restricted stock and employee stock purchase plan, net	125	136
Net cash provided by (used in) financing activities	125	(27,448)
Net increase (decrease) in cash and cash equivalents	240	(58,960)
Cash and cash equivalents at beginning of period	103,950	104,190
Cash and cash equivalents at end of period	$ 104,190	$ 45,230
Supplemental disclosure of cash flow information:		
Cash received (paid) during the period for income taxes, net of refunds	16	(49)
Cash received during the period for interest, net	297	1,074
Supplemental disclosure of non-cash investing and financing activities:		
Deferred issuance of Class B common stock in connection with acquisition	$ —	$ 10,017
Common stock cash dividends declared and not paid	21,907	—
Leasehold improvement incentive recorded in other current/non-current assets and other non-current liabilities	553	113
Property and equipment acquired in accounts payable and accrued expenses	88	33
Acquisition-related liabilities not paid	—	1,509
Retirement of treasury stock	—	5,650

See accompanying Notes to Consolidated Financial Statements.

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

(a) Description of Business and Basis of Presentation

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

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

Acquisitions

In November 2018, we acquired Telmetrics Inc. ("Telmetrics"), an enterprise call and text tracking and analytics company, and SITA Laboratories, Inc. (d/b/a Callcap) ("Callcap"), a call monitoring and analytics solutions company. See *Note 8. Acquisitions* of the Notes to Consolidated Financial Statements for further discussion.

(b) Cash and Cash Equivalents

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

(c) Fair Value of Financial Instruments

The Company had the following financial instruments as of December 31, 2017 and 2018: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable. The carrying value of these financial instruments approximates their fair value based on the liquidity of these financial instruments and their short-term nature. In addition, the Company has acquisition-related liabilities which are recorded at fair value. The fair value was estimated by applying the income approach, which is based on significant inputs that are not observable in the market (Level 3 inputs), such as the discount rate and the probability of meeting targeted financial goals.

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

(d) Accounts Receivable

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

Allowance for Doubtful Accounts

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on analysis of historical bad debts, advertiser concentrations, advertiser credit-worthiness and current economic trends. Past due balances over 90 days and specific other balances are reviewed individually for collectability. The Company reviews the

allowance for collectability quarterly. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance for doubtful accounts activity for the periods indicated is as follows (in thousands):

	Balance at beginning of period	Charged to costs and expenses	Write-offs, net of recoveries	Balance at end of period
December 31, 2017	499	161	34	626
December 31, 2018	626	45	23	648

Allowance for Advertiser Credits

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

The allowance for advertiser credits activity for the periods indicated is as follows (in thousands):

	Balance at beginning of period	Additions charged against revenue	Credits processed and other (1)	Balance at end of period
December 31, 2017	938	65	390	613
December 31, 2018	613	352	394	571

(1) In connection with the adoption of ASC 606 on January 1, 2018, the Company reclassified $305,000 of customer liabilities to other current liabilities in the consolidated balance sheet.

(e) Property and Equipment

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

(f) Goodwill

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

Goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. As of the year ended December 31, 2017 the Company had no goodwill on its balance sheet. As of the year ended December 31, 2018, the Company had goodwill of $24.4 million. See *Note 8. Acquisitions* of the Notes to Consolidated Financial Statements for further discussion.

(g) Impairment or Disposal of Long-Lived Assets

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

(h) Revenue Recognition

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

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

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

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

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

The Company's local leads platform allows reseller partners to sell call advertising, search marketing, and other lead generation products through their existing sales channels to small business advertisers. The Company

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

For the year ended December 31, 2018, revenues disaggregated by service type were $78.7 million for performance based advertising services and $6.6 million for local leads services.

The majority of the Company's customers are invoiced on a monthly basis following the month of the delivery of services and are required to make payments under standard credit terms. The Company establishes an allowance for advertiser credits, which is included in accrued expense and other current liabilities in the balance sheet as of December 31, 2018, using its best estimate of the amount of expected future reductions in advertisers' payment obligations related to delivered services based on analysis of historical credits. Customer payments received in advance of revenue recognition are contract liabilities and are recorded as deferred revenue. During the year ended December 31, 2018, revenue recognized that was included in the contract liabilities balance at the beginning of the period was $148,000.

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

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

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

The Company's incremental direct costs of obtaining a contract, which consist primarily of sales commissions, are generally deferred and amortized to sales and marketing expense over the estimated life of the relevant customer relationship of approximately 24 months and are subject to being monitored every period to reflect any significant change in assumptions. In addition, the deferred contract cost asset is assessed for impairment on a periodic basis. The Company's contract acquisition costs are included in other assets, net in the balance sheet. The Company is applying the standard's practical expedient permitting expensing of costs to obtain a contract when the expected amortization period is one year or less, which typically results in expensing commissions paid to acquire certain contracts. As of December 31, 2018, the Company had $316,000 of net deferred contract costs and the amortization associated with these costs was $338,000 for the year ended December 31, 2018.

(i) Service Costs

The largest component of the Company's service costs consists of user acquisition costs that relate primarily to payments made to distribution partners for access to their mobile, online, offline, or other user traffic. The Company enters into agreements of varying durations with distribution partners that integrate the Company's services into their web sites, indexes or other sources of user traffic. The primary economic structure of the distribution partner agreements is a variable payment based on a specified percentage of revenue. These variable payments are often subject to minimum payment amounts per phone call or other action. Other payment structures

that to a lesser degree exist include: 1) variable payments based on a specified metric, such as number of paid calls or other actions, 2) fixed payments, based on a guaranteed minimum amount of usage delivered, and 3) a combination arrangement with both fixed and variable amounts that may be paid in advance.

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

Service costs also include network operations and customer service costs that consist primarily of costs associated with providing performance-based advertising and marketing services. These costs include telecommunication costs, including the use of phone numbers for providing call based advertising services, colocation service charges and depreciation of network equipment and software, bandwidth and software license fees, payroll and expenses of related personnel, and stock-based compensation. Other service costs include license and content fees, costs to maintain our websites, credit card processing fees and domain name and related renewal and registration costs.

(j) Advertising Expenses

Advertising costs are expensed as incurred and include mobile and online advertising and related outside marketing activities, including sponsorships and trade shows. Such costs are included in sales and marketing. Advertising costs were approximately $1.6 million and $1.5 million for the years ended December 31, 2017 and 2018, respectively.

(k) Product Development

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

(l) Income Taxes

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

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was signed into law making significant changes to the U.S. federal corporate income tax law which included a decrease in the U.S. federal corporate rate from 34% to 21%. See *Note 4. Income Taxes* of the Notes to Consolidated Financial Statements for further discussion.

(m) Stock-Based Compensation

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

On January 1, 2017, the Company adopted Accounting Standards Update No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). Under ASU 2016-09, excess tax benefits generated when stock-based awards vest or are settled are no longer recognized in equity but are instead recognized as a reduction to the provision for income taxes. On January 1, 2017, the Company recorded unrecognized excess tax benefits of $3.7 million to accumulated deficit, with a corresponding increase to the valuation allowance on deferred tax assets. This resulted in no net impact to equity due to the Company's full valuation allowance. This guidance also requires excess tax benefits to be presented as an operating activity on the statement of cash flows.

(n) Use of Estimates

The preparation of consolidated 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 related to several financial statement amounts, including revenues, allowance for doubtful accounts, allowance for advertiser credits, useful lives for property and equipment and intangible assets, valuation of intangible assets, valuation of contingent consideration transferred as a result of business combinations, the fair value of the Company's common stock and stock option awards, the impairment of goodwill and the valuation allowance for deferred tax assets. Actual results could differ from those estimates.

(o) Concentrations

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

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

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

	Years ended December 31,	
	2017	2018
Advertiser A	21%	23%
Advertiser B	17%	19%

Advertiser A is also a distribution partner.

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

	At December 31,	
	2017	2018
Advertiser A	17%	15%
Advertiser B	31%	31%
Advertiser C	10%	*

*Less than 10% of accounts receivable

In certain cases, the Company may engage directly with one or more advertising agencies who act on an advertiser's behalf. In addition, an advertising agency may represent more than one advertiser that utilizes the Company's products and services. One advertising agency represented 10% and 14% of consolidated revenue for the years ended December 31, 2017 and 2018, respectively. This same advertising agency represented 21% and 23% of accounts receivable as of December 31, 2017 and 2018, respectively. One other advertising agency represented 11% and less than 10% of accounts receivable as of December 31, 2017 and 2018, respectively.

There were no distribution partners paid more than 10% of consolidated revenue for the years ended December 31, 2017 and 2018.

(p) Net Income (Loss) Per Share

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

In accordance with the two class method, the undistributed earnings (losses) for each year are allocated based on the contractual participation rights of the Class A and Class B common shares and the restricted shares as if the earnings for the year had been distributed. Considering the terms of the Company's charter which provides that, if and when dividends are declared on its common stock in accordance with Delaware General Corporation Law, equivalent dividends shall be paid with respect to the shares of Class A common stock and Class B common stock and that both classes of common stock have identical dividend rights and would share equally in the Company's net assets in the event of liquidation, the Company has allocated undistributed earnings (losses) on a proportionate basis. The Company paid cash dividends equally to both classes of common stock and unvested restricted shares from November 2006 through May 2015 and in December 2017, the Company declared a special cash dividend. See *Note 5. Stockholders' Equity* of the Notes to Consolidated Financial Statements for further discussion.

Instruments granted in unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities prior to vesting. As such, the Company's restricted stock awards are considered participating securities for purposes of calculating earnings per share. Under the two class method, dividends paid on unvested restricted stock are allocated to these participating securities and therefore impact the calculation of amounts allocated to common stock.

The following table presents the computation of basic net loss per share for the periods ended (in thousands, except per share amounts):

	Twelve months ended December 31,			
	2017		2018	
	Class A	Class B	Class A	Class B
Basic net loss per share:				
Numerator:				
Net loss	$ (786)	$ (5,301)	$ (319)	$ (2,359)
Dividends applicable to participating securities	—	(355)	—	—
Net loss applicable to common stockholders	$ (786)	$ (5,656)	$ (319)	$ (2,359)
Denominator:				
Weighted average number of shares outstanding used to calculate basic net loss per share	5,056	37,657	5,056	37,390
Basic net loss per share applicable to common stockholders	$ (0.16)	$ (0.15)	$ (0.06)	$ (0.06)

The following table presents the computation of diluted net loss per share for the periods ended (in thousands, except per share amounts):

	Twelve months ended December 31,			
	2017		2018	
	Class A	Class B	Class A	Class B
Diluted net loss per share:				
Numerator:				
Net loss	$ (786)	$ (5,301)	$ (319)	$ (2,359)
Dividends applicable to participating securities	—	(355)	—	—
Reallocation of net loss for Class A shares as a result of conversion of Class A to Class B shares	—	(786)	—	(319)
Net loss applicable to common stockholders	$ (786)	$ (6,442)	$ (319)	$ (2,678)
Denominator:				
Weighted average number of shares outstanding used to calculate basic net loss per share	5,056	37,657	5,056	37,390
Conversion of Class A to Class B common shares outstanding	—	5,056	—	5,056
Weighted average number of shares outstanding used to calculate diluted net loss per share	5,056	42,713	5,056	42,446
Diluted net loss per share applicable to common stockholders	$ (0.16)	$ (0.15)	$ (0.06)	$ (0.06)

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

- For the years ended December 31, 2017 and 2018, outstanding options to acquire 5,713 and 5,511 shares, respectively, of Class B common stock.
- For the years ended December 31, 2017 and 2018, 710 and 574 shares of unvested Class B restricted common shares, respectively.
- For the years ended December 31, 2017 and 2018, 1,161 and 690 restricted stock units, respectively.

(q) Guarantees

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

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

(r) Recent Accounting Pronouncement Not Yet Effective

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract (ASU 2018-15),* an ASU which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to be capitalized. The ASU is effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company does not expect adoption of ASU 2018-15 to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13),* an ASU which modifies the disclosure requirements on fair value measurements in ASC 820. The ASU is effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company does not expect adoption of ASU 2018-13 to have a material impact on its consolidated financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07, *Compensation - Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting (ASU 2018-07),* an ASU which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The ASU is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company will adopt the ASU beginning Q1 2019 and it does not expect adoption of ASU 2018-07 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 *Leases (Topic 842) (ASU 2016-02)*, an ASU requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued Accounting Standards Update No. 2018-11, *Leases (Topic 842) – Targeted Improvements (ASU 2018-11)*, which provides entities with an additional (and optional) transition method to adopt the new lease standard. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Company on January 1, 2019. The Company adopted the new standard on its effective date. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between

the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Company adopted the new standard on January 1, 2019 and used the effective date as its date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. The new standard provides a number of optional practical expedients in transition. The Company elected the 'package of practical expedients', which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

This standard will have a material effect on the Company's financial statements. The most significant effects relate to the recognition of new ROU assets and lease liabilities on its balance sheet for its office and operating leases and providing significant new disclosures about its leasing activities. On adoption, the Company expects to recognize additional operating lease liabilities of approximately $8.5 million based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases and ROU assets of approximately $7.4 million.

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

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13),* an ASU amending the impairment model for most financial assets and certain other instruments. The ASU is effective for reporting periods beginning after December 15, 2019, with early adoption permitted after December 15, 2018. The ASU must be adopted using a modified-retrospective approach. In November 2018, the FASB issued Accounting Standards Update No. 2018-19, *Codification Improvements (Topic 326), Financial Instruments - Credit Losses (ASU 2018-19)*, an ASU intended to improve the Codification or correct its unintended application. The ASU is effective upon the adoption of the amendments in Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is effective for reporting periods beginning after December 15, 2019, with early adoption permitted after December 15, 2018. The Company does not expect adoption of ASU 2018-19 and ASU 2016-13 to have a material impact on its consolidated financial statements.

(2) Property and Equipment

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

	Years ended December 31,	
	2017 (1)	**2018 (1)**
Computer and other related equipment	$ 19,157	$ 18,839
Purchased and internally developed software	6,687	6,878
Furniture and fixtures	1,071	1,023
Leasehold improvements	1,168	1,275
	$ 28,083	$ 28,015
Less: accumulated depreciation and amortization	(25,678)	(25,094)
Property and equipment, net	$ 2,405	$ 2,921

(1) Includes the original cost and accumulated depreciation of fully-depreciated fixed assets which were $21.7 million and $23.5 million at December 31, 2017 and 2018, respectively.

Depreciation and amortization expense related to property and equipment was approximately $2.8 million and $1.5 million for the years ended December 31, 2017 and 2018, respectively.

(3) Commitments and Contingencies

(a) Commitments

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

Future minimum payments are approximately as follows (in thousands):

	Facilities operating leases	Other contractual obligations	Total
2019	$ 1,569	$ 3,524	$ 5,093
2020	1,613	425	2,038
2021	1,643	248	1,891
2022	1,613	4	1,617
2023 and after	3,804	—	3,804
Total minimum payments	$ 10,242	$ 4,201	$ 14,443

In June 2017, the Company entered into an amendment to the lease agreement originally dated in June 2009 and as amended to date, with respect to office space in Seattle, Washington. The amendment extends the lease term for a period of 84 months expiring on March 31, 2025 and reduces the leased office space starting on September 1, 2017. The Company has the option to terminate the lease in March 2023, subject to satisfaction of certain conditions, including a payment of a termination fee of approximately $671,000. In addition, the lessor will pay towards the cost of certain leasehold improvements ("landlord contribution") of which the Company may use up to approximately $180,000 of any unused landlord contribution as a credit against any payment obligation under the lease. In 2018, the lessor refunded the previously provided security deposit and the Company provided a letter of credit to the lessor in the amount of $575,000, which will be reduced by $100,000 annually starting in April 2019. The letter of credit is collateralized by a $575,000 certificate of deposit which is restricted in use and is included in other assets in the Company's condensed consolidated balance sheet as of December 31, 2018.

Rent expense incurred by the Company was approximately $2.0 and $1.5 million for the years ended December 31, 2017 and 2018, respectively.

In connection with the Telmetrics acquisition in 2018, the Company has an earnout arrangement that requires the Company to pay up to a maximum of $3.0 million in cash based upon the achievement of targeted financial goals over the two (2) twelve (12) month periods following the acquisition date. The estimated fair value of the contingent consideration arrangement is approximately $1.5 million and is recorded on the balance sheet in acquisition-related liabilities.

During the first quarter of 2019, the Company committed $2.5 million in funding for a strategic technology initiative over the next 12 months.

(b) Contingencies

The Company from time to time is a party to disputes and legal and administrative proceedings arising from the ordinary course of business. In some agreements to which the Company is a party to, the Company has agreed to indemnification provisions of varying scope and terms with advertisers, vendors and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of agreements or representations and warranties made by the Company, services to be provided by the Company and intellectual property infringement claims made by third parties. As a result of these provisions, the Company may from time to time provide certain levels of financial support to its contract parties to seek to minimize the impact of any associated litigation in which they may be involved. To date, there have been no known events or circumstances that

have resulted in any material costs related to these indemnification provisions and no liabilities therefore have been recorded in the accompanying consolidated financial statements. However, the maximum potential amount of the future payments the Company could be required to make under these indemnification provisions could be material.

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

(4) Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was signed into law making significant changes to U.S. federal corporate income tax law. Changes include, but are not limited to, a U.S. federal corporate tax rate decrease from 34% to 21% for years beginning after December 31, 2017, limitation on the utilization of NOLs arising after December 31, 2017, and imposing a one-time mandatory deemed repatriation tax on accumulated earnings of foreign subsidiaries for the year ended December 31, 2017. The reduction in the U.S. federal corporate tax rate decreased the Company's net deferred tax balances by $14.4 million which was fully offset by a corresponding decrease to its deferred tax valuation allowance. The Company does not expect to pay U.S. federal cash taxes due to an accumulated deficit in foreign earnings for tax purposes related to the one-time mandatory deemed repatriation tax on foreign earnings. The Company recorded its provision for income taxes in accordance with the 2017 Tax Act and guidance available as of the date of this filing.

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

	Years ended December 31,	
	2017	2018
United States	$ (6,022)	$ (2,312)
Foreign	(23)	(522)
Loss before provision for income taxes	$ (6,045)	$ (2,834)

The provision for income taxes for the Company consists of the following (in thousands):

	Years ended December 31,	
	2017	2018
Current federal provision		
Federal	$ —	$ (48)
State	42	30
Deferred provision (benefit)		
Foreign	—	(138)
Total income tax expense (benefit)	$ 42	$ (156)

Income tax expense from operations differed from the amounts computed by applying the U.S. federal statutory rate to loss before provision for income taxes as a result of the following (in thousands):

	Years ended December 31,	
	2017	2018
Income tax benefit at U.S. statutory rate	$ (2,055)	$ (595)
State taxes, net of valuation allowance	28	24
Stock-based compensation (1)	2,396	378
Impact of 2017 Tax Act	14,413	—
Valuation allowance	(14,638)	(83)
Research tax credits	(156)	(13)
Other expenses	54	133
Total income tax expense (benefit)	$ 42	$ (156)

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

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below and reflects the 34% and 21% U.S. federal statutory rate for 2017 and 2018, respectively (in thousands):

	As of December 31,	
	2017	2018
Deferred tax assets:		
Accrued liabilities not currently deductible	$ 721	$ 612
Intangible assets-excess of financial statement over tax amortization	939	873
Goodwill recognized on financial statements in excess of tax amortization	3,750	2,494
Stock-based compensation	1,680	1,894
Federal net operating losses	15,887	17,639
State, local and foreign net operating loss carryforwards	5,403	6,395
Research & experimental tax and other credit carryforwards	3,832	3,888
Other	456	1,320
Gross deferred tax assets	32,668	35,115
Valuation allowance	(32,668)	(35,057)
Net deferred tax assets	$ —	$ 58
Deferred tax liabilities:		
Intangible assets-excess of tax over financial statement amortization	—	(1,589)
Net deferred tax liabilities	$ —	$ (1,531)

On January 1, 2017, the Company adopted ASU 2016-09 and recorded previously unrecognized tax benefits of $3.7 million to accumulated deficit with a corresponding increase to the valuation allowance on deferred tax assets. ASU 2016-09 requires excess tax benefits and shortfalls to be recognized as a component of income tax expense.

As of December 31, 2018, the Company's federal NOL carryforwards were approximately $79.6 million and federal research and development credit carryforwards of $5.0 million for income tax purposes, which are potentially available to offset future tax liabilities. As of December 31, 2018, the Company's state, city, and other foreign jurisdiction NOL carryforwards were approximately $6.4 million, which begin to expire in 2025.

In addition, at December 31, 2017 and 2018, the Company had certain federal NOL carryforwards of approximately $1.7 million, which prior to the 2017 Tax Act were set to begin to expire in 2019. The Tax Reform Act of 1986 limits the use of NOL and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. The Company believes that such a change has occurred related to these specific NOL carryforwards, and that the utilization of the approximately $1.7 million in carryforwards is limited such that substantially all of these NOL carryforwards will likely never be utilized. Accordingly, the Company has not included these federal NOL carryforwards in its deferred tax assets.

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

At December 31, 2017 and 2018, the Company recorded a valuation allowance of $32.7 million, and $35.1 million, respectively, against its federal, state, city and foreign net deferred tax assets, as it believes it is more likely than not that these benefits will not be realized. The net change in the total valuation allowance for each of the years ended December 31, 2017 and 2018 was $(12.1) million and $2.4 million, respectively. The decrease in the valuation allowance in 2017 was primarily a result of the 2017 Tax Act which reduced the U.S. federal corporate tax rate from 34% to 21%. This resulted in a decrease in the Company's deferred tax balances of $14.6 million with a corresponding decrease in the valuation allowance.

The Company regularly reviews deferred tax assets to assess whether it is more likely than not that the deferred tax assets will be realized and, if necessary, establishes a valuation allowance for portions of such assets to reduce the carrying value. In assessing whether it is more likely than not that the Company's deferred tax assets will be realized, factors considered included: historical taxable income, historical trends related to advertiser usage rates, projected revenues and expenses, macroeconomic conditions, issues facing the industry, existing contracts, the Company's ability to project future results and any appreciation of its other assets. The Company incurred taxable losses in 2016, 2017, and 2018. Based on the level of historical taxable losses and the uncertainty of projections for future taxable income over the periods for which the deferred tax assets are deductible, with the exception of certain insignificant foreign deferred tax assets, the Company concluded that it is not more likely than not that the gross deferred tax assets will be realized.

From time to time, various state, federal and other jurisdictional tax authorities undertake audits of the Company and its filings. In evaluating the exposure associated with various tax filing positions, the Company on occasion accrues charges for uncertain positions. Resolution of uncertain tax positions will impact the Company's effective tax rate when settled. The Company does not have any significant interest or penalty accruals. The provision for income taxes includes the impact of contingency provisions and changes to contingencies that are considered appropriate. The following table summarizes activity related to tax contingencies from January 1, 2017 to December 31, 2018 which are recorded as an offset to deferred tax assets (in thousands):

Gross tax contingencies—December 31, 2016	$	1,070
Gross increases to tax positions associated with prior periods	$	—
Gross increases to current period tax positions	$	52
Gross decreases to tax positions associated with prior periods	$	—
Settlements	$	—
Lapse of statute of limitations	$	—
Gross tax contingencies—December 31, 2017	$	1,122
Gross increases to tax positions associated with prior periods	$	—
Gross increases to current period tax positions	$	36
Gross decreases to tax positions associated with prior periods	$	—
Settlements	$	—
Lapse of statute of limitations	$	—
Gross tax contingencies—December 31, 2018	$	1,158

The Company files U.S. federal, certain U.S. states, and certain foreign tax returns. Generally, U.S. federal, U.S. state, and foreign tax returns filed for years after 2012 are within the statute of limitations and are under examination or may be subject to examination.

(5) Stockholders' Equity

(a) Common Stock and Authorized Capital

The authorized capital stock of the Company consists of 1,000,000 shares of undesignated preferred stock and 125,000,000 shares of Class B common stock. The Company's board of directors has the authority to issue up to 1,000,000 shares of preferred stock, $0.01 par value in one or more series and has the authority to designate rights,

privileges and restrictions of each such series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series.

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

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

In November 2014, the Company's board of directors authorized a new share repurchase program (the "2014 Repurchase Program"), which supersedes and replaces any prior repurchase programs. Under the 2014 Repurchase Program, the Company is authorized to repurchase up to 3 million shares of the Company's Class B common stock in the aggregate through open market and privately negotiated transactions, at such times and in such amounts as the Company deems appropriate. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. The 2014 Repurchase Program does not have an expiration date and may be expanded, limited or terminated at any time without prior notice. During the year ended December 31, 2017, the Company repurchased 239,000 shares of Class B common stock for approximately $2,000. During the year ended December 31, 2018, the Company repurchased approximately 2.3 million shares of its Class B common stock for approximately $5.7 million from a former member of the Company's board of directors. The Company's board of directors approved the repurchase transaction and the Company retired these shares in 2018. During the year ended December 31, 2017, the Company's board of directors authorized the retirement of 239,000 shares of the Company's Class B common stock, all of which have been repurchased by the Company. Shares repurchased but not yet retired by the Company are classified as treasury stock on the consolidated balance sheet before retirement. Retirement of treasury stock results in reductions to common stock and additional paid-in capital.

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

In November 2018, the Company acquired 100% of the outstanding stock of Callcap for consideration of approximately $25 million in cash at closing and approximately 3.4 million shares of Class B common stock to be issued over the four-year period following the acquisition date. The issuance of the Class B common stock is not contingent.

(b) Stock Option Plan

The Company's stock incentive plan (the "2012 Plan"), which was established in 2012, allows for grants of stock options, restricted stock units and restricted stock awards to eligible participants and such options may be designated as incentive or non-qualified stock options at the discretion of the 2012 Plan's Administrative Committee. Prior to the 2012 Plan, the Company granted stock-based awards under its 2003 Amended and Restated Stock Incentive Plan (the "2003 Plan"). No further awards were made under the 2003 Plan after December 31, 2012. The 2012 Plan authorizes up to 3,500,000 shares of Class B common stock that may be issued with respect to awards granted under the 2012 Plan, and provides that the total number of shares of Class B common stock for which options designated as incentive stock options may be granted shall not exceed 3,500,000 shares. Annual increases to each of these share limits are to be added on the first day of each fiscal year beginning on January 1, 2013 equal to 5% of the outstanding common stock (including for this purpose any shares of common stock issuable upon conversion of any outstanding capital stock of the Company) or in the case of incentive stock options, the lesser of 2,000,000 shares of Class B common stock or such number as determined by the Company's board of directors. As a result of this provision, the authorized number of shares available under the 2012 Plan was increased by 2,189,624 and 2,101,062 on January 1, 2018 and 2019, respectively, bringing the aggregate authorized number of shares available under the 2012 plan to 17,945,220. The Company may issue new shares or reissue treasury shares for stock option exercises and restricted stock grants. Generally, stock options have 10-year terms and vest 25% each year either annually or quarterly, over a 4-year period and restricted stock awards and units vest 25% each year annually over a 4-year period.

The Company did not grant any options with exercise prices less than the then current market value during 2017 and 2018.

The Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the vesting or service period, as applicable, of the stock award using the straight-line method. The Company accounts for forfeitures as they occur. Stock-based compensation has been included in the same lines as compensation paid to the same employees in the consolidated statements of operations.

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

	Twelve months ended December 31,	
	2017	2018
Service costs	$ 515	$ 435
Sales and marketing	1,014	563
Product development	679	356
General and administrative	2,389	1,686
Total stock-based compensation	$ 4,597	$ 3,040

For the years ended December 31, 2017 and 2018, the income tax benefit related to stock-based compensation included in net loss was $0 for all periods.

The Company uses the Black-Scholes option pricing model to estimate the per share fair value of stock option grants with time-based vesting. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. For years ended December 31, 2017 and 2018, the expected life of each award granted was determined based on historical experience with similar awards, giving consideration to contractual terms, anticipated exercise patterns, and vesting schedules. Expected volatility is based on historical volatility levels of the Company's Class B common stock and the expected volatility of companies in similar industries that have similar vesting and contractual terms. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury issues with terms approximately equal to the expected life of the option. The Company uses an expected annual dividend yield in consideration of the Company's common stock dividend payments.

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

	Years ended December 31,	
	2017	2018
Expected life (in years)	4.00 – 6.25	4.00 – 6.25
Risk-free interest rate	1.68% –2.09%	2.54% – 2.93%
Expected volatility	54% to 56%	41% to 53%
Weighted average expected volatility	56%	49%
Expected dividend yield	0% – 3.91%	0% – 3.7%

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

	Options and Restricted Stock available for grant (in thousands)	Number of options outstanding (in thousands)	Weighted average exercise price of options	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Balance at December 31, 2017	7,762	5,713	$ 5.33	5.93	$ 604
Increase to pool January 1, 2018	2,190	—			
Options granted	(897)	897	$ 2.83		
Restricted stock granted	(445)	—			
Restricted stock forfeited	402	—			
Options exercised	—	(33)	$ 2.65		
Options expired	730	(730)	$ 6.03		
Options forfeited	336	(336)	$ 3.20		
Balance at December 31, 2018	10,078	5,511	$ 4.98	5.53	$ 24
Options exercisable at December 31, 2018		3,777	$ 5.90	4.07	$ 9

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

	Years ended December 31,	
	2017	2018
Weighted average fair value of options granted	$ 1.29	$ 1.20
Intrinsic value of options exercised (in thousands)	$ 11	$ 14
Total grant date fair value of restricted stock vested (in thousands)	$ 3,686	$ 2,845

At December 31, 2018, there was $2.0 million of unrecognized stock option compensation expense related to non-vested awards, which is expected to be recognized over a weighted average period of 2.6 years.

During both the years ended December 2017 and 2018, gross proceeds recognized from the exercise of stock options was $89,000.

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

	Shares/ Units (in thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2017	1,871	$ 3.25
Granted	445	2.82
Vested	(650)	4.37
Forfeited	(402)	3.34
Unvested at December 31, 2018	1,264	3.28

Restricted stock awards and restricted stock units are generally measured at fair value on the date of grant based on the number of awards granted and the quoted price of the Company's common stock. Restricted stock awards and restricted stock units are expensed on a straight-line basis over the vesting or service period, as applicable, and forfeitures are recognized as they occur. Restricted stock units entitle the holder to receive one share of the Company's Class B common stock upon satisfaction of certain service conditions.

At December 31, 2018, there was $3.0 million of unrecognized restricted stock compensation expense related to non-vested restricted stock, which is expected to be recognized over a weighted average period of 2.1 years.

(c) Employee Stock Purchase Plan

On March 8, 2013, the Company's board of directors adopted and in May 2013 the stockholders approved the 2014 Employee Stock Purchase Plan ("2014 ESPP"), which became effective on January 1, 2014. The Company authorized an aggregate of 225,000 shares of Class B common stock for issuance under the plan to participating employees. The 2014 ESPP provides eligible employees the opportunity to purchase the Company's Class B common stock at a price equal to 95% of the closing price on the last business day of each purchase periods. The 2014 ESPP permits eligible employees to purchase amounts up to 15% of their compensation in the purchase period, and no employee is permitted to purchase stock worth more than $25,000 in any calendar year, valued as of the first day of each purchase period. During the year ended December 31, 2017, 9,906 shares were purchased at prices ranging from $2.58 to $3.07 per share. During the year ended December 31, 2018, 16,175 shares were purchased at prices ranging from $2.52 to $2.91 per share.

(6) 401(k) Savings Plan

The Company has a Retirement/Savings Plan (401(k) Plan) under Section 401(k) of the Internal Revenue Code, which covers those employees that meet eligibility requirements. Eligible employees may contribute up to the Internal Revenue Code prescribed maximum amounts. During 2011, the Company elected to match a portion of the employee contributions up to a defined maximum. In 2017 and 2018, cash contributions were made in the amount of $253,000 and $189,000 respectively.

(7) Segment Reporting and Geographic Information

Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for the Company's management. For the years ended December 31, 2017 and 2018, the Company operated in a single segment comprised of its performance-based advertising business focused on phone calls and its local leads platform.

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

Revenues by geographic region are as follows:

	Years ended December 31,	
	2017	2018
United States	96%	99%
Canada	4%	1%
Other countries	*	*
	100%	100%

* Less than 1% of revenue

(8) Acquisitions

(a) Telmetrics Acquisition:

In November 2018, the Company acquired 100% of the outstanding stock of Telmetrics, an enterprise call and text tracking and analytics company based in Canada for total consideration consisting of the following:

- Approximately $10.1 million in cash, paid at closing; and
- Up to $3.0 million in cash based upon the achievement of targeted financial goals over the two (2) twelve (12) month periods following the acquisition date.

The Company accounted for the Telmetrics acquisition as a business combination. As a result of the acquisition, the Company captured additional scale with its call analytics business and enhanced text communications product initiatives.

A summary of the consideration for the acquisition is as follows (in thousands):

Cash	$	10,100
Future consideration		1,600
Total	$	11,700

The future consideration includes an earnout arrangement that requires the Company to pay up to a maximum of $3.0 million in cash to the former shareholders of Telmetrics based upon the achievement of targeted financial goals over the two (2) twelve (12) month periods following the acquisition date. The potential undiscounted amount of all future payments that the Company could be required to make under the contingent earnout arrangement is between $0 and $3.0 million. Of the $3.0 million possible earnout, $450,000 may be paid to certain employees to the extent they remain employed by the Company on the first and second anniversaries following the acquisition date. Such amounts have been excluded from the purchase consideration and are treated as compensation expense. The fair value of the contingent consideration arrangement of approximately $1.5 million was estimated by applying the income approach, which is based on significant inputs that are not observable in the market (Level 3 inputs), such as the discount rate and the probability of meeting targeted financial goals. As of December 31, 2018, the amount recognized for the contingent consideration arrangement, the range of outcomes, and the assumptions used to develop the estimates had not changed. The earnout liability is recorded on the balance sheet in acquisition-related liabilities.

In connection with the acquisition, a portion of the cash consideration was placed in escrow to secure indemnification obligations for a period of 18 months from the closing date. The escrow amounts are included as part of the purchase price consideration and will ultimately be released in the event no indemnification obligations are identified. In the event any indemnification obligations are identified, the purchase price may be reduced accordingly. The consideration is preliminary pending finalization of potential working capital adjustments.

The following summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed as of December 31, 2018 (in thousands):

Cash and cash equivalents	$	359
Accounts receivable		1,274
Prepaid expenses and other current assets		586
Property and equipment		281
Identifiable intangible assets		6,351
Liabilities assumed		(885)
Deferred tax liabilities		(1,677)
Net assets acquired		6,289
Goodwill		5,411
Total	$	11,700

The acquired identifiable intangible assets of approximately $6.4 million consist primarily of customer relationships, technology, tradenames, and non-compete agreements which will be amortized over 24 to 60 months (weighted average of 3.6 years) using the straight-line method. Goodwill represents the expected synergies with our existing business, the acquired assembled workforce, potential new customers and future cash flows after the acquisition of Telmetrics. The goodwill is not anticipated to be deductible for Canadian tax purposes.

(b) Callcap Acquisition:

In November 2018, the Company acquired 100% of the outstanding stock of Callcap, a call monitoring and analytics solutions company based in Kansas for total consideration of $35.0 million, consisting of the following:

- Approximately $25.0 million in cash, and
- 3.4 million shares of Class B common stock valued at approximately $10.0 million, to be issued over the four-year period following the acquisition date. The issuance of the Class B common stock is not contingent.

The Company accounted for the Callcap acquisition as a business combination. As a result of the acquisition, the Company expanded its customer base, as well as enhanced its growth opportunities in verticals and new customer channels, such as the small business segment.

A summary of the consideration for the acquisition is as follows (in thousands):

Cash	$	24,993
Fair value of equity consideration		10,017
Total	$	35,010

The fair value of the 3.4 million shares of Class B common stock to be issued over the four-year period following the acquisition date, was calculated based on the closing price of Marchex's Common Stock on Nasdaq on the acquisition date and is recorded on the Company's balance sheet within additional paid-in capital.

In connection with the acquisition, a portion of the cash and equity consideration was (or will be on issuance) placed in escrow to secure indemnification obligations for a period of 18 months from the closing date. The escrow amounts are included as part of the purchase price consideration and will ultimately be released in the event no indemnification obligations are identified. In the event any indemnification obligations are identified, the purchase price may be reduced accordingly.

The following summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed as of December 31, 2018 (in thousands):

Cash and cash equivalents	$	490
Accounts receivable		246
Prepaid expenses and other current assets		504
Property and equipment		93
Identifiable intangible assets		15,128
Liabilities assumed		(482)
Net assets acquired		15,979
Goodwill		19,031
Total	$	35,010

The acquired identifiable intangible assets of approximately $15.1 million consist primarily of customer relationships, tradenames, technologies, and non-compete agreements, which will be amortized over their preliminary estimated useful lives ranging from 24 to 60 months (weighted average of 4.1 years) using the straight-line method. Goodwill represents the expected synergies with our existing business, the acquired assembled workforce, potential new customers and future cash flows after the acquisition of Callcap. The goodwill is deductible for federal tax purposes.

(c) Unaudited pro forma financial information (acquisitions):

The following unaudited pro forma financial information summarizes the combined results of operations of the Company, Telmetrics, and Callcap, and is based on the historical results of operations of the Company, Telmetrics, and Callcap. The pro forma information reflects the results of operations of the Company as if the acquisitions of Telmetrics and Callcap had taken place on January 1, 2017. The unaudited pro forma financial information for the year ended December 31, 2017 combine the historical results of operations for the Company, Telmetrics, and Callcap for the year ended December 31, 2017. The unaudited pro forma financial information for the year ended December 31, 2018 combine the historical results of operations for the Company for the year ended December 31, 2018 and Telmetrics and Callcap historical results of operations during the pre-acquisition period from January 1, 2018 to November 5, 2018 and November 20, 2018, respectively. The pro forma information includes adjustments for amortization of intangible assets, accretion of interest expense related to the future consideration, elimination of interest expense and income, and non-recurring acquisition related costs. The unaudited pro forma financial information is provided for information purposes only and is not necessarily indicative of the combined results that would have occurred had the acquisition taken place on the dates indicated, nor is it necessarily indicative of results that may occur in the future. The aggregate amounts of Telmetrics' and Callcap's revenue included in the Company's consolidated statement of operations from the acquisition date for the year ended December 31, 2018 was approximately $2.4 million and the amount of net loss was not significant.

		(Unaudited) (in thousands) Years ended December 31,		
		2017		**2018**
Revenue	$	110,905	$	102,339
Net loss		(9,852)		(4,338)
Net loss applicable to common stockholders		(10,207)		(4,338)

(9) Identifiable Intangible Assets from Acquisitions

Identifiable intangible assets from acquisitions consisted of the following (in thousands):

	As of December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 12,368	$ 295	$ 12,073
Technologies	5,879	258	5,621
Non-compete agreements	2,559	184	2,375
Tradenames	672	44	628
Total identifiable intangible assets from acquisitions	$ 21,478	$ 781	$ 20,697

Amortizable intangible assets are amortized on a straight-line basis over their useful lives. Customer relationships, acquired technologies, tradenames, and non-compete agreements have a weighted average useful life from date of purchase of 5 years, 3 years, 2 years, 1 - 2 years, respectively. Aggregate amortization expense incurred by the Company for the year ended December 31, 2018 was approximately $781,000. Based upon the current amount of acquired identifiable intangible assets subject to amortization, the estimated amortization expense for the next five years is as follows: $6.2 million in 2019, $5.7 million in 2020, $4.2 million in 2021, $2.5 million in 2022, and $2.1 million thereafter.

(10) Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2018 are as follows (in thousands):

Balance as of December 31, 2016 and 2017	$ —
Callcap acquisition	19,031
Telmetrics acquisition	5,411
Balance as of December 31, 2018	$ 24,442

We perform our annual impairment testing on November 30 and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. No impairment of goodwill has been identified in 2018. The testing of goodwill for impairment requires the Company to make significant estimates about its future performance and cash flows, as well as other assumptions. Events and circumstances considered in determining whether the carrying value of goodwill may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant changes in competition and market dynamics; significant and sustained declines in the Company's stock price and market capitalization; a significant decline in its expected future cash flows or a significant adverse change in the Company's business climate. These estimates and circumstances are inherently uncertain and can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, a loss of a significant customer, changes in competition, volatility in financial markets, or changes in the share price of the Company's common stock and market capitalization.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

(a) Management's report on internal control over financial reporting

Management of Marchex, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

The scope of management's assessment as of December 31, 2018, did not include an assessment of the internal controls over financial reporting for Telmetrics, Inc. ("Telmetrics") and SITA Laboratories, Inc. (d/b/a Callcap) ("Callcap"), which both were acquired in November 2018. Telmetrics and Callcap in aggregate constituted approximately 3% of both our consolidated total assets as of December 31, 2018 and our consolidated revenues for the year ended December 31, 2018. Management did not assess the effectiveness of internal control over financial reporting of these entities because of the timing of the acquisitions during the fiscal year.

(b) Report of the registered public accounting firm

The report of Moss Adams LLP, the Company's independent registered public accounting firm, on the effectiveness of the Company's internal control over financial reporting is included in this Annual Report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting

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

Limitations on the Effectiveness of Controls

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

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

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement relating to the 2019 annual meeting of stockholders (the "2019 Proxy Statement"), or an amendment to this 10-K, to be filed with the Securities and Exchange Commission ("SEC") within 120 days of the Company's fiscal year ended December 31, 2018.

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

ITEM 11. EXECUTIVE COMPENSATION.

The information required under this item may be found in the 2019 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2018.

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

The information required under this item may be found in the 2019 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2018.

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

The information required under this item may be found in the 2019 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2018.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required under this item may be found in the 2019 Proxy Statement and is incorporated herein by reference, or an amendment to this 10-K, to be filed with the SEC within 120 days of the Company's fiscal year ended December 31, 2018.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. The following reports and financial statements are included in Part II, Item 8 of this Form 10-K:
   - Reports of Independent Registered Public Accounting Firm;
   - Consolidated Balance Sheets as of December 31, 2017 and 2018;
   - Consolidated Statements of Operations for the years ended December 31, 2017 and 2018;
   - Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017 and 2018;
   - Consolidated Statements of Cash Flow for the years ended December 31, 2017 and 2018; and
   - Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

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

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

EXHIBIT INDEX

Exhibit Number	Description of Document
2.1	Asset Purchase Agreement, dated as of November 19, 2004, by and among the Registrant, Name Development Ltd. and the Sole Stockholder of Name Development Ltd. (incorporated by reference to Exhibit 2.4 to the Registrant's Registration Statement on Form SB-2 (No. 333-121213), filed with the SEC on December 13, 2004).
2.2	Agreement and Plan of Merger, dated as of August 9, 2007, by and among Registrant, VoiceStar, Inc., and the Shareholders of VoiceStar, Inc. (incorporated by reference to Exhibit 2.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 14, 2018).
2.3	Agreement and Plan of Merger, dated as of April 7, 2011, by and among the Registrant, Marchex Acquisition Corporation, Jingle Networks, Inc. and with respect to Articles II, V and VIII only, Chip Hazard as the Stockholder Representative (incorporated by reference to Exhibit 4.4 to the Registrant's Amendment No. 1 to the Registration Statement on Form S-3 (No. 333-174016) filed with the SEC on June 29, 2011).
++2.4	Asset Purchase Agreement dated as of April 21, 2015, by and among NameFind LLC, GoDaddy.com, LLC, Marchex Sales, LLC and Marchex (incorporated by reference to Exhibit 2.11 to the Registrant's Current Report on Form 8-K filed with the SEC on April 27, 2015).
+†2.5	Share Purchase Agreement, dated as of November 5, 2018, by and among the Registrant, Marchex CA Corporation, Telmetrics Inc., the Sellers and with respect to Articles I and IX only,the Stockholder Representatives.
+†2.6	Share Purchase Agreement, dated as of November 20, 2018, by and among the Registrant, Sita Laboratories, Inc., the Sellers and the Stockholder Representative.
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2 (No. 333-111096) filed with the SEC on March 19, 2004).
3.2	Second Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 6, 2017).
4.1	Specimen stock certificate representing shares of Class B Common Stock of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No. 3 to the Registration Statement on Form SB-2 (No. 333-111096) filed with the SEC on March 30, 2004).
*10.1	Amended and Restated 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2 (No. 333-111096) filed with the SEC on March 19, 2004).
*10.2	Form of Retention Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 14, 2018).
++10.3	Master Services and License Agreement dated as of October 1, 2007, by and between MDNH, Inc. and YellowPages.com LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 14, 2018).
*10.4	Form of First Amendment to Retention Agreement (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).

Exhibit Number	Description of Document
*10.5	Revised Form of Retention Agreement (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).
10.6	Amended and Restated Lease effective as of June 5, 2009, between 520 Pike Street, Inc. and the Registrant (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).
*10.7	Form of Executive Officer Stock Option Agreement (2003 Amended and Restated Stock Incentive Plan) (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 10, 2015).
++10.8	Amendment No. 1 to Master Services and License Agreement effective as of April 30, 2010, by the between MDNH, Inc. and YellowPages.com LLC d/b/a AT&T Interactive and related Project Addendum No. 1, effective as of January 1, 2009, as amended (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
*10.9	Form of Notice of Grant of Executive Officer Stock Option (Performance-Based) (2003 Amended and Restated Stock Incentive Plan) (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
*10.10	Form of Notice of Grant of Executive Officer Stock Option (Time-Based) (2003 Amended and Restated Stock Incentive Plan) (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
*10.11	Amendment to the Marchex, Inc. 2003 Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
*10.12	Marchex, Inc. Amended and Restated Annual Incentive Plan (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC on March 8, 2017).
*10.13	Marchex, Inc. 2012 Stock Incentive Plan (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Form 14A filed with the SEC on July 10, 2017).
†††*10.14	Marchex, Inc. 2014 Employee Stock Purchase Plan.
†††*10.15	Form of Incentive Stock Option Notice and Agreement (2012 Stock Incentive Plan).
†††*10.16	Form of Nonstatutory Stock Option Notice and Agreement (2012 Stock Incentive Plan).
†††*10.17	Form of Restricted Stock Agreement (2012 Stock Incentive Plan).
†††*10.18	Form of Restricted Stock Units Notice and Agreement (2012 Stock Incentive Plan).
++†††10.19	Amendment No. 2 to Master Services and License Agreement, effective as of July 1, 2013, by and between Marchex Sales LLC, a Delaware limited liability company, and YellowPages.com LLC, a Delaware limited liability company.
†††*10.20	Form of Indemnity Agreement (Section 16 Executive Officers and Directors).
++10.21	Pay-For-Call Distribution Agreement, by and between Yellowpages.com LLC, a Delaware limited liability company (d/b/a AT&T Interactive) and Marchex Sales, Inc., a Delaware corporation, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.44 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 10, 2014).

Exhibit Number		Description of Document
++10.22		Amendment No. 1 to Pay-For-Call Distribution Agreement, by and between Yellowpages.com LLC, a Delaware limited liability company (formally d/b/a AT&T Interactive or ATTi) and Marchex Sales LLC, a Delaware limited liability company and successor in interest to Marchex Sales, Inc., effective as of December 31, 2012 (incorporated by reference to Exhibit 10.45 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 10, 2014).
++10.23		Amendment No. 3 to Master Services and License Agreement, effective June 25, 2015, by and between Marchex Sales LLC, a Delaware limited liability company and successor in interest to Marchex Sales, Inc. and YellowPages.com LLC, a Delaware limited liability company (formally d/b/a AT&T Interactive or ATTi) (incorporated by reference to Exhibit 10.47 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 10, 2015).
++10.24		Amendment No. 2 to Pay-For-Call Distribution Agreement, effective June 25, 2015, by and between Marchex Sales LLC, a Delaware limited liability company and successor in interest to Marchex Sales, Inc. and YellowPages.com LLC, a Delaware limited liability company (formally d/b/a AT&T Interactive or ATTi) (incorporated by reference to Exhibit 10.48 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 10, 2015).
+10.25		Terms and Conditions For Pay-For-Call Advertising for Resolution Media Clients, by and between Marchex Sales, LLC (f/k/a Marchex Sales, Inc.) and Resolution Media Inc., dated September 7, 2010 (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
+10.26	26	Marchex Call Marketplace Insertion Order (State Farm – Auto Campaign), by and between Marchex Sales, LLC and Resolution Media Inc., dated December 22, 2015 (incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
+10.27		Marchex Call Marketplace Insertion Order Amendment No. 1 (State Farm – Auto Campaign), by and between Marchex Sales, LLC and Resolution Media Inc., dated January 20, 2016 (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
+10.28		Marchex Call Marketplace Insertion Order (State Farm – Life Campaign), by and between Marchex Sales, LLC and Resolution Media Inc., dated December 24, 2015 (incorporated by reference to Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
+10.29		Marchex Call Marketplace Insertion Order Amendment No. 1 (State Farm – Life Campaign), by and between Marchex Sales, LLC and Resolution Media Inc., dated January 20, 2016 (incorporated by reference to Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 7, 2016).
*10.30		Amended and Restated Executive Employment Agreement effective as of April 21, 2016, by and between Michael Arends and the Registrant (incorporated by reference to Exhibit 10.50 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2016).
*10.31		Amended and Restated Executive Employment Agreement effective as of April 21, 2016, by and between Ethan Caldwell and the Registrant (incorporated by reference to Exhibit 10.51 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2016).
*10.32		Separation Agreement dated May 11, 2016, by and between Russell C. Horowitz and the Registrant incorporated by reference to Exhibit 10.55 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2016).

Exhibit Number	Description of Document
10.33	Amendment No. 4 to Master Services and License Agreement, effective December 15, 2016, by and between Marchex Sales LLC, a Delaware limited liability company and successor in interest to Marchex Sales, Inc. and YellowPages.com LLC, a Delaware limited liability company (formally d/b/a AT&T Interactive or ATTi) (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC on March 8, 2017).
++10.34	Amendment No. 3 to Pay-For-Call Distribution Agreement, effective December 15, 2016, by and between Marchex Sales LLC, a Delaware limited liability company and successor in interest to Marchex Sales, Inc. and YellowPages.com LLC, a Delaware limited liability company (formally d/b/a AT&T Interactive or ATTi) (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC on March 8, 2017).
*10.35	First Amendment to Agreement dated May 12, 2017, by and between Russell C. Horowitz and the Company (incorporated by reference to Exhibit 10.45 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 4, 2017).
10.36	Amendment No. 3 to Amended and Restated Lease dated June 27, 2017, between 520 Pike Street, Inc. and the Registrant (incorporated by reference to Exhibit 10.46 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 4, 2017).
++10.37	Amendment No. 5 to the Master Services and License Agreement, effective January 1, 2018, by and between Marchex Sales, LLC, a Delaware limited liability company (formerly, Marchex Sales, Inc.) and Dex Media, Inc., successor in interest to YellowPages.com LLC (formerly d/b/a AT&T Interactive or ATTi) (incorporated by reference to Exhibit 10.43 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).
++10.38	Dex Media Call Advertising Program Agreement, effective October 24, 2017, by and between Dex Media, Inc., a Delaware corporation, and Marchex Sales, LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.44 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).
++10.39	Master Services Agreement, dated January 1, 2018, by and between Marchex Sales, LLC, a Delaware limited liability company and Dex Media, Inc., a Delaware corporation (incorporated by reference to Exhibit 10.45 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).
++10.40	Statement of Work No. 1, effective January 1, 2018, by and between Dex Media, Inc. and Marchex Sales, LLC pursuant to the Master Services Agreement, dated January 1, 2018, by and between Dex Media, Inc. and Marchex Sales, LLC (incorporated by reference to Exhibit 10.46 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2018).
10.41	Stock Repurchase Agreement, dated as of May 31, 2018, by and between the Registrant and Nicolas Hanauer, as Selling Stockholder (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 1, 2018).
†10.42	Amendment No. 6 to Master Services and License Agreement, effective as of December 31, 2018, by and between Marchex Sales, LLC, a Delaware limited liability company (formerly, Marchex Sales, Inc.) and Dex Media, Inc., successor in interest to YellowPages.com LLC (formally d/b/a AT&T Interactive or ATTi).
†10.43	Amendment No. 4 to Pay-For-Call Distribution Agreement, effective as of December 31, 2018, by and between Marchex Sales, LLC, a Delaware limited liability company (formerly, Marchex Sales, Inc.) and Dex Media, Inc., successor in interest to YellowPages.com LLC (formally d/b/a AT&T Interactive or ATTi).
+†10.44	Research Services Agreement effective December 1, 2017, by and between Telmetrics Inc. and Dex Media, Inc.

Exhibit Number	Description of Document
16.1	Letter from KPMG LLP to the SEC dated June 28, 2017 (incorporated by reference to Exhibit 16.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 28, 2017).
†21.1	Subsidiaries of the Registrant.
†23.1	Consent of Moss Adams LLP.
24.1	Power of Attorney (incorporated herein by reference to the signature page of the Annual Report on Form 10-K)
†31(i)	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
††32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†101. INS	XBRL Instance Document.
†101.SCH	XBRL Taxonomy Extension Schema Document.
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
†101.PRE	XBRL Taxonomy Presentation Linkbase Document.

*	Management contract or compensatory plan or arrangement.
(+)	Certain information in this agreement has been omitted and filed separately with the Securities and Exchange Commission ("SEC"). Confidential treatment has been requested with respect to the omitted portions.
(+)(+)	Certain information in this agreement has been omitted and filed separately with the SEC. Confidential treatment has been granted with respect to the omitted portions.
†	Filed herewith.
††	Furnished herewith.
†††	Refiled herewith pursuant to Regulation S-K Item 10.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Seattle, State of Washington on March 18, 2019.

MARCHEX, INC.

By: /s/ MICHAEL A. ARENDS

Michael A. Arends
Chief Financial Officer and member of the Office of the CEO
(Principal Executive Officer for SEC reporting purposes, Principal Financial Officer and Principal Accounting Officer)

POWER OF ATTORNEY

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

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

Signature	Date
/s/ MICHAEL A. ARENDS **Michael A. Arends** **Chief Financial Officer and member of the Office of the CEO** **(Principal Executive Officer for SEC reporting purposes, Principal Financial Officer and Principal Accounting Officer)**	March 18, 2019
/s/ RUSSELL C. HOROWITZ **Russell C. Horowitz** **Executive Director and member of the Office of the CEO**	March 18, 2019
/s/ DENNIS CLINE **Dennis Cline** **Director**	March 18, 2019
/s/ ANNE DEVEREUX – MILLS **Anne Devereux – Mills** **Chairman and Director**	March 18, 2019
/s/ M. WAYNE WISEHART **M. Wayne Wisehart** **Director**	March 18, 2019

SHARE PURCHASE AGREEMENT
BY AND AMONG
MARCHEX, INC.
MARCHEX CA CORPORATION
TELMETRICS INC.,
THE SELLERS
AND
WITH RESPECT TO ARTICLES I AND X ONLY, *** AS SHAREHOLDER REPRESENTATIVES

DATED NOVEMBER 5, 2018

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

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Exhibits and schedules to the Share Purchase Agreement have been omitted. The following is a list of omitted exhibits and schedules which Parent agrees to furnish supplementally to the Securities and Exchange Commission upon request.

Exhibits

A	Schedule of Sellers, Seller Shares and Seller Allocation Spreadsheet
B	Financial Goals
C	Escrow Agreement
D	Preliminary Net Working Capital and Indebtedness Schedule

Schedules

8.6	Consents

Disclosure Schedules

1.4	Final Accounting Firm
1.8	Earnout
2.1	Corporate Organization
2.3	Consents and Approvals; No Violations
2.4	Company Capital Structure
2.5	Subsidiaries
2.6	Financial Statements; Business Information; Internal Controls
2.8	Absence of Certain Changes or Events
2.9	Legal Proceedings, etc.
2.10	Taxes
2.11	Title to Properties and Related Matters
2.12	Intellectual Property; Proprietary Rights; Regulatory Compliance
2.13	Contracts
2.14	Employment Matters
2.15	Employee Benefit Plans
2.16	Compliance with Applicable Law
2.18	Major Partners
2.19	Insurance
2.20	Brokers; Payments
2.24	Accounts Receivable
3.1	No Subsidiaries, Other Assets, Employees or Liabilities

SHARE PURCHASE AGREEMENT

SHARE PURCHASE AGREEMENT (the "Agreement") dated as of November 5, 2018, by and among Marchex, Inc., a Delaware company ("Parent"), Marchex CA Corporation, a Nova Scotia corporation and a wholly-owned subsidiary of Parent (the "Buyer"), Telmetrics Inc., a corporation amalgamated under the Laws of the Province of Nova Scotia (the "Company"), the Shareholders listed on Exhibit A (collectively the "Shareholders" and each individually, a "Seller") and, with respect to Articles I and X only, ***, collectively as the "Shareholder Representatives".

WHEREAS, on November 2, 2018, Telmetrics Inc. ("Telmetrics") and OzCap Inc. (the "Holdco") were continued under the Laws of the Province of Nova Scotia;

WHEREAS, on November 5, 2018, Telmetrics and Holdco amalgamated into the Company under the Laws of the Province of Nova Scotia;

WHEREAS, the Shareholders own all of the issued and outstanding shares in the capital of the Company (the "Shares");

WHEREAS, the parties desire to enter into this Agreement pursuant to which the Buyer agrees to purchase from the Shareholders, and the Shareholders agree to sell to the Buyer, all of the Shares held by the Shareholders, on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Sellers and the Buyer desire to consummate the proposed transaction pursuant to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged the parties hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Shares

. Upon the terms and subject to the conditions of this Agreement, at the Closing on the Closing Date, the Sellers agree to sell, assign, convey, transfer and deliver to the Buyer, and the Buyer agrees to acquire from the Sellers all of the Sellers' Shares free and clear of all Liens (other than restrictions under the Securities Act and other applicable securities Laws).

1.2 Purchase Price

. Upon the terms and subject to the conditions contained in this Agreement, in reliance upon the representations, warranties and agreements of the Company and the Sellers contained herein, and in consideration of the aforesaid sale, assignment, conveyance, transfer and delivery of the Shares, subject to Section 1.3, the Parent will pay the following in the aggregate:

(a) at Closing, subject to Sections 1.4 and 1.5, an amount of cash equal to Ten Million One Hundred Thousand Dollars ($10,100,000) (the "Upfront Cash Consideration");

(b) Up to Three Million Dollars ($3,000,000) in cash based upon the achievement of targeted financial goals over the two (2) twelve (12) month periods following the Closing Date as set forth in Exhibit B attached hereto (the "Financial Goals") (which shall be computed in accordance with US GAAP) (collectively, the "Earnout Consideration") less the applicable Bonus Payment Amounts. The Earnout Consideration less the applicable Bonus Payment Amounts shall be paid out within ninety (90) days after the end of each respective Earnout Period. The first twelve (12) month earnout period will commence upon the day following Closing and the second twelve (12) month earnout period to commence twelve (12) months thereafter (each, an "Earnout Period").

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

(c) The Upfront Cash Consideration and the Earnout Consideration (to the extent payable) in the aggregate shall constitute the "Purchase Price."

1.3 Distribution of Upfront Cash Consideration and the Earnout Consideration

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After payment of all fees and expenses incurred by the Company in connection with this Agreement in accordance with Section 6.1 and taking into account the Escrow Deposit per Section 1.5 and any adjustments per Section 1.4, at the Closing the Upfront Cash Consideration shall be wired to a single account designated by the Shareholder Representatives for distribution to the Sellers in accordance with the Seller Allocation Spreadsheet. With respect to the Earnout Consideration (to the extent payable), any amounts payable pursuant to this Agreement shall be wired to a single account designated by the Shareholder Representatives for distribution to the Sellers in accordance with the Seller Allocation Spreadsheet. Notwithstanding anything to the contrary in this Section 1.3, none of the Parent, the Buyer, the Company or any party hereto shall be liable for any amount properly paid to a public official in compliance with any applicable abandoned property, escheat or similar Law.

1.4 Net Working Capital and Indebtedness Adjustment; Earnout Consideration

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(a) Preliminary Net Working Capital and Indebtedness. The Company has prepared and delivered to the Parent a statement (the "Preliminary Net Working Capital and Indebtedness Schedule") of the estimated net working capital (i.e., current assets less current liabilities (excluding Indebtedness)), (the "Net Working Capital") as of the Closing Date (the "Preliminary Net Working Capital") and the Indebtedness as of the Closing Date, a copy of which is attached as Exhibit D. Such Preliminary Net Working Capital and Indebtedness Schedule has been determined in accordance with ASPE applied consistent with the Financial Statements described in Section 2.6.

(b) ***

(c) Final Net Working Capital and Indebtedness.

(i) Within ninety (90) days following the Closing, the Parent shall prepare and deliver to the Shareholder Representatives a statement (the "Final Net Working Capital and Indebtedness Schedule") of the Net Working Capital as of the Closing Date and Indebtedness as of the Closing Date. Such Final Net Working Capital and Indebtedness Schedule shall be determined in accordance with ASPE.

(ii) If the Shareholder Representatives disagree with such determination, the Shareholder Representatives shall notify the Parent on or before the date fifteen (15) days after the date on which the Parent delivers to the Shareholder Representatives such statement of the Final Net Working Capital and Indebtedness Schedule, failing which the Final Net Working Capital and Indebtedness Schedule shall be deemed to be accepted by the Sellers. The Parent and the Buyer shall give the Shareholder Representatives and their professional advisors reasonable access to the books and records and working papers of the Company and its Subsidiaries and their accountants in order to confirm the calculation of the Final Net Working Capital and Indebtedness Schedule. The Parent and the Shareholder Representatives shall attempt to resolve any such disagreements in good faith. If the Parent and the Shareholder Representatives are unable to resolve all such disagreements on or before the date fifteen (15) days following notification by the Shareholder Representatives of any such disagreements, the Parent shall retain any of the accounting firms listed in Schedule 1.4(c)(ii) of the Company Disclosure Schedules (such accounting firm being referred to as the "Final Accounting Firm") to resolve all such disagreements, who shall adjudicate only those items still in dispute with respect to the Final Net Working Capital and Indebtedness Schedule.

(iii) The Final Accounting Firm shall offer the Parent and the Shareholder Representatives the opportunity to provide written submissions regarding their positions on the disputed matters, which written submissions shall be provided to the Final Accounting Firm, if at all, no later than fifteen (15) days after the date of referral of the disputed matters to the Final Accounting Firm. The determination of the Final Accounting Firm shall be based solely on the written submissions by the Parent and the Shareholder Representatives and their respective representatives and shall not be by independent review. The Final Accounting Firm shall deliver a written report resolving only the disputed matters and setting forth the basis for such resolution within thirty (30) days after

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

the Parent and the Shareholder Representatives submit in writing (or have had the opportunity to submit in writing but have not submitted) their positions as to the disputed items. In preparing its report, the Final Accounting Firm shall not assign a value to any disputed amount other than one submitted by the Parent, on the one hand, or the Shareholder Representatives, on the other hand. The determination of the Final Accounting Firm with respect to the correctness of each matter in dispute shall be final and binding on the parties. The fees, costs and expenses of the Final Accounting Firm shall be borne entirely by the party as to whom there is a negative adjustment overall versus the positions in such party's written submission. The Final Accounting Firm shall conduct its determination activities in a manner wherein all materials submitted to it are held in confidence and shall not be disclosed to third parties. The parties hereto agree that judgment may be entered upon the determination of the Final Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced.

(iv) ***

1.5 Escrow; Right of Offset

. Parent will deposit in escrow on behalf of the Sellers $*** (the "Escrow Deposit"). The Escrow Deposit shall be held by and registered in the name of U.S. Bank National Association, as escrow agent (the "Escrow Agent"), as primary security for the indemnification obligations under Article X pursuant to the provisions of an Escrow Agreement (the "Escrow Agreement") in the form of Exhibit C attached hereto. The Escrow Deposit shall be held by the Escrow Agent for a period ending on the Escrow Release Date, except the Escrow Deposit may be withheld after the Escrow Release Date for so long as is reasonably necessary to satisfy claims for indemnification which are subject to a Claim Notice validly delivered in accordance with Article X prior to the Escrow Release Date. The Escrow Deposit shall be held and disbursed by the Escrow Agent in accordance with the Escrow Agreement and this Agreement.

1.6 Closing

. The closing of the transactions described herein (the "Closing") will take place electronically, unless otherwise agreed to by the Parent and the Shareholder Representatives.

1.7 Withholding

. The Parent or the Buyer shall be entitled to deduct and withhold from the Purchase Price payable pursuant to this Agreement such amounts as the Parent or the Buyer may be required to pay, deduct or withhold therefrom under any provision of federal, provincial, state, local or foreign Tax Law, including without limitation withholding taxes, if any. To the extent such amounts are so paid, deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the person to whom such amounts would otherwise have been paid. The Buyer shall use commercially reasonable efforts to notify the payee of any amounts that the Buyer, or any other applicable withholding agent on behalf of the Buyer, intends to deduct or withhold from any payments hereunder and provide the payee with reasonable support for the basis on which the Buyer, or other applicable withholding agent on behalf of the Buyer, intends to deduct or withhold under applicable Law. The parties shall cooperate with each other, as and to the extent reasonably requested by the other Party, to minimize or eliminate any potential deductions and withholdings that the Buyer, or other applicable withholding agent on behalf of Buyer, may believe it is required to make under applicable Law. As of the date of this Agreement, to the knowledge of the Parent and the Buyer, they are not aware of any deductions or withholdings that will be required in connection with the payment of the Purchase Price to the Sellers.

1.8 Earnout

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ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to the exceptions set forth in the disclosure schedules of the Company delivered to the Parent and Buyer prior to the execution of this Agreement (the "Company Disclosure Schedules"), the section numbers and letters of which correspond to the section and subsection numbers and letters of this Agreement, the Company represents and warrants to the Parent and the Buyer as follows.

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

2.1 Corporate Organization

.

The Company is a corporation duly organized, validly existing and in good standing under the Laws of the Province of Ontario. The Company has all requisite corporate power and authority to own its assets and to carry on the Company's business as presently conducted. The Company is duly qualified to transact business as a foreign corporation and is in good standing in the jurisdictions set forth in Schedule 2.1 of the Company Disclosure Schedules, which are the only jurisdictions where such qualification is required by reason of the nature of the Leased Real Property and personal property assets currently owned, operated or leased by it or the business currently conducted by it, except for such jurisdictions where the failure to be so qualified would not have a Company Material Adverse Effect. The Company has previously delivered to the Parent complete and correct copies of the articles of amalgamation of the Company and the by-laws of the Company, neither of which has been amended since the date they were delivered to the Parent, nor has any action been taken for the purpose of effecting any amendment of such instrument.

2.2 Authorization

. The Company has full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company has been duly and validly authorized and approved by all necessary corporate actions. This Agreement constitutes the legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other Laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in Law or in equity.

2.3 Consents and Approvals; No Violations

. Except as set forth in Schedule 2.3 of the Company Disclosure Schedules the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including specifically the transfer and sale of the Shares to the Buyer by the Sellers, will not: (i) violate or conflict with any provision of the articles of amalgamation or by-laws, or other constitutive documents of the Company and each of its Subsidiaries as the case may be; (ii) breach, violate or constitute an event of default (or an event which with the lapse of time or the giving of notice or both would constitute an event of default) under, give rise to any right of termination, cancellation, modification or acceleration under, or require any consent or the giving of any notice under, any note, bond, indenture, mortgage, security agreement, lease, license, franchise, permit, agreement or other instrument or obligation to which the Company or any of its Subsidiaries are parties, or by which the Company, any of its Subsidiaries or any of their respective properties or assets may be bound, or result in the creation of any Lien, claim or encumbrance or other right of any third party of any kind whatsoever upon the properties or assets of the Company or any of its Subsidiaries pursuant to the terms of any such instrument or obligation, except for such breaches and violations which would not have a Company Material Adverse Effect; (iii) violate or conflict with any Law, statute, ordinance, code, rule, regulation, judgment, order, writ, injunction, decree or other instrument of any federal, state, local or foreign court or governmental or regulatory body, agency, association, organization or authority applicable to the Company or any of its Subsidiaries or by which their respective properties or assets may be bound, except for such violations and conflicts which would not have a Company Material Adverse Effect; or (iv) require, on the part of the Company or any of its Subsidiaries, any filing or registration with, or permit, license, exemption, consent, authorization or approval of, or the giving of any notice to, any governmental or regulatory body, agency or authority, other than any filing, registration, permit, license, exemption, consent, authorization, approval or notice which if not obtained would not have a Company Material Adverse Effect.

2.4 Company Capital Structure

.

(a) The authorized share capital of the Company consists of (i) an unlimited number of Common Shares ("Company Common Shares"), of which 5,430,007 Company Common Shares are issued and outstanding and (ii) an unlimited number of Preferred Shares, none of which are issued and outstanding. Except as set out in the previous sentence, the Company does not have any other shares authorized, issued or outstanding. The shares in the capital of the Company are held of record and to the knowledge of the Company, beneficially by the Persons with the addresses and in the amounts and represented by the certificates set forth in Schedule 2.4(a) of the Company Disclosure Schedules. All outstanding shares of the Company (i) have been duly authorized and validly

issued and are fully paid, non-assessable and not subject to preemptive rights or similar rights created by statute, the Company's articles of amalgamation, by-laws or any agreement or document to which the Company is a party or by which it is bound, and (ii) have been offered, sold, issued and delivered by the Company in all material respects in compliance with all applicable Laws, including Canadian corporate and securities Laws. There are no declared or accrued but unpaid dividends with respect to any shares in the capital of the Company. Except as set forth in Schedule 2.4(a) of the Company Disclosure Schedules, since December 31, 2017, there have been no dividends or distributions with respect to any shares in the capital of the Company. Except for the 5,430,007 Company Common Shares outstanding, as of the date of this Agreement, no shares in the capital of the Company, other equity securities, partnership interests or similar ownership interests or other voting securities of the Company or any securities exchangeable or convertible into or exercisable for such shares, other equity securities, partnership interests or similar ownership interests or other voting securities of the Company, are reserved for issuance or outstanding. There are no bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which Shareholders may vote. Except as set forth in Schedule 2.4(a), the Company has never repurchased, redeemed or otherwise acquired or caused the repurchase, redemption or acquisition of any shares in the capital of the Company or other securities of the Company. There are no amounts owed or which may be owed to any Person by the Company as a result of any repurchase, redemption or acquisition of any shares in the capital of the Company or other securities of the Company. There is no claim or basis for such a claim to any portion of the Purchase Price except as provided in the Seller Allocation Spreadsheet by any current or former shareholder, option holder or warrant holder of the Company, or any other Person.

(b) Except as set forth in Schedule 2.4(b), neither the Company nor any of its Subsidiaries has ever adopted, sponsored or maintained any option plan or any other plan providing for equity compensation to any Person.

(c) Except as set forth in Schedule 2.4(c) of the Company Disclosure Schedules, there are no Company Share Rights or agreements of any character, written or oral, obligating the Company or any of its Subsidiaries to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the Company or equity or other ownership interest of the Company or any Subsidiary or obligating the Company or any of its Subsidiaries to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any such Company Share Right. There are no outstanding or authorized share appreciation, phantom stock, profit participation, or other similar rights with respect to the Company or any of its Subsidiaries.

(d) Except for the amended and restated shareholder agreement among Company and certain Shareholders dated June 3, 2016 (the "Shareholders' Agreement") there are no (i) voting trusts, proxies, or other agreements or understandings with respect to the voting shares of the Company or any of its Subsidiaries to which the Company or any of its Subsidiaries is a party, by which the Company or any of its Subsidiaries is bound, or of which the Company has knowledge, or (ii) agreements or understandings to which the Company or any of its Subsidiaries is a party, by which the Company or any of its Subsidiaries is bound, or of which the Company has knowledge relating to the registration, sale or transfer (including agreements relating to rights of first refusal, "co-sale" rights or "drag-along" rights) of any shares of the Company. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and thereby does not implicate any rights or obligations under the Shareholders' Agreement that have not been complied with or waived. The holders of shares in the capital of the Company and Company Share Rights have been or will be properly given, or shall have properly waived, any required notice prior to the transactions contemplated therein.

2.5 Subsidiaries

.

(a) Except for the Persons set forth in Schedule 2.5(a) of the Company Disclosure Schedules (each a "Subsidiary"), the Company does not own and has never otherwise owned, directly or indirectly, any shares of or any other equity interest in, or controlled, directly or indirectly, any other Person, and the Company is not and has not otherwise been, directly or indirectly, a party to, member of or participant in any partnership, joint venture or similar business entity. Each Subsidiary is duly organized, validly existing and in good standing (to the extent

applicable) under the Laws of its jurisdiction of formation. Each Subsidiary has all requisite power and authority to own its assets that are personal property and to carry on its business as currently conducted. Each Subsidiary is duly qualified or licensed to do business and is in good standing (to the extent applicable) as a foreign organization in each jurisdiction listed on Schedule 2.5(a) of the Company Disclosure Schedules, which constitute all of the jurisdictions in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not have a Company Material Adverse Effect. The Company has delivered to the Parent a true and correct copy of each Subsidiary's constating documents, each as amended to date and in full force and effect on the date hereof. Schedule 2.5(a) of the Company Disclosure Schedules lists every jurisdiction in which each Subsidiary of the Company has facilities, maintains an office or has an Employee.

(b) The capitalization of each Subsidiary, including the identity of each holder of an outstanding equity interest therein, is as set forth in Schedule 2.5(b) of the Company Disclosure Schedules. All of the outstanding shares of, or other ownership interests in, each Subsidiary is owned by the Company, directly or indirectly, free and clear of any Lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such shares or other ownership interests). There are no outstanding (i) securities of the Company or any of its Subsidiaries convertible into or exchangeable for shares or other voting securities or ownership interests in any Subsidiary or (ii) options or other rights to acquire from the Company or any of its Subsidiaries, or obligation on the part of the Company or any of its Subsidiaries to issue, any shares, voting securities or other ownership interests in, or any securities convertible into or exchangeable for any shares, voting securities or ownership interests in, any of its Subsidiaries (the items in clauses (i) and (ii) being referred to collectively as the "Subsidiary Securities"). There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any outstanding Subsidiary Securities. All of the outstanding share capital of each Subsidiary has been duly authorized and is validly issued, fully paid and non-assessable.

2.6 Financial Statements; Business Information; Internal Controls

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(a) Schedule 2.6(a) of the Company Disclosure Schedules sets forth (i) the unaudited reviewed balance sheets of the Company as of December 31, 2016 and 2017 and the statements of operations and cash flow for the fiscal periods then ended, and (ii) the unaudited balance sheet of the Company as of September 30, 2018 (the "Balance Sheet") and the statements of operations and cash flow of the Company for the nine (9) month period then ended (hereinafter collectively referred to as the "Financial Statements"). The Financial Statements (i) have been prepared from the books and records of the Company, (ii) have been prepared in accordance with ASPE consistently applied during the periods covered thereby, and (iii) present fairly in all material respects the financial condition and results of operations of the Company and of its Subsidiaries as at the dates, and for the periods, stated therein.

(b) Schedule 2.6(b) of the Company Disclosure Schedules sets forth (i) approximate number of total calls and blocked calls, approximate number of billed minutes(Customers' minutes), the average revenue per minute, (ii) total number of phone-numbers, number of toll-free numbers and number of local numbers (Voip & Non-Voip) in service with customers and numbers held for reserve purposes, and average cost per minute (per Vendors' Inbound / Outbound minutes), average cost of total phone-numbers and average cost of toll-free numbers and average cost of local numbers (Voip & Non-Voip), (iii) average length of Customers' calls, approximate number of calls scored or classified and average cost of call-scoring or classifying, (iv) average cost per minute inbound to a call tracking number and outbound to a destination number; (v) average number of minutes transcribed through third parties and average cost per minute transcribed; (vi) average number of lookup requests (name, address, or other demographic data) and average cost per lookup; (vii) list of Top 20 carriers with any phone numbers or calls routed; (viii) average count of phone numbers enabled for texting, average quantity of messages sent and received, and the average cost for each, (ix) average quantity of phone numbers provisioned from carriers, average cost of phone numbers provisioned from carries, average quantity of phone numbers ported into carriers, average cost of phone numbers ported into carriers, average quantity of phone numbers deactivated, average cost of phone numbers deactivated, average cost of phone numbers ported out from carriers, each for the months of June, July and August, 2018 (collectively, the "Data") which are true and correct in all material respects as of the dates stated in the schedule. Without limiting the materiality of any other representations, warranties and covenants of the Company contained herein, the Company specifically

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

acknowledges that the accuracy in all material respects of such Data is material to the Parent's decision to enter into the transactions contemplated by this Agreement and to pay the Purchase Price.

(c) To the knowledge of the Company, the Company and each of its Subsidiaries have not directly or indirectly installed, imbedded or derived any traffic, leads or calls from any Spyware or Malware Software sources.

(d) The Company and each of its Subsidiaries has in place systems and processes that are designed to (x) provide reasonable assurances regarding the reliability of the Financial Statements, and (y) in a timely manner accumulate and communicate the type of information that would be required to be disclosed in the Financial Statements except where the failure to do so would not have a Company Material Adverse Effect. To the knowledge of the Company, there have been no instances of fraud, whether or not material, which occurred during any period covered by the Financial Statements.

(e) To the knowledge of the Company, no Employee has provided information to any Governmental Entity regarding the commission of any crime or violation of any Law applicable to the Company, any of its Subsidiaries or any part of their respective operations.

(f) During the period covered by the Financial Statements, the Company's independent accounting firm was independent of the Company's and its management. Schedule 2.6(f) lists each written report by the Company's independent accounting firm to the Company's board of directors, or any committee thereof, or the Company's management concerning any of the following and pertaining to any period covered by the Financial Statements: critical accounting policies; its internal controls; significant accounting estimates or judgments; alternative accounting treatments; and any required communications with the Company's board of directors, or any committee thereof, or with management of the Company. The Company's revenue recognition policy is consistent with ASPE.

2.7 Absence of Undisclosed Liabilities

. The Company is neither liable for nor subject to any material Liability except for (i) those Liabilities reflected on the Balance Sheet and not previously paid or discharged, (ii) contractual and other Liabilities incurred in the ordinary course of business which are not required by ASPE to be reflected on a balance sheet, which would not individually or collectively result in a Company Material Adverse Effect, and (iii) those Liabilities which have arisen since the date of the Balance Sheet in the ordinary course of business, which would not individually or collectively result in a Company Material Adverse Effect.

2.8 Absence of Certain Changes or Events

. Since December 31, 2017, the Company has carried on its business in all material respects in the ordinary course and consistent with past practice. Except as set forth in Schedule 2.8 of the Company Disclosure Schedules or as set forth or reserved against in the Balance Sheet, since December 31, 2017, neither the Company nor any of its Subsidiaries has: (i) incurred any material obligation or Liability (whether absolute, accrued, contingent or otherwise) except in the ordinary course of the Company's business and consistent with past practice; (ii) experienced any Company Material Adverse Effect; (iii) made any change in accounting principle or practice or in its method of applying any such principle or practice; (iv) suffered any material damage, destruction or loss, whether or not covered by insurance, affecting its properties, assets or the Company's business; (v) mortgaged, pledged or subjected to any Lien, charge or other encumbrance, or granted to third parties any rights in, any of its properties or assets, tangible or intangible; (vi) sold or transferred any of its assets, except in the ordinary course of business and consistent with past practice, or canceled or compromised any debts or waived any claims or rights of a material nature; (vii) issued any additional Company securities, other equity securities, partnership interests or similar equity interests, or any rights, options or warrants to purchase, or securities convertible into or exchangeable for, Company securities; (viii) declared or paid any dividends on or made any distributions (however characterized) in respect of Company securities; (ix) repurchased or redeemed any Company securities; (x) terminated, amended or waived with respect to any material contract, any material right, except in the ordinary course of business and consistent with past practice; (xi) except in the ordinary course of business and consistent with past practice, granted any general or specific increase in the compensation payable or to become payable to any of its Employees or any bonus or service award or other like benefit, or instituted or improved any Company Employee Plan; or (xii) entered into any agreement to do any of the foregoing.

2.9 Legal Proceedings, etc

. Except as set forth in Schedule 2.9 of the Company Disclosure Schedules, there are no suits, actions, claims, proceedings (including, without limitation, arbitral or administrative proceedings) or investigations pending or, to the knowledge of the Company, threatened against the Company, any of its Subsidiaries, any of their respective (i) properties, (ii) assets, (iii) business, or, to the knowledge of the Company (iv) officers or directors (solely in respect of their capacities as directors and officers of the Company or Subsidiaries). There are no such suits, actions, claims, proceedings or investigations pending against the Company or any of its Subsidiaries or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries challenging the validity or propriety of the transactions contemplated by this Agreement. There is no judgment, order, injunction, decree or award (whether issued by a court, an arbitrator or an administrative agency) to which the Company or any of its Subsidiaries is a party, or involving the properties, assets or the business, which is unsatisfied or which requires continuing compliance therewith by the Company or any of its Subsidiaries. Schedule 2.9 of the Company Disclosure Schedules sets forth all settlements, judgments, orders, injunctions, decrees and awards entered into or imposed which the Company or any of its Subsidiaries is a party to or by which the Company or any of its Subsidiaries is bound, and the Company and each of its Subsidiaries is and has been at all times in material compliance with the terms of such settlements, judgments, orders, injunctions, decrees and awards. Schedule 2.9 of the Company Disclosure Schedules sets forth all suits, actions, claims, proceedings or investigations regarding any equity security of the Company or any of its Subsidiaries which the Company has ever been involved in or received notice of.

2.10 Taxes

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(a) The Company and each of its Subsidiaries has properly and timely filed (taking into account all applicable extensions) all Tax Returns required to be filed by it on or prior to the date hereof, and has in a timely manner paid all Taxes which are due whether or not shown on such Tax Returns, except to the extent the Company has established adequate reserves in accordance with ASPE (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) on the Balance Sheet for such Taxes and disclosed the dollar amount and the components of such reserves on Schedule 2.10(a) of the Company Disclosure Schedules. All such Tax Returns have been accurately and completely prepared in all material respects in compliance with all Laws.

(b) There are no examinations, investigations, audits, actions, suits or proceedings currently being conducted, pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries by any Taxing Authority, no claim for the assessment or collection of Taxes has been asserted against the Company or any of its Subsidiaries and there are no matters under discussion by the Company or any of its Subsidiaries with any Taxing Authority regarding claims for the assessment or collection of Taxes. Any Taxes that have been claimed or imposed as a result of any examinations of any Tax Return of the Company or any of its Subsidiaries by any Taxing Authority have been paid or are being contested in good faith and have been disclosed in writing to the Parent. There are no agreements or applications by the Company or any of its Subsidiaries for an extension of time for the assessment or payment of any Taxes, nor is there any waiver of the statute of limitations in respect of Taxes. There are no Tax Liens on any of the assets of the Company or any of its Subsidiaries that resulted from the failure, or alleged failure, to pay Taxes due or payable.

(c) The Company is not a party to or bound by or has any obligation under any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar agreement or arrangement and the Company does not have any Liability for Taxes of any other Person under any applicable Law as transferee or successor.

(d) The Company and each of its Subsidiaries has withheld all amounts from its respective employees, agents and other Persons required to be withheld under the tax, social security, unemployment and other withholding provisions of all federal, provincial, state, local and foreign Laws, and has complied with all information reporting and back-up withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party.

(e) No power of attorney has been granted by the Company or any of its Subsidiaries that is currently in force with respect to any matter relating to Taxes.

(f) Neither the Company nor any of its Subsidiaries has received any written ruling of a Taxing Authority relating to Taxes or entered in any written and legally binding agreement with a Taxing Authority relating to Taxes.

(g) No claim has ever been made in writing to the Company or any of its Subsidiaries by any authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction, and, the knowledge of the Company, neither the Company nor any of its Subsidiaries does business in nor derives income from within or allocable to any state, province, local, territorial or foreign taxing jurisdiction other than those for which all Tax Returns have been furnished to the Buyer.

(h) The Company and each of its Subsidiaries has delivered or made available to the Parent for inspection true and complete copies of all federal, provincial, state, local and foreign income or franchise Tax Returns for the Company and each its Subsidiaries for all tax periods prior to the Closing Date for which the statute of limitations has not expired.

(i) Neither the Company nor any of its Subsidiaries has made any payments, is not obligated to make any payment, and is not a party to any agreement, contract, arrangement or plan that under any circumstances could obligate it to make any payment that will not be deductible under Section 280G of the Code, or that would be subject to an excise Tax under Section 4999 of the Code.

(j) The Company has no plan, program, arrangement or agreement that is a nonqualified deferred compensation plan within the meaning of Section 409A of the Code.

(k) There are no circumstances which could result in the application of Section 79 to 80.4 of the Tax Act, or any equivalent provision under applicable provincial Law, to the Company.

(l) The Company has not incurred any deductible outlay or expense owing to a Person not dealing at arm's length (for purposes of the Tax Act) with the Company, the amount of which would, in the absence of an agreement filed under paragraph 78(1)(b) of the Tax Act, be included in the Company's income for Canadian income tax purposes for any taxation year or fiscal period beginning on or after the Closing Date under paragraph 78(1)(a) of the Tax Act or under any equivalent provision of the taxation legislation of any other jurisdiction.

(m) The Company has not claimed any reserve under any provision of the Tax Act or any equivalent provincial provision which would result in an amount to be included in the income of the Company for any period ending after the Closing Date.

(n) Other than statutory withholding obligations for Taxes, the Company has no liability for Taxes of any other Person, by agreement or otherwise.

(o) The Company has complied with all applicable registration requirements in respect of GST/HST and any applicable provincial and state sales tax legislation.

(p) To the knowledge of the Company, the Company has properly collected and remitted sales and similar taxes with respect to sales made to its customers or has, for all sales made without charging or remitting sales or similar taxes, properly received and retained any applicable tax exemption certificates and other documentation that qualify such sales as exempt from sales and similar taxes.

(q) All material input tax credits (and all similar credits available under applicable provincial or territorial law) claimed by the Company and its Subsidiaries pursuant to the *Excise Tax Act* (Canada) have been properly calculated and documented in accordance with the requirements of the *Excise Tax Act* (Canada) and the regulations thereto (and, where applicable, in accordance with the requirements under applicable provincial or territorial law).

(r) For all transactions between the Company or any of the Subsidiaries and any non-resident Person with whom the Company or any of the Subsidiaries was not dealing at arm's length during a taxation year commencing after 1998 and ending on or before the Closing Date, each of the Company and the Subsidiaries has made or obtained records or documents that meet the requirements of paragraphs 247(4)(a) to (c) of the Tax Act.

(s) The Company has not acquired property from a Person not dealing at arm's length (for purposes of the Tax Act) with it in circumstances that would result in the Company becoming liable to pay Taxes of such Person under subsection 160(1) of the Tax Act or under any equivalent provision of the taxation legislation of any other jurisdiction.

(t) For all tax periods prior to the Closing Date for which the statute of limitations has not expired, the Company is a Canadian-controlled private corporation, as defined in the Tax Act, and has been one since its date of incorporation.

(u) The Company has not made (a) a capital dividend election under subsection 83(2) of the Tax Act in an amount which exceeds the amount in its "capital dividend account" at the time of such election, or (b) an "excessive eligible dividend designation" as defined in subsection 89(1) of the Tax Act in respect of any dividend paid, or deemed by any provision of the Tax Act to have been paid, on any class of shares of its capital.

(v) The Shares are not "taxable Canadian property" as defined in the Tax Act.

(w) All Tax credits, including, for greater certainty, the scientific research and experimental development credits for the purposes of the Tax Act, were claimed by the Company in accordance with the Tax Act and the relevant provincial Tax law and the Company satisfied the relevant criteria and conditions entitling it to claim such Tax credits.

2.11 Title to Properties and Related Matters

(a) .

(a) Except as set forth in Schedule 2.11(a), the Company and each of its Subsidiaries has a valid leasehold interest in the Leased Real Property and the assets consisting of personal property used to operate the Business of the Company, free and clear of any claims, Liens, pledges, security interests or encumbrances of any kind whatsoever (other than Permitted Encumbrances and those that in the aggregate would not have a Company Material Adverse Effect).

(b) Neither the Company nor any of its Subsidiaries owns any real property.

(c) All tangible personal property of the Company and its Subsidiaries is in suitable operating condition (ordinary and reasonable wear and tear excepted) and is physically located within the Leased Real Property. None of such personal property is subject to any agreement or commitment for its use by any person other than the Company or any of its Subsidiaries. There are no assets leased by the Company or any of its Subsidiaries or used in the operation of the Company or any of its Subsidiaries that are owned, directly or indirectly, by any Related Person. For the purposes hereof, "Related Person" shall mean any of the following (i) the Shareholders; (ii) the spouses and children of any of the Shareholders (collectively, "Near Relatives"); (iii) any trust for the benefit of any of the Shareholders or any of their respective Near Relatives; or (iv) any corporation, partnership, joint venture or other entity or enterprise owned or controlled by the Shareholders or by any of their respective Near Relatives.

(d) Schedule 2.11(d) of the Company Disclosure Schedules sets forth a complete and correct list of all Real Property Leases and personal property leases to which the Company or any of its Subsidiaries is a party. The Company and each of its Subsidiaries has previously delivered to the Parent complete and correct copies of each Real Property Lease and personal property lease (and any amendments or supplements thereto) listed in Schedule 2.11(d) of the Company Disclosure Schedules. Except as set forth in Schedule 2.11(d) of the Company Disclosure Schedules, (i) each such Real Property Lease and personal property lease is valid and binding, and in full force and effect; except to the extent that applicable bankruptcy, reorganization, insolvency, moratorium or other Laws affecting the enforcement of creditors' rights may affect such validity or enforceability, (ii) neither the Company nor any of its

Subsidiaries nor to the knowledge of the Company any other party is in default under any such Real Property Leases or personal property lease except to the extent such default would not constitute a Company Material Adverse Effect and the Company has not received notice of any event which constitutes, or with the lapse of time or the giving of notice or both would constitute, a default by the Company or any of its Subsidiaries; and (iii) provided the Buyer complies with Section 6.8, to the extent that there is a requirement under any of the Real Property Leases that the Company or any of its Subsidiaries either obtain the lessor's consent to, or notify the lessor of, the consummation of the transaction contemplated by this Agreement, then the Company and/or Subsidiaries have already obtained such consent or provided such notice, as applicable, or shall obtain or provide same prior to the consummation of the transaction contemplated by this Agreement.

(e) The computer software, computer hardware (whether general or special purpose), telecommunications capabilities (including all voice, data and video networks) and other similar or related items of automated, computerized, and/or software systems and any other networks or systems and related services that are used by or relied on by the Company or any of its Subsidiaries in the conduct of its business (collectively, the "Systems"): (i) to the knowledge of the Company, are functioning properly and in accordance with all applicable specifications; (ii) to the knowledge of the Company, have adequate capability and capacity for the requirements of the business of the Company and each of its Subsidiaries as currently carried on, and there are no plans to change, replace, develop or update them or any part of them; (iii) are reasonably configured and maintained to minimize the effects of externally introduced Spyware or Malware Software, in all material respects; (iv) except as set forth in Schedule 2.11(e)(iv) of the Company Disclosure Schedule, have been regularly and properly maintained, supported and replaced; (v) in full working order and are suitable for their current use; and (vi) except as set forth in Schedule 2.11(e)(vi) of the Company Disclosure Schedules, have the benefit of warranty or maintenance, support and services agreements that are sufficient to remedy or compensate any material defect and that include emergency support, in all material respects.

(f) For the six years prior to the Closing Date, the Company and each of its Subsidiaries has had in place and operated: (i) adequate procedures, processes and software to ensure the security, confidentiality and integrity of the Systems and the software and data comprising or stored on or used by the Systems (including procedures for taking and storing, on site and off site, backup copies of such software and data); (ii) procedures to prevent the infection of the Systems or the Company's or any of its Subsidiary's software with Spyware or Malware Software; and (iii) adequate backup systems and disaster recovery plans and procedures that ensures that the business of the Company is able to continue to function at all times, and the Systems and any software comprising or used by the Systems can be replaced or substituted without material disruption, interruption or loss to the business of the Company or any of its Subsidiaries. All such procedures, processes, systems and plans referred to in the previous sentence have been fully documented, and copies of all such current procedures, processes, systems and plans have been provided or made available to the Parent prior to the date hereof. Except as set forth in Schedule 2.11(f) of Company Disclosure Schedules, none of the Systems have experienced bugs, failures, or breakdowns in the past twelve (12) months that has caused any material disruption or interruption in or to the use of any such Systems by the Company or any of its Subsidiaries. The Company and its Subsidiaries are covered by business interruption insurance as set forth in Schedule 2.19 of the Company Disclosure Schedules. The Company and each of its Subsidiaries has the right to the exclusive and unrestricted use of the Systems, which is not dependent (in whole or in part) on any facilities or services that are not exclusively owned by or under the direct control of the Company or one of its Subsidiaries. To the knowledge of the Company, all facilities and services relating to the Systems are being and have been provided in accordance with all applicable specifications and the terms of the relevant contracts.

2.12 Intellectual Property; Proprietary Rights; Regulatory Compliance

2.12 .

(a) Set forth in Schedule 2.12(a) of the Company Disclosure Schedules is a list of (i) all applications and registrations for any Company Intellectual Property; and (ii) all other material Company Intellectual Property (other than trade secrets). True and correct copies of all licenses, assignments and releases relating to all material Licensed Intellectual Property have been provided or made available to the Parent prior to the date hereof, all of which are in full force and effect and no breach or default exists on the part of the Company or any of its Subsidiaries or, to the knowledge of the Company, on the part of any of the other parties thereto. Except as set forth in Schedule 2.12(a) of the Company Disclosure Schedules, the Company or one of its Subsidiaries owns and has good and

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

exclusive right, title and interest to each item of Company Intellectual Property free and clear of any Lien or encumbrance, other than Permitted Encumbrances; and all such Intellectual Property rights are in full force and effect. No university, government agency (whether federal or state) or other organization has sponsored research and development conducted by the Company or any of its Subsidiaries or has any claim of right to or ownership of or other encumbrance upon the Company Intellectual Property. The Company Intellectual Property and Licensed Intellectual Property comprise all the Intellectual Property that is necessary to carry on the Business of the Company as currently carried on.

(b) No Company Intellectual Property or product or service of the Company or any of its Subsidiaries is subject to any proceeding or outstanding decree, order, judgment, contract, license, agreement, or stipulation restricting in any manner the use, transfer, or licensing thereof by the Company or any of its Subsidiaries or which may affect the validity, use or enforceability of such Company Intellectual Property.

(c) All patents, patent applications, trademarks, service marks and domain names of the Company or any of its Subsidiaries that have been registered or for which applications for registration have been filed have been duly registered and/or filed with or issued by each appropriate Governmental Entity in the jurisdictions indicated on Schedule 2.12(c) of the Company Disclosure Schedules, all necessary affidavits of continuing use have been filed, and all necessary maintenance fees have been paid to continue all such rights in effect.

(d) To the extent that any Company Intellectual Property (including without limitation software, hardware, copyrightable works and the like) has been (in whole or in part) developed, created, modified or improved by a third party for the Company or any of its Subsidiaries, the Company or any of its Subsidiaries has a written agreement with such third party that assigns to the Company or any of its Subsidiaries exclusive ownership of, and waives all moral rights in or to, such Company Intellectual Property.

(e) Neither the Company nor any of its Subsidiaries has transferred ownership of, or granted any exclusive license with respect to, any Intellectual Property that is or was Company Intellectual Property to any third party that is necessary to carry on the Business of the Company as currently carried on.

(f) The operation of its business as such business currently is conducted, including the design, development, manufacture, marketing and sale of the products or services of the Company or any of its Subsidiaries has not and does not, infringe or misappropriate the Intellectual Property of any third party or, to its knowledge, constitute unfair competition or trade practices under the Laws of any jurisdiction.

(g) Neither the Company nor any of its Subsidiaries has received any notice or other claim from any third party that the operation of its business or any act, product or service of the Company or any of its Subsidiaries infringes, may infringe or misappropriates the Intellectual Property of any third party or constitutes unfair competition or trade practices under the Laws of any jurisdiction.

(h) To the knowledge of the Company, no Person has infringed or is infringing or misappropriating any Company Intellectual Property or other Intellectual Property rights in any of its products, technology or services, or has or is violating the confidentiality of any of its proprietary information.

(i) The Company and each of its Subsidiaries has taken reasonable steps to protect the Company's or any of its Subsidiaries' rights in the Company's or any of its Subsidiaries' proprietary and/or confidential information and trade secrets or any trade secrets or confidential information of third parties provided to the Company or any of its Subsidiaries, and, without limiting the foregoing, except as set forth in Schedule 2.12(i) of the Company Disclosure Schedules, the Company and each of its Subsidiaries in the six years prior to the Closing Date has enforced a policy requiring each employee and contractor to execute a proprietary information/confidentiality agreement substantially in the form provided to the Parent, and all current and former employees and contractors of the Company and each of its Subsidiaries has executed such an agreement during such period. To the knowledge of the Company, all trade secrets and other confidential information of the Company and each of its Subsidiaries are not part of the public domain nor, have they been misappropriated by any person having an obligation to maintain such trade secrets or other confidential information in confidence for the Company and each of its Subsidiaries. To the

knowledge of the Company, no employee or consultant of the Company or any of its Subsidiaries has used any trade secrets or other confidential information of any other person in the course of their work for the Company or any of its Subsidiaries nor is the Company and any of its Subsidiaries making unlawful use of any confidential information or trade secrets of any past or present employees of the Company.

(j) Except as set forth in Schedule 2.12(i) of the Company Disclosure Schedules, all Company Intellectual Property rights purported to be owned by the Company and each of its Subsidiaries which were developed or worked on by any employee, officer, director, shareholder or consultant are owned free and clear by the Company or one of its Subsidiaries by operation of Law or have been validly assigned in writing to the Company, and each such employee, officer, director, shareholder or consultant has waived all moral rights in or to such Intellectual Property in writing, and such written assignments and waivers have been provided or made available to the Parent. To the knowledge of the Company, the activities of the employees and consultants of the Company and each of its Subsidiaries on behalf of the Company and each of its Subsidiaries do not violate in any material respects any agreements or arrangements known to the Company which any such employees or consultants have with former employers or any other entity to whom such employees or consultants may have rendered consulting services.

(k) All material information and content of the World Wide Web sites of the Company and each of its Subsidiaries (other than information provided by users, customers and advertisers) is accurate and complete in all material respects.

(l) Schedule 2.12(l) of the Company Disclosure Schedules lists all Open Source Materials that the Company and each of its Subsidiaries has used in any way and describes the manner in which such Open Source Materials have been used by the Company and each of its Subsidiaries in connection with its business, including, without limitation, whether and how the Open Source Materials have been modified by the Company and each of its Subsidiaries. Except as set forth in Schedule 2.12(l) of the Company Disclosure Schedules, the Company and each of its Subsidiaries has not (i) incorporated any Open Source Materials into, or combined Open Source Materials with, any products in connection with its business, (ii) distributed Open Source Materials in connection with any products of its business, or (iii) used Open Source Materials that (with respect to either clause (i), (ii) or (iii) above) (A) create, or purport to create, obligations for the Company and each of its Subsidiaries with respect to software developed or distributed by the Company and each of its Subsidiaries, or (B) grant, or purport to grant, to any third party any rights or immunities under intellectual property rights. Without limiting the generality of the foregoing, neither the Company nor any of its Subsidiaries has used any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials, that other software incorporated into, derived from or distributed with such Open Source Materials be (1) disclosed or distributed in source code form, (2) licensed for the purpose of making derivative works, or (3) redistributed at no charge.

(m) To the knowledge of the Company, the Company is not a "Covered Entity" or "Business Associate" as such terms are defined in the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), and to the knowledge of the Company, neither the Company nor any Subsidiary has or processes any "protected health information" as such term is defined by HIPAA.

(n) In connection with the operation of its business, the Company and each of its Subsidiaries is in compliance in all material respects with and always has complied in all material respects with, (i) all applicable Canadian Privacy Laws and contractual requirements relating to the collection, storage, disclosure and/or use of personal information and user information (including information from or about children) gathered or accessed in the course of the operation of its business ("Privacy Requirements"), and (ii) all rules, policies and procedures established by the Company and each of its Subsidiaries with respect to privacy, publicity, data protection and security and the collection, storage, disclosure and/or use of personal information and user information (including information from or about children) gathered or accessed in the course of the operation of its business, and with respect to the foregoing, neither the Company nor any of its Subsidiaries has received any notice from any person of any claims alleging any violation of any Privacy Requirements nor has the Company or any Subsidiary been required by applicable Law to provide notice to any Person reporting the unauthorized access to or acquisition of personal information. Except as set forth in Schedule 2.12(n), neither the Company nor any of its Subsidiaries has received any subpoena, demand, or other written notice from any Governmental Entity investigating, inquiring into, or otherwise relating to any actual or

potential violation of any Privacy Requirement, nor is the Company or any of its Subsidiaries otherwise aware that it is under investigation by any Governmental Entity for any actual or potential violation of any Privacy Requirement. All required consents to the collection, use or disclosure of personal information or user information in connection with the conduct of the Company's business have been obtained. The Company and each of its Subsidiaries has developed both internal and customer-facing written policy or policies regarding privacy and data protection consistent with applicable Privacy Requirements. In connection with the operation of its business, the Company and each of its Subsidiaries has taken all reasonably necessary steps (including implementing, maintaining, complying with and monitoring compliance with written policies, programs and measures with respect to technical and physical security that comply with applicable Privacy Requirements and industry standards applicable to the Company and each of its Subsidiaries) to ensure that the personal and user information gathered, accessed or used in the course of the operation of its business is protected against material loss and unauthorized access, use, modification or disclosure. To the knowledge of the Company, there has been no actual unauthorized access to or other misuse of any such information or incidents alleged in writing of unauthorized access or other misuse of any such information or any unauthorized access, use, disclosure, modification or deletion, of any such information stored by and in the possession or under the control of the Company or any of its Subsidiaries. Neither (i) the execution, delivery or performance of this Agreement; nor (ii) consummation of any of the transactions contemplated hereby or thereby, will result in any violation of any Privacy Requirement. All service providers to which the Company or any of its Subsidiaries has provided personal information or user information have agreed to use and disclose such personal information or user information only to provide services to the Company or any of its Subsidiaries, to limit access to the personal information or user information to employees and contractors who have a need to access that information in order to provide services to the Company or any of its Subsidiaries and who are bound by a duty of confidentiality, and to notify the Company or any of its Subsidiaries if there is any unauthorized disclosure or access to such personal information or user information.

(o) Except as set forth in Schedule 2.12(o), the Company and each of its Subsidiaries is in all material respects in compliance with and always has complied in all material respects with, all applicable Laws governing the sending of spam/unsolicited electronic messages, including Canada's Anti-Spam Legislation (CASL), Controlling the Assault of Non-Solicited Pornography And Marketing Act of 2003 (CAN-SPAM), and Measures for the Administration of Internet E-Mails and any other applicable anti-spam Laws ("Anti-Spam Laws"), and to the knowledge of the Company has not been in material breach, default or violation of any applicable Anti-Spam Laws. The Company and its Subsidiaries do not send commercial electronic messages, within the meaning of Canada's Anti-Spam Legislation, either on their own behalf, or on behalf of clients or business partners. The Company and each of its Subsidiaries has developed and have complied in all material respects with: (i) a written policy or policies regarding anti-spam consistent with applicable Anti-Spam Laws; (ii) consent language for all commercial electronic messages being sent by the Company or any of its Subsidiaries that complies with applicable Anti-Spam Laws, if required under applicable Anti-Spam laws; and (iii) the prescribed form, content and unsubscribe requirements to the extent required under applicable Anti-Spam Laws. The Company and its Subsidiaries do not install computer programs on third party computer systems.

(p) All proprietary source code comprising the Company's products is: (i) in the exclusive possession or under the direct control of the Company or one of its Subsidiaries , or the Company and each of its Subsidiaries that uses that software has all necessary rights to gain access to such source code and all related technical and other information under the terms of source code deposit or escrow agreements with the owners of the rights in the relevant source codes and reputable deposit or escrow agents (all of which are identified on Schedule 2.12(p) of the Company Disclosure Schedules, and copies of which have been provided or made available to the Parent prior to the date hereof); and (ii) of a sufficient level to enable a reasonably skilled computer programmer (assuming such computer programmer has experience developing products substantially similar to the Company's products) to understand, maintain, modify, correct, support, replicate and develop the relevant software.

(q) Neither the Company nor any of its Subsidiaries has delivered, disclosed or licensed to any Person, or agreed to deliver, disclose or license to any Person, any source code that is owned or purported to be owned by the Company or any of its Subsidiaries ("Company Source Code"). No event has occurred, and no circumstances or conditions exist, that with or without notice, lapse of time or both, will, or would reasonably be expected to, result in the disclosure or delivery to any Person of any Company Source Code. The Company and each of its Subsidiaries

has taken measures to protect its ownership of, and rights in, all Company Source Code and protect such Company Source Code from disclosure to and use by any other Person. Neither this Agreement nor the transactions contemplated thereby will result in the release of or trigger any obligation with respect to Company Source Code.

(r) To the extent applicable, the Company and its Subsidiaries are in compliance in all material respects with the Telecommunications Act, with all applicable Canadian Radio-Television and Telecommunications Commission ("CRTC") rules and regulations, and with the communications laws, and regulations of each province and of the United States in which the Company and its Subsidiaries operate or provide services to their customers ("Communications Laws"). The Company and its Subsidiaries have not operated as a telecommunications service provider, a common carrier, or a private carrier, as these terms are defined in the Communications Laws. The Company and its Subsidiaries have received no written communications from the CRTC suggesting that the Company or any Subsidiary is subject to regulation pursuant to the Communications Laws. The Company and its Subsidiaries have not been required to make any contributions or pay any fees under the Communications Laws. The Company and its Subsidiaries have received no written communication from any company that provides wireless or wireline telecommunications capacity to them indicating that they are subject to regulation as a telecommunications service provider or are subject to filing and/or contribution obligations with USAC. The Company and its Subsidiaries have not executed a reseller certificate, as the term is used in the Communications Laws, for any company that provides wireless or wireline telecommunications capacity to them. Except as set forth in Schedule 2.12(r), the Company and its Subsidiaries have not received any written communication from the CRTC or any other federal or provincial governmental entity in Canada alleging a violation of the Communication Laws.

2.13 Contracts

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(a) Except as set forth in Schedule 2.11(d) or 2.13(a) of the Company Disclosure Schedules, the Company and each of its Subsidiaries is not a party to, or subject to:

(i) any contract, arrangement or understanding, or series of related contracts, arrangements or understandings, which involves annual expenditures or receipts by the Company or any of its Subsidiaries of more than $10,000;

(ii) any note, indenture, credit facility, mortgage, security agreement or other contract, arrangement or understanding relating to or evidencing indebtedness for money borrowed or a security interest or mortgage in the assets of the Company or any of its Subsidiaries;

(iii) any guaranty issued by the Company or any of its Subsidiaries;

(iv) any contract, arrangement or understanding relating to the acquisition, issuance or transfer of any securities, including, without limitation, convertible securities;

(v) any contract, arrangement or understanding relating to the acquisition, transfer, distribution, use, development, sharing or license of any technology or Company Intellectual Property, other than licenses granted in the ordinary course of business with a term of less than one (1) year;

(vi) any contract, arrangement or understanding granting to any Person the right to use any property or property right of the Company other than licenses granted in the ordinary course of business with a term of less than one (1) year;

(vii) any contract, arrangement or understanding restricting the right of the Company or any of its Subsidiaries to (A) engage in any business activity or compete with any business or (B) develop or distribute any technology;

(viii) any contract, arrangement or understanding relating to the employment of, or the performance of services of, any employee, consultant or independent contractor and pursuant to which the Company or any of its Subsidiaries is required to pay more than $10,000 per month; or

(ix) any contract, arrangement or understanding with a Related Person;

(x) any outstanding offer, commitment or obligation to enter into any contract or arrangement of the nature described in subsections (i) through (viii) of this Section 2.13(a).

(b) The Company and each of its Subsidiaries has previously provided or made available to the Parent complete and correct copies (or, in the case of oral contracts, a complete and correct description) of any contract (and any amendments or supplements thereto) listed on Schedule 2.13(a) of the Company Disclosure Schedules. Except as set forth in Schedule 2.13(b) of the Company Disclosure Schedules, (i) each contract listed in Schedule 2.13(a) of the Company Disclosure Schedules is in full force and effect; (ii) neither the Company, nor any of its Subsidiaries, nor to the knowledge of the Company, any other party is in default under any contract listed in Schedule 2.13(a) of the Company Disclosure Schedules, and no event has occurred which constitutes, or with the lapse of time or the giving of notice or both would constitute, a default by the Company or any of its Subsidiaries or to the knowledge of the Company, a default by any other party under such contract; (iii) to the knowledge of the Company, there are no disputes or disagreements between the Company or any of its Subsidiaries and any other party with respect to any contract listed in Schedule 2.13(a) of the Company Disclosure Schedules; and (iv) each other party to each such material contract has consented or been given notice (or prior to the Closing shall have consented or been given notice), where such consent or the giving of such notice is necessary in order for such contract to remain in full force and effect following the consummation of the transactions contemplated by this Agreement without modification in the rights or obligations of the Company or any of its Subsidiaries thereunder.

(c) Neither the Company nor any of its Subsidiaries has issued any warranty or any agreement or commitment to indemnify any person other than in the ordinary course of business.

2.14 Employment Matters

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(a) Schedule 2.14(a) of the Company Disclosure Schedules sets forth, (i) with respect to each current Employee (including any Employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized, including disability, family or other leave, sick leave, or on layoff status subject to recall) (A) the name of such Employee and the date as of which such Employee was originally hired by the Company or any of its Subsidiaries, and whether the Employee is on an active or inactive status; (B) such Employee's title; (C) such Employee's base salary, vacation and/or paid time off accrual amounts, bonus and/or commission at target, entitlement on a change of control, and/or any other material compensation; (D) whether each Employee is on a leave of absence, the nature of such leave and the anticipated date of return to full service, if known; (E) whether such Employee is employed by the Company or one of its Subsidiaries, and if by a Subsidiary, the name of the Subsidiary; and (F) the Company or Subsidiary facility at which such Employee is located; and (G) each current benefit plan in which such Employee participates or is eligible to participate; (ii) any governmental authorization, permit or license that is held by such Employee and that is used in connection with its business; and (iii) with respect to each Employee, whether such Employee has executed a written employment agreement and/or the Company's standard form nondisclosure, confidentiality and assignment of inventions agreement.

(b) Schedule 2.14(b) of the Company Disclosure Schedules contains a list of individuals who are currently performing services for the Company or any of its Subsidiaries and are classified as independent contractors, the respective compensation of each such "independent contractor" and whether the Company is party to an agreement with the individual. Any such agreements have been delivered or made available to the Parent and are set forth in Schedule 2.14(b) of the Company Disclosure Schedules. Any Persons now or heretofore engaged by the Company or any of its Subsidiaries as independent contractors, rather than Employees, have been properly classified as such, are not entitled to any compensation or benefits to which regular, full-time Employees are or were at the relevant time entitled, and were and have been engaged in accordance with all applicable Laws, and received the proper tax treatment for compensation received by them.

(c) Each written employment agreement is set forth in Schedule 2.14(c) of the Company Disclosure Schedules and a copy of each employment agreement and any amendment thereto has been provided or made available to the Parent. Except as set forth in Schedule 2.14(c) of the Company Disclosure Schedules, the

employment of each of the Employees is terminable by the Company at will (except for non-U.S. employees of the Company or any of its Subsidiaries located in a jurisdiction that does not recognize the "at will" employment concept in which case the Employees may be terminated upon the provision of notice of termination, pay in lieu thereof or severance pay as required by applicable Law)

(d) The Company and each of its Subsidiaries has delivered or made available to the Parent accurate and complete copies in all material respects of all employee manuals and handbooks, employment policy statements and employment agreements and written summaries of any material undocumented employment policies or practices.

(e) None of the Employees has given the Company or any of its Subsidiaries written notice terminating his or her employment with the Company or any of its Subsidiaries or terminating his or her employment upon a sale of, or business combination relating to, the Company or any of its Subsidiaries or in connection with the transactions contemplated by this Agreement. Neither the Company nor any of its Subsidiaries has a present intention to terminate the employment of any current Employee. Neither the Company nor any of its Subsidiaries is, and neither has ever been, engaged in any litigation with an Employee regarding intellectual property matters.

(f) Neither the Company nor any of its Subsidiaries is presently, nor have they been in the past, a party to or bound by any union contract, collective bargaining agreement or similar agreement. Neither the Company nor any of its Subsidiaries knows of any activities or proceedings of any labor union to organize or attempt to organize any Employees.

(g) Neither the Company nor any of its Subsidiaries is engaged or has ever been engaged in any unfair labor practice of any nature. There has never been any slowdown, work stoppage, labor dispute or union organizing activity, or any similar activity or dispute, affecting the Company, any of its Subsidiaries or any Employees. There is not now pending and, to the knowledge of the Company, no Person has threatened to commence, any such slowdown, work stoppage, labor dispute, union organizing activity or any similar activity or dispute.

(h) The U.S. Employees have been, and currently are, properly classified under the Fair Labor Standards Act of 1938, as amended, and under any similar Law of any state applicable to such Employees. Neither the Company nor any of its Subsidiaries is delinquent to, or has failed to pay, any of its Employees, consultants or contractors for any wages (including overtime, meal breaks or waiting time penalties), salaries, commissions, accrued and unused vacation to which they would be entitled under applicable Law, if any, bonuses, benefits or other compensation for any services performed by them or amounts required to be reimbursed to such individuals. Neither the Company nor any of its Subsidiaries is liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for Employees (other than routine payments to be made in the normal course of business and consistent with past practice).

(i) Neither the Company nor any of its Subsidiaries has an established severance pay practice or policy. Neither the Company nor any of its Subsidiaries (i) is liable for any notice of termination, pay in lieu of notice of termination, severance pay, bonus compensation, acceleration of payment or vesting of any equity interest, or other payments (other than accrued salary, vacation, or other paid time off in accordance with the Company's and the Subsidiaries' policies) to any Employee arising from the termination of employment under any benefit or severance policy, practice, agreement, plan, program of the Company or any of its Subsidiaries; and (ii) as a result of or in connection with the transactions contemplated hereunder or as a result of the termination by the Company or any of its Subsidiaries of any persons employed by the Company or any of its Subsidiaries on or prior to the Closing Date, the Company will not have (A) any Liability that exists or arises under any Company or any of its Subsidiaries' benefit or severance policy, practice, agreement, plan, program, or applicable Law, including but not limited to notice of termination, pay in lieu of notice of termination, severance pay, bonus compensation or similar payment, or (B) to accelerate the time of payment or vesting, or increase the amount of or otherwise enhance any benefit due any Employee. Accordingly, as of the Closing Date, the Company shall have satisfied in full all of its obligations to any terminated Employees, consultants and/or contractors for any notice of termination, pay in lieu of notice of termination, severance pay, accelerated vesting, or any other payments whatsoever.

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

(j) The Company and each of its Subsidiaries is in compliance, in all material respects, with all applicable Laws respecting employment, employment practices, employee benefits, terms and conditions of employment, immigration matters, labour matters, pay equity, disability accommodation, health and safety matters and wages and hours, in each case, with respect to its Employees.

(k) There are no claims pending or, to the Company's knowledge, threatened in writing, or pending before any Governmental Entity (or any state "referral agency") by any Employees for compensation, termination or severance pay, vacation time or vacation pay from any Employee or any other Person arising out of the Company's or any of its Subsidiaries' status as employer, whether in the form of claims for employment discrimination, harassment, retaliation, unfair labor practices, grievances, wrongful discharge, breach of contract, unfair business practice, tort, unfair competition or otherwise. In addition, there are no pending or threatened in writing or claims or actions against the Company or any of its Subsidiaries under any workers compensation policy or long-term disability policy. The Company and each of its Subsidiaries, and to the Company's knowledge each Employee, are in compliance, in all material respects, with all applicable visa and work permit requirements.

2.15 Employee Benefit Plans

. Schedule 2.15(a) of the Company Disclosure Schedules sets forth a list of each Company Employee Plan.

(a) Documents. The Company has delivered to the Parent correct and complete copies of each written Company Employee Plan, including all amendments thereto, or, where applicable, a written summary of the material terms of any oral Company Employee Plan.

(b) Employee Plan Compliance. The Company and each of its Subsidiaries has performed all material obligations required to be performed by it under each Company Employee Plan and each Company Employee Plan has been established and maintained, in all material respects, in accordance with its terms and in compliance with all applicable Law, including ERISA and the Code. Each Company Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is so qualified and has received a favorable determination or opinion letter from the IRS with respect to its qualified status under the Code on which it may rely and which it has delivered to Parent. There are no actions, audits, investigations, suits or claims pending, or, to the knowledge of the Company, threatened in writing (other than routine claims for benefits) against any Company Employee Plan or fiduciary thereto or against the assets of any Company Employee Plan.

(c) Plan Status. None of the Company, any of its Subsidiaries or any ERISA Affiliate now, or has ever, maintained, established, sponsored, participated in, or contributed to, any plan which is subject to Title IV of ERISA or Section 412 of the Code. No Company Employee Plan is or is intended to be a "registered pension plan" or "retirement compensation arrangement" as such term is defined in the Income Tax Act. No Company Employee Plan is a multi-employer pension plan, within the meaning of any applicable pension standards legislation in Canada or within the meaning of Section 3(37) of ERISA.

(d) No Retiree Benefits. No Company Employee Plan provides benefits to any individual who is not a current or former employee of the Company or its Subsidiaries, or the dependents, survivors or other beneficiaries of any such current or former employee. No Company Employee Plan provides health and welfare benefits, including, without limitation, death or medical benefits, beyond termination of service or retirement other than (i) coverage mandated by Law or (ii) death or retirement benefits under any Employee Plan that is intended to be qualified under Section 401(a) of the U.S. Tax Code.

(e) No Commitments. Neither the Company, nor any of its Subsidiaries has agreed or committed to institute any plan, program, arrangement or agreement for the benefit of employees or former employees of the Company or its Subsidiaries other than the Company Employee Plans, or to make any material amendments to any of the Company Employee Plans. The Company and each of its Subsidiaries has reserved all rights necessary to amend or terminate each of the Company Employee Plans.

(f) Effect of Transaction. The execution and delivery by the Company of this Agreement and any related agreement to which the Company is a party, and the consummation of the transactions contemplated hereby

and thereby, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under any Company Employee Plan, any trust of the Company or loan of the Company that would reasonably be expected to result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Employee.

2.16 Compliance with Applicable Law

. Except as set forth in Schedule 2.16 of the Company Disclosure Schedules, neither the Company nor any of its Subsidiaries is in violation in any respect of any applicable privacy, data protection and security Law (including the EU General Data Protection Regulation), telecommunications Laws, safety, health or environmental Law, any Law applicable to the internet or its business, any Payment Card Industry Data Security Standards (PCI DSS), or any other Law, statute, ordinance, code, rule, regulation, judgment, order, injunction, writ or decree of any federal, provincial, state, local or foreign court or governmental or regulatory body, agency or authority having, asserting or claiming jurisdiction over it or over any part of its business, operations, properties or assets, except for any violation that would not have a Company Material Adverse Effect. The Company has not received any written notice alleging any such violation, and to the knowledge of the Company, there is no inquiry, investigation or proceeding relating thereto.

2.17 Ability to Conduct Business

. There is no agreement, nor any judgment, order, writ, injunction or decree of any court or governmental or regulatory body, agency or authority applicable to the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries is a party or by which it or any of its properties or assets is bound, that will prevent the use by the Company, after the Closing Date, of the properties and assets owned by, the business conducted by or the services rendered by the Company or any of its Subsidiaries on the date hereof, in each case on substantially the same basis as the same are used, owned, conducted or rendered on the date hereof. To the knowledge of the Company, the Company and each of its Subsidiaries has in force, and is in compliance with, in all material respects, all governmental permits, licenses, exemptions, consents, authorizations and approvals used in or required for the conduct of its business as presently conducted, all of which shall continue in full force and effect, without requirement of any filing or the giving of any notice and without modification thereof, following the consummation of the transactions contemplated hereby. Neither the Company nor any of its Subsidiaries has received any notice of, and to the knowledge of the Company, there are no inquiries, proceedings or investigations relating to or which could result in the revocation or modification of any such permit, license, exemption, consent, authorization or approval.

2.18 Major Partners

. Schedule 2.18 of the Company Disclosure Schedules sets forth a complete and correct list of each of the ten (10) largest customers and vendors (collectively, "Partners") of the Company in terms of revenue recognized and payment by the Company thereto, respectively, in respect of such Partners during the nine (9) months ended September 30, 2018 and the twelve (12) months ended December 31, 2017, showing the amount of revenue recognized or payments thereto for each such Partner, as the case may be, during such period. To the knowledge of the Company, neither the Company nor any of its Subsidiaries has received any notice or other communication (written or oral) from any of the Partners listed in Schedule 2.18 of the Company Disclosure Schedules terminating, amending or reducing in any material respect, or setting forth an intention to terminate, amend or reduce in the future, or otherwise reflecting a material adverse change in, the business relationship between such Partner and the Company or any of its Subsidiaries.

2.19 Insurance

. Schedule 2.19 of the Company Disclosure Schedules sets forth a true and complete list of all insurance policies carried by the Company and each of its Subsidiaries with respect to its business, together with, in respect of each such policy, the name of the insurer, the number of the policy, the annual policy premium payable therefor, the limits of coverage, the deductible amount (if any), the expiration date thereof and each pending claim thereunder. The Company and each of its Subsidiaries has maintained insurance covering it and its properties. All such policies are in full force and effect and such policies, or other policies covering the same risks, have been in full force and effect, without gaps, continuously for the past two (2) years. All premiums due thereon have been paid in a timely manner. Complete and correct copies of all current insurance policies of the Company and each of its Subsidiaries have been made available to the Parent for inspection. To the knowledge of the Company, neither the Company nor any of its Subsidiaries is in default under any of such policies, and neither the Company nor any of its Subsidiaries has failed to give any notice or to present any claim under any such policy in a due and timely fashion.

Neither the Company nor any of its Subsidiaries have knowledge of any facts which would likely result in an insurer reducing coverage or increasing premiums on existing policies and, to the knowledge of the Company, all such insurance policies can be maintained in full force and effect without substantial increase in premium or reducing the coverage thereof immediately following the Closing. There is no claim pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policy.

2.20 Brokers; Payments

. Except as set forth in Schedule 2.20 of the Company Disclosure Schedules, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company and each of its Subsidiaries. The Company and each of its Subsidiaries has suspended or terminated, and has the legal right to terminate or suspend, all negotiations and discussions of any business combination, recapitalization, joint venture or other major transaction involving its business with parties other than the Parent and the Buyer. No valid claim exists against the Company and each of its Subsidiaries or, based on any action by the Company and each of its Subsidiaries, against the Parent or the Buyer for payment of any "topping," "break-up" or "bust-up" fee or any similar compensation or payment arrangement as a result of the transactions contemplated hereby.

2.21 Interested Party Transactions.

(a) To the knowledge of the Company, no Related Person has or has had, directly or indirectly, (i) an economic interest in any Person which furnished or sold, or furnishes or sells, services or products that the Company or any of its Subsidiaries furnishes or sells, or proposes to furnish or sell, or (ii) an economic interest in any Person that purchases from or sells or furnishes to, the Company or any of its Subsidiaries, any goods or services or (iii) a beneficial interest in any agreement to which the Company or any Subsidiary is a party or by which they or their properties or assets are bound; provided, however, that ownership of no more than 1% of the outstanding voting shares of a publicly traded corporation shall not be deemed an "economic interest in any entity" for purposes of this Section 2.21.

(b) There are no receivables of the Company or any of its Subsidiaries owed by any Related Person other than advances in the ordinary and usual course of business for reimbursable business expenses (as determined in accordance with the Company's established employee reimbursement policies and consistent with past practice). The Shareholders have not agreed to, or assumed, any obligation or duty to guaranty or otherwise assumed or incurred any obligation or Liability of the Company or any of its Subsidiaries.

2.22 Third Party Audits and Investigations

. To the knowledge of the Company, there are no ongoing audits or investigations of the Company or any of its Subsidiaries with respect to its business by any Governmental Entity or other third party, including, without limitation, any party to a contract with the Company or any of its Subsidiaries.

2.23 Absence of Questionable Payments

. To the knowledge of the Company, neither the Company nor any of its Subsidiaries nor any of its directors, officers, agents, employees or any other Persons acting on their behalf has, in connection with the operation of its business, (i) used any corporation or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to foreign or domestic government officials, candidates or members of political parties or organizations or established or maintained any unlawful or unrecorded funs in violation of any applicable foreign, federal or state Law; (ii) made any payment or provided services which were no legal to make or provide which the Company, any of its Subsidiaries or any Affiliate thereof or any such officer, employee or other person should reasonably have known were not legal for the payee or the recipient of such services to receive; or (iii) paid, accepted or received any unlawful contributions, payments, expenditures or gifts.

2.24 Accounts Receivable

. All receivables of the Company included in the Financial Statements are valid and collectible obligations and were not and are not subject to any written, or to the knowledge of the Company, any oral, material offset or counterclaim and have arisen from a bona fide transactions by the Company in the ordinary course of business consistent with past practice. The Company's receivables are reflected on the Balance Sheet

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

included in the Financial Statements in accordance with ASPE applied on a basis consistent with past practice. Since December 31, 2017, there have not been any material write-offs as uncollectible of any of the Company's receivables, Schedule 2.24 of the Company Disclosure Schedules sets forth a true and correct list of each account receivable of the Company (and the age of such receivable), as of September 30, 2018.

2.25 Competition Act

. The aggregate value of the assets in Canada, determined in accordance with the Competition Act, that are owned by the Company or by any corporations controlled by the Company, does not exceed $86 million and the gross revenues from sales in or from Canada, determined for the annual period and in the manner prescribed in the Competition Act, generated from such assets in Canada do not exceed $86 million.

2.26 Investment Canada Act

. The enterprise value of the Company (and its Subsidiaries), determined in accordance with the Investment Canada Act and the regulations thereunder, is less than the $600 million threshold for review under the Investment Canada Act.

2.27 Securities Legislation

. The Company is a "private issuer" within the meaning of National Instrument 45-106.

2.28 Absence of Guarantees

. The Company has not given nor agreed to give, and is not a party to or bound by, any guarantee of indebtedness or other obligations of third parties nor any other commitment by which the Company is, or is contingently, responsible for such indebtedness or other obligations.

2.29 Projections

. The projections provided by the Company to the Parent (i) have been prepared by management of the Company in good faith, (ii) were based on assumptions believed by management of the Company to be reasonable in light of current conditions and current facts known at the time made and (iii) represent good faith estimates by management of the Company as to the financial performance of the Company and each of its Subsidiaries for the periods indicated, but do not represent any guarantee or assurance of the future financial results of the Company and each of its Subsidiaries (it being understood that such projections are subject to uncertainties and contingencies that are beyond the control of the Company and its management).

2.30 Disclosure

. Neither the Company nor any of its Subsidiaries has failed to disclose to the Parent any fact that is reasonably more likely than not to have a Company Material Adverse Effect or impede or impair the ability of the Company and each of its Subsidiaries to perform its obligations under this Agreement in any material respect. No representation or warranty by the Company and each of its Subsidiaries contained in this Agreement and no statement contained, when considered together as a whole, in any of the Company Disclosure Schedules, and the certificates and other documents or instruments delivered or to be delivered pursuant to this Agreement by or on behalf of the Company and each of its Subsidiaries contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

2.31 Leases

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(a) The Company and/or its Subsidiaries (as applicable) is the sole legal and beneficial tenant and holder of a true leasehold interest in respect of the Leased Real Property identified in Schedule 2.11(d) of the Company Disclosure Schedules free and clear of all liens (other than Permitted Encumbrances and those that in the aggregate would not have a Company Material Adverse Effect).

(b) With respect to each Real Property Lease except as identified in Schedule 2.11(d) of the Company Disclosure Schedules:

(i) each Real Property Lease is a valid and binding obligation of the Company and/or its Subsidiaries (as applicable), enforceable in accordance with its terms;

(ii) neither the Company nor its Subsidiaries (as applicable) nor any other party to any Real Property Lease is in default thereunder, except to the extent such default would not constitute a Company

Material Adverse Effect, and the Company has not received notice of any event which constitutes, or with the lapse of time or the giving of notice or both would constitute a default by the Company or any of its Subsidiaries;

(iii) the Company has delivered or made available to the Buyer a correct and complete copy of each Real Property Lease;

(iv) the Company and/or its Subsidiaries (as applicable) has not collaterally assigned or granted any other security interest in any of the Real Property Leases or any interest therein;

(v) The Company and/or its Subsidiaries (as applicable) has not subleased, licensed or otherwise granted to any Person the right to use or occupy any Leased Real Property;

(vi) The Leased Real Property is sufficient for the operation of the Business of the Company as conducted as of the date hereof by the Company and or its Subsidiaries (as applicable); and

(vii) no third party is entitled to claim a lien or priority against any of the Leased Real Properties due to non-payment by the Company or any of its Subsidiaries for work and services performed or materials supplied, placed or furnished on, in or to the Leased Real Property on behalf of the Company or any of its Subsidiaries, except to the extent same would not be a Company Material Adverse Effect.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE HOLDCO

The HoldCo Shareholders, on a joint and several basis, represent and warrant to the Parent and Buyer as set forth below.

3.1 No Subsidiaries, Other Assets, Employees or Liabilities

. Except as set forth in Schedule 3.1 of the Company Disclosure Schedules, as of the amalgamation of HoldCo and Telmetrics, HoldCo: (i) did not own and does not have any interest in any shares or any ownership interest in any other Person, other than 250,000 Shares owned by it; (ii) did not own any assets other than 250,000 Shares owned by it; (iii) has not conducted any business; (iv) did not have and had never had any employees; (v) did not have, and, has never been a party to, any contracts; and (vi) did not have any Liabilities.

3.2 HoldCo Financial Statements

. The Holdco Financial Statements:

(a) have been prepared in accordance with ASPE, applied on a basis consistent with that of the preceding periods;

(b) are complete and accurate in all material respects;

(c) accurately disclose the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of HoldCo and the results of the operations of HoldCo, as at the dates thereof and for the periods covered thereby;

(d) reflect all proper accruals as at the dates thereof and for the periods covered thereby of all amounts which, though not payable until a time after the end of the relevant period, are attributable to activities undertaken during or prior to that period; and

(e) contain or reflect adequate reserves for all liabilities and obligations of HoldCo of any nature, whether absolute, contingent or otherwise, matured or unmatured, as at the date thereof.

No information has become available to the Holdco Shareholders that would render the Holdco Financial Statements incomplete or inaccurate.

3.3 Tax Matters

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(a) HoldCo has properly and timely filed (taking into account all applicable extensions) all Tax Returns required to be filed by it on or prior to the date hereof, and has in a timely manner paid all Taxes which are due whether or not shown on such Tax Returns. All such Tax Returns have been accurately and completely prepared in all material respects in compliance with all Laws.

(b) There are no examinations, investigations, audits, actions, suits or proceedings currently being conducted, pending or, to the knowledge of the HoldCo Shareholders, threatened against HoldCo by any Taxing Authority, no claim for the assessment or collection of Taxes has been asserted against HoldCo and there are no matters under discussion by HoldCo with any Taxing Authority regarding claims for the assessment or collection of Taxes. Any Taxes that have been claimed or imposed as a result of any examinations of any Tax Return of HoldCo by any Taxing Authority have been paid or are being contested in good faith and have been disclosed in writing to the Parent. There are no agreements or applications by HoldCo for an extension of time for the assessment or payment of any Taxes, nor is there any waiver of the statute of limitations in respect of Taxes. There are no Tax Liens on any of the assets of HoldCo that resulted from the failure, or alleged failure, to pay Taxes due or payable.

(c) HoldCo is not a party to or bound by or has any obligation under any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar agreement or arrangement and HoldCo does not have any Liability for Taxes of any other Person under any applicable Law as transferee or successor.

(d) HoldCo has withheld all amounts from its respective employees, agents and other Persons required to be withheld under the tax, social security, unemployment and other withholding provisions of all federal, provincial, state, local and foreign Laws, and has complied with all information reporting and back-up withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party.

(e) No power of attorney has been granted by HoldCo that is currently in force with respect to any matter relating to Taxes.

(f) HoldCo has not received any written ruling of a Taxing Authority relating to Taxes or entered in any written and legally binding agreement with a Taxing Authority relating to Taxes.

(g) No claim has ever been made in writing to HoldCo by any authority in a jurisdiction where HoldCo does not file Tax Returns that it is or may be subject to taxation by that jurisdiction, and, the knowledge of HoldCo, HoldCo does not do business in nor derives income from within or allocable to any state, province, local, territorial or foreign taxing jurisdiction other than those for which all Tax Returns have been furnished to the Buyer.

(h) HoldCo has delivered or made available to the Parent for inspection true and complete copies of all federal, provincial, state, local and foreign income or franchise Tax Returns for HoldCo for all periods for which the statute of limitations has not expired.

(i) There are no circumstances which could result in the application of Section 79 to 80.4 of the Tax Act, or any equivalent provision under applicable provincial Law, to HoldCo.

(j) Other than statutory withholding obligations for Taxes, HoldCo has no liability for Taxes of any other Person, by agreement or otherwise.

(k) HoldCo has not acquired property from a Person not dealing at arm's length (for purposes of the Tax Act) with it in circumstances that would result in HoldCo becoming liable to pay Taxes of such Person under subsection 160(1) of the Tax Act or under any equivalent provision of the taxation legislation of any other jurisdiction.

(l) HoldCo is a Canadian-controlled private corporation, as defined in the Tax Act, and has been one since its date of incorporation.

(m) HoldCo has not made (a) a capital dividend election under subsection 83(2) of the Tax Act in an amount which exceeds the amount in its "capital dividend account" at the time of such election, or (b) an "excessive eligible dividend designation" as defined in subsection 89(1) of the Tax Act in respect of any dividend paid, or deemed by any provision of the Tax Act to have been paid, on any class of shares of its capital.

3.4 Compliance with Applicable Law

. HoldCo has complied with all applicable laws.

3.5 Legal Proceedings

. There are no suits, actions, claims, proceedings (including, without limitation, arbitral or administrative proceedings) or investigations pending or, to the knowledge of HoldCo, threatened against HoldCo or any of its respective properties, assets or business. There are no such suits, actions, claims, proceedings or investigations pending against HoldCo or, to the knowledge of HoldCo, threatened against HoldCo challenging the validity or propriety of the transactions contemplated by this Agreement. There is no judgment, order, injunction, decree or award (whether issued by a court, an arbitrator or an administrative agency) to which HoldCo is a party, or involving the properties, assets or the business, which is unsatisfied or which requires continuing compliance therewith by HoldCo. There are no settlements, judgments, orders, injunctions, decrees and awards entered into or imposed which HoldCo is a party to or by which HoldCo is bound,

3.6 Disclosure

. None of the Holdco Shareholders has failed to disclose to the Parent any fact that is reasonably more likely than not to have a Material Adverse Effect or impede or impair the ability of the Company to perform its obligations under this Agreement in any material respect. No representation or warranty by the Holdco Shareholders contained in this Agreement and no statement contained, when considered together as a whole, in any of the Company Disclosure Schedules, and the certificates and other documents or instruments delivered or to be delivered pursuant to this Agreement by or on behalf of the Holdco Shareholders contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller, severally and not jointly, solely as to him, her or itself, represents and warrants to the Parent and Buyer as follows.

4.1 Authority; Binding Nature of Agreement

. This Agreement and all other agreements, documents and instruments executed and delivered by the Seller pursuant hereto are valid and binding obligations of the Seller enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and general principles of equity (whether considered in equity or at law). The Seller has full right, authority, power and capacity to enter into this Agreement and all other agreements, documents and instruments executed and delivered by the Seller pursuant hereto and to carry out the transactions contemplated hereby and thereby.

4.2 Non-Contravention; Consents

. The execution, delivery and performance by the Seller of this Agreement and all other agreements, documents and instruments executed and delivered by the Seller pursuant hereto and the performance of the transactions contemplated by this Agreement and such other agreements, documents and instruments do not: (i) violate or result in a violation of, conflict with or constitute or result in a violation of or default (whether after the giving of notice, lapse of time or both) under, accelerate any obligation under, or give rise to a right of termination of, any material contract, agreement, obligation, permit, license or authorization to which the Seller is a party or by which their assets are bound, or any provision of the Seller's organizational documents, if applicable; (ii) violate or result in a violation of, or constitute a default (whether after the giving of notice, lapse of time or both) under, any provision of any law, regulation or rule, or any order of, or any restriction imposed by, any court or

Governmental Entity applicable to the Seller; or (iii) require from the Seller any notice to, declaration or filing with, or consent or approval of, any Governmental Entity or other third party.

4.3 Ownership

. Immediately prior to the Closing, the Seller is the sole record and beneficial owner of the Shares set forth opposite his, her or its name on Exhibit A attached hereto, free and clear of any Liens including Liens of spouses, former spouses and other family members. The Seller has the unqualified right and unrestricted power to enter into this Agreement and to convey to the Buyer the Shares and at the Closing the Seller will convey to the Buyer good and valid title to the Shares free and clear of any and all Liens other than restrictions on transfer that may be imposed by Canadian securities laws. Except as set forth in the Shareholders' Agreement, the Seller is not a party to, nor are any of the Seller's Shares subject to (i) any option, warrant, purchase right, right of first refusal, call, put or other contract or agreement that would require the Seller to sell, transfer or otherwise dispose of the Seller's Shares or (ii) any voting trust, proxy or other contract or agreement relating to the voting or disposition of the Seller's Shares.

4.4 Residency

. The Seller is not a non-resident for purposes of the Tax Act.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PARENT AND THE BUYER

The Parent and the Buyer represent and warrant to the Company and the Sellers as set forth below.

5.1 Corporate Organization

. The Parent and the Buyer are corporations duly organized, validly existing and in good standing under the Laws of the [State of Delaware]. The Parent and the Buyer have all requisite corporate power and authority to own, operate and lease the Leased Real Property and assets the Parent and/or the Buyer now owns, operates and leases and to carry on the Parent's and/or the Buyer's business as presently conducted. The Parent and the Buyer are duly qualified to transact business as a foreign corporation and are each in good standing in the jurisdictions where such qualification is required by reason of the nature of the properties and assets currently owned, operated or leased by the Parent and/or the Buyer or the business currently conducted by them, except for such jurisdictions where the failure to be so qualified would not have a Parent Material Adverse Effect. The Parent and/or the Buyer have previously made available to the Company complete and correct copies of its certificate of incorporation and all amendments thereto as of the date hereof (certified by the [Secretary of State of Delaware] as of a recent date) and its by-laws (certified by the Secretary of the Parent and the Buyer as of a recent date). Neither the certificate of incorporation nor the by-laws of the Parent and/or the Buyer have been amended since the respective dates of certification thereof, nor has any action been taken for the purpose of effecting any amendment of such instruments.

5.2 Authorization

. The Parent and the Buyer have full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Parent and the Buyer have been duly and validly authorized and approved by all necessary corporate action on the part of the Parent and the Buyer. This Agreement constitutes the legal and binding obligation of the Parent and the Buyer, enforceable against them in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other Laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or in Law).

5.3 Consents and Approvals; No Violations

. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not: (i) violate or conflict with any provisions of the certificate of incorporation or by-laws of the Parent and/or the Buyer; (ii) breach, violate or constitute an event of default (or an event which with the lapse of time or the giving of notice or both would constitute an event of default) under, give rise to any right of termination, cancellation, modification or acceleration under, or require any consent or the giving of any notice under, any note, bond, indenture, mortgage, security agreement, lease, license, franchise, permit, agreement or other instrument or obligation to which the Parent and/or the Buyer are parties, or by which any of them or any of their respective properties or assets may be bound, or result in the creation of any Lien, claim or

encumbrance of any kind whatsoever upon the properties or assets of the Parent and/or the Buyer pursuant to the terms of any such instrument or obligation, other than any breach, violation, default, termination, cancellation, modification or acceleration which would not have a Parent Material Adverse Effect; (iii) violate or conflict with any Law, statute, ordinance, code, rule, regulation, judgment, order, writ, injunction or decree or other instrument of any federal, provincial, state, local or foreign court or governmental or regulatory body, agency, association, organization or authority applicable to the Parent and/or the Buyer or by which any of their respective properties or assets may be bound, except for such violations or conflicts which would not have a Parent Material Adverse Effect; or (iv) require, on the part of the Parent and/or the Buyer, any filing or registration with, or permit, license, exemption, consent, authorization or approval of, or the giving of any notice to, any governmental or regulatory body, agency or authority other than any filing, registration, permit, license, exemption, consent, authorization, approval or notice which if not obtained or made would not have a Parent Material Adverse Effect.

5.4 Brokers; Payments

. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Parent and/or the Buyer.

5.5 Litigation

. There are no claims, investigations, complaints or other proceedings, including appeals and applications for review, in progress or, to the knowledge of the Parent or Buyer, pending or threatened against or relating to the Parent or Buyer, which, if determined adversely to the Parent or Buyer, would: (i) prevent the Parent from paying the Purchase Price; (ii) enjoin, restrict or prohibit the transfer of all or any part of the Sellers' Shares as contemplated by this Agreement; or (iii) prevent the Parent or Buyer from fulfilling any of its obligations set out in this Agreement or arising from this Agreement.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Fees and Expenses

. The Parent, the Buyer, the Company and each of its Subsidiaries shall bear and pay all of their own fees, costs and expenses relating to the transactions contemplated by this Agreement, including, without limitation, the fees and expenses of their respective counsel, accountants, brokers and financial advisors and any bonuses or severance obligations payable by the Company to Employees as a result of the transactions contemplated by this Agreement and the employer-portion of employment and payroll Taxes incurred in connection therewith (collectively, the "Transaction Expenses"), except that if the transaction contemplated herein is consummated, the Upfront Cash Consideration shall be reduced by the amount of all such Transaction Expenses incurred by the Company that remain unpaid as of Closing; provided that, for greater certainty: (a) any fees, costs and expenses incurred by the Company associated with the continuance of Telmetrics and HoldCo under the Laws of Nova Scotia shall be for the account of the Buyer; and (b) any fees, costs and expenses relating to the Escrow Agent shall be for the account of the Parent. If any Transaction Expenses are not accounted for as of Closing, then such Transaction Expenses shall be addressed as Indebtedness in accordance with Section 1.4 and Article X.

6.2 Tax Matters

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The Seller Representative shall cause, at the Seller's expense, to be prepared and filed within the time period prescribed by applicable Laws all Tax Returns for the Company for any period which ends on or before the Closing Date and for which Tax Returns have not been filed as of such date ("Stub Period Returns"). The Sellers and the Parent shall co-operate fully with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of all Stub Period Returns and shall preserve such data and other information until the expiration of any applicable limitation period under any applicable Laws with respect to such Stub Period Returns. The Sellers, the Parent, the Buyer and their respective Affiliates, as applicable, agree that the election under subsection 256(9) of the *Income Tax Act* (Canada) shall not be made in respect of the taxation years of the Company ending as a result of the Buyer's purchase of the Shares, unless mutually agreed by the Parties.

(a) Not less than forty-five (45) days prior to the due date of any such income Tax Returns, the Seller's Representative shall provide the Parent with a draft of the income Tax Returns (the "Draft Returns"). The

Parent and its advisors have the right to review the Draft Returns and any working papers relating to their preparation and to approve such Draft Returns before any such Draft Returns are filed with the relevant Taxing Authority, such approval not to be unreasonably withheld or delayed. Within fifteen (15) business days after the date that the Parent receives the Draft Returns, the Parent will advise the Seller's Representative in writing that the Parent either (i) agrees with the Draft Returns so received by it, or (ii) does not agree with the Draft Returns so received by it, in which event the Parent will set forth in reasonable detail the basis for such disagreement. If the Parent notifies the Seller's Representative of a disagreement pursuant to clause (ii) above, the Seller's Representative and the Parent will attempt in good faith to resolve such disagreement; provided, however, that if the Seller's Representative and the Parent fail to reach agreement, then the Seller's Representative may elect to file or cause to be filed such Draft Returns in the manner that the Seller's Representative so determines provided that such Draft Returns have been prepared in accordance with this Section 6.2(a) and such Draft Returns are filed or caused to be filed by the Seller's Representative on or before the date on which each is required by Law to be filed with the applicable Taxing Authority.

(b) After the Closing Date, the Sellers and the Parent shall cooperate fully in preparing for and defending any audits of, or disputes with any Taxing Authority regarding, any Tax Returns of the Company and make available to the other Party, and to any Taxing Authority as reasonably requested, all information, records, and documents relating to Taxes of the Company. Additionally, each of the Parent, Buyer and Sellers shall:

(i) assist the other Party in preparing any Tax Returns which such other Party is responsible for preparing and filing and, in connection therewith, provide the other Party with any necessary powers of attorney;

(ii) furnish the other Party with copies of all correspondence received from any Taxing Authority in connection with any Tax audit or information request; and

(iii) retain, or cause to be retained, for so long as any such taxable years or audits shall remain open for adjustments, any records or information which may be relevant to any such Tax Returns or audits, provided that such records and information are not required to be retained for a period in excess of seven (7) years from the close of the taxation year to which such information may be relevant.

(c) Unless otherwise required by applicable Law, neither the Parent nor the Buyer will file or cause or allow to be filed any amended Tax Returns for the Company for any tax period prior to the Closing Date if such action could result in the increase of any Tax liability for the Sellers or result in an indemnification claim against Sellers without the prior written consent of Sellers.

(d) If the Company is or would be liable to pay tax under Part III or Part III.1 of the Tax Act with respect to any dividends that it has paid or been deemed to have paid on or prior to the Closing Date, the Sellers agree that they shall concur in accordance with subsection 184(4) or subsection 185.1(3) of the Tax Act (as applicable) in the making of an election pursuant to subsection 184(3) or subsection 185.1(2) of the Tax Act (as applicable) and the Sellers shall take all steps reasonably requested by the Company and/or the Parent to evidence such concurrence.

6.3 Appointment of Shareholder Representatives

. The Shareholder Representatives are hereby appointed as representatives of the Sellers for purposes of this Agreement. The Parent and Buyer may rely upon the acts of the Shareholder Representatives for all purposes permitted hereunder.

(a) The Shareholder Representatives shall have full power of substitution to act in the name, place and stead of the Sellers in all matters in connection with this Agreement. The Shareholder Representatives' power shall include the following powers, without limitation: the power to act for the Sellers with regard to indemnification obligations hereunder; the power to compromise any claim on behalf of the Sellers and to transact matters of litigation or arbitration in connection with this Agreement; the power to do or refrain from doing all such further acts and things on behalf of the Sellers that the Shareholder Representatives deem necessary or appropriate in his sole discretion, and to execute all such documents as the Shareholder Representatives shall deem necessary or appropriate, in connection therewith; and the power to receive service of process in connection with any claims under this Agreement.

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

(b) If all of the Shareholder Representatives die or otherwise become incapacitated and are unable to serve as Shareholder Representatives, their successor shall be appointed by a majority in interest of the Sellers (such majority in interest to be determined in accordance with their Pro Rata Portions).

(c) The Shareholder Representatives shall act for the Sellers in the manner the Shareholder Representatives believes to be in the best interest of the Sellers and consistent with his obligations under this Agreement, but shall have no duties or obligations except as specifically set forth in this Agreement. In acting as the representatives of the Sellers, the Shareholder Representatives may rely upon, and shall be protected in acting or refraining from acting upon, an opinion or advice of counsel, certificate of auditors or other certificate, statement, instrument, opinion, report, notice, request, consent, order arbitrator's award, appraisal, bond or other paper or documents reasonably believed by him to be genuine and to have been signed or presented by the proper party or parties. The Shareholder Representatives shall not be personally liable to the Sellers for any action taken, suffered or omitted by him in good faith and reasonably believed by him to be authorized or within the discretion of the rights or powers conferred upon him by this Section 6.3. The Shareholder Representatives may consult with counsel and any advice of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered or omitted by him in such capacity in good faith and in accordance with such opinion of counsel. The Shareholder Representatives may perform their duties as Shareholder Representatives either directly or by or through their agents or attorneys, and the Shareholder Representatives shall not be responsible to the Sellers for any misconduct or negligence on the part of any agent or attorney appointed with due care by them under this Agreement. No bond shall be required of the Shareholder Representatives, and the Sellers severally but not jointly (in accordance with his, her or its Pro Rata Portion) indemnify the Shareholder Representatives with respect to any and all decisions made or actions taken in the capacity as a Shareholder Representatives, other than for the Shareholder Representatives' willful misconduct or gross negligence.

6.4 Termination of Shareholders' Agreement

. Effective as of Closing, the Shareholders agree and acknowledge that the Shareholders' Agreement and all other investor rights granted by the Company to its Shareholders and in effect prior to the Closing, including rights of co-sale, voting, registration, first refusal, board observation or information or operational covenants shall terminate.

6.5 Exercise and Termination of Company Share Rights

. The Company shall take all action necessary to ensure that all Company Share Rights are either (i) exercised in full and the exercise price with respect thereto is delivered to the Company in cash or by check prior to the Closing, or (ii) terminated as of immediately prior to the Closing.

6.6 Certain Deliveries

. As soon as practicable after the date hereof, the Company will deliver to Parent on one or more CD-Rom disks a complete and accurate (as of the date hereof) electronic copy of the "data room".

6.7 Investment Canada Act Notice

. The Buyer shall file a notification of acquisition of control of a Canadian business with Industry Canada in the prescribed form within thirty (30) days of the Closing Date pursuant to the Investment Canada Act.

6.8 Real Property Leases

. As soon as reasonably possible after the Closing Date, the Buyer shall execute an agreement directly with the landlords under any Real Property Lease agreeing to remain bound by all the terms, covenants and conditions contained in the applicable Real Property Leases.

ARTICLE VII

COVENANTS OF THE SELLERS

7.1 Competitive Activity

. Each of the Sellers hereby agrees that for a period of *** following the Closing Date, he, she or it will not, directly or indirectly, alone or as a partner, officer, director, employee, consultant, agent, independent contractor or shareholder of any company or business organization, engage in any business activity, or have a financial interest in any business activity (excepting only the ownership of not more than one percent (1%) of the outstanding securities of any class of any entity listed on an exchange or regularly traded in the over-the-counter

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

market), which is directly or indirectly in competition with the Business of the Company in Canada and the United States of America ("Competitive Activity"). Each of the Sellers agree that, for a period of *** following the Closing Date hereof, he, she or it will not in any capacity, either separately, jointly or in association with others, directly or indirectly, solicit or contact in connection with, or in furtherance of, a Competitive Activity any of the employees, consultants, agents, suppliers, customers or prospects of the Company that were such with respect to the Company at any time during the year immediately preceding the date of this Agreement.

7.2 Reasonableness

. Each Seller hereby acknowledges and agrees that:

(a) the duration, area and scope of the restrictive covenants contained in this Agreement were negotiated at arm's length;

(b) he has received independent legal counsel with respect to such restrictive covenants;

(c) the restricted covenants contained in this Agreement are in addition to any covenants made by the Seller under any other agreement including without limitation the Agreement or any consulting or employment agreements with the Company; and

(d) the restrictions of and on the Seller's current and future activities are reasonable in the circumstances and are reasonably required for the protection of the interests of the Company and its Affiliates.

7.3 Remedy

. Each Seller agrees that a breach of this Agreement by him may cause irreparable harm to the Company for which it may not be adequately compensated by damages alone, and therefore agrees that in the event of such a breach, the Company will not be restricted to seek damages alone, but shall be entitled to seek injunctive or other equitable relief.

7.4 Restrictive Covenants

. The parties intend that the conditions set forth in subsection 56.4(7) of the Tax Act (and the equivalent provisions of any applicable provincial Tax legislation) have been met such that subsection 56.4(5) of the Tax Act (and the equivalent provisions of any applicable provincial Tax legislation) applies to any "restrictive covenants" (as defined in subsection 56.4(1) of the Tax Act) granted by Seller pursuant to this Article VII (the "Restrictive Covenants"). For greater certainty, the parties hereto agree and acknowledge that: (i) for the purposes of the Tax Act, no part of the consideration payable to Sellers under this Agreement is allocable to, and no proceeds are receivable by Sellers for granting, the Restrictive Covenants, (ii) the Restrictive Covenants are integral to the Agreement and have been granted to maintain or preserve the fair market value of the Shares and (iii) the Restrictive Covenants meet the requirements specified in clause 56.4(7)(b)(ii)(B) of the Tax Act.

ARTICLE VIII

CONDITIONS TO THE OBLIGATIONS OF THE PARENT AND BUYER

The obligation of the Parent and the Buyer to consummate the transactions contemplated hereby shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions (any of which may be waived in writing by the Parent and the Buyer in their sole discretion):

8.1 Representations and Warranties True

. The representations and warranties of the Company and the Sellers which are contained in this Agreement, or contained in any Schedule, certificate or instrument delivered or to be delivered pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing Date.

8.2 Performance

. The Company and the Sellers shall have performed and complied in all material respects with all of the obligations under this Agreement which are required to be performed or complied with by it on or prior to the Closing Date.

8.3 Absence of Litigation

. No statute, rule or regulation shall have been enacted or promulgated, and no order, decree, writ or injunction shall have been issued and shall remain in effect, by any court or governmental or

regulatory body, agency or authority which restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby, and no action, suit or proceeding before any court or governmental or regulatory body, agency or authority shall have been instituted by any person (or instituted or threatened by any governmental or regulatory body, agency or authority), and no investigation by any governmental or regulatory body, agency or authority shall have been commenced with respect to the transactions contemplated hereby or with respect to the Company and each of its Subsidiaries which reasonably could have a material adverse effect on the transactions contemplated hereby or is reasonably likely to result in a Company Material Adverse Effect.

8.4 Purchase Permitted by Applicable Laws; Legal Investment

. The Buyer's purchase of and payment for the Shares (i) shall not be prohibited by any applicable Law or governmental order, rule, ruling, regulation, release or interpretation, (ii) shall not subject the Parent or the Buyer to any penalty, Tax, Liability or, in the reasonable judgment of the Parent or the Buyer, any other onerous condition under or pursuant to any applicable Law, statute, ordinance, regulation or rule, (iii) shall not constitute a fraudulent or voidable conveyance under any applicable Law, and (iv) shall be permitted by all applicable Laws, statutes, ordinances, regulations and rules of the jurisdictions to which the Parent or the Buyer is subject.

8.5 Proceedings Satisfactory

. All proceedings taken in connection with the purchase and sale of the Shares, the Agreement and all documents and papers relating thereto, shall be in form and substance reasonably satisfactory to the Parent and the Buyer.

8.6 Consents

. All approvals, consents (including contractual consents), licenses, permits, orders, waivers and authorizations required to be obtained by the Company or the Sellers in connection with the transactions contemplated by this Agreement and the sale of the Shares as set forth in Schedule 8.6 attached hereto shall have been obtained and shall be in full force and effect.

8.7 Additional Agreements

. The following agreements, forms or notices, as the case may be, shall have been executed and delivered to the Parent and the Buyer:

(a) an Executive Employment Agreement in a form satisfactory to the Parent, the Buyer and Osmak has been duly executed Osmak;

(b) a restricted stock unit agreement in a form satisfactory to the Parent, the Buyer and Osmak (the "RSU Recipient") has been duly executed by the RSU Recipient; and

(c) the Escrow Agreement duly executed by the Company.

8.8 Material Adverse Effect

. There shall not have occurred any event which is or reasonably could result in a Company Material Adverse Effect.

8.9 Supporting Documents

. The Company shall have delivered to the Parent a certificate (i) dated as of the Closing Date, certifying as to the corporate legal existence and good standing of the Company; and (ii) of the Secretary of the Company dated the Closing Date, certifying on behalf of the Company (w) that attached thereto is a true and complete copy of the articles of amalgamation of the Company, as in effect on the date of such certification; (x) that attached thereto is a true and complete copy of the by-laws of the Company, as in effect on the date of such certification; (y) that attached thereto is a true and complete copy of all resolutions adopted by the Board of Directors and the Shareholders, authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby; and (z) to the incumbency and specimen signature of each officer of the Company, executing on behalf of the company this Agreement and the other agreements related hereto.

8.10 Release of Liens

. Other than for Permitted Encumbrances, the Company shall have obtained to the satisfaction of the Parent and the Buyer, the releases from creditors needed to terminate any security interests granted by the Company in respect of the assets of the Company, if any, including, without limitation, Uniform Commercial Code termination statements (or other jurisdictional equivalents).

8.11 Seller Allocation Spreadsheet

. The Parent shall have received the Seller Allocation Spreadsheet in the form attached hereto as Exhibit A.

8.12 Preliminary Net Working Capital and Indebtedness Schedule

. The Parent shall have received the Preliminary Net Working Capital and Indebtedness Schedule in the form attached hereto as Exhibit D.

8.13 Transaction Expenses

. The Parent shall have received satisfactory evidence of the payment of all Transaction Expenses.

ARTICLE IX

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY AND THE SELLERS

The obligation of the Company and the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or prior to the Closing Date of each of the following conditions (any of which may be waived in writing by the Company and the Sellers in their sole discretion):

9.1 Representations and Warranties True

. The representations and warranties of each of the Parent and the Buyer contained in this Agreement, or contained in any Schedule, certificate or other instrument or document delivered or to be delivered pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing Date.

9.2 Performance

. The Parent and the Buyer shall have performed and complied in all material respects with all of the obligations under this Agreement which are required to be performed or complied with by them on or prior to the Closing Date.

9.3 Absence of Litigation

. No statute, rule or regulation shall have been enacted or promulgated, and no order, decree, writ or injunction shall have been issued and shall remain in effect, by any court or governmental or regulatory body, agency or authority which restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby, and no action, suit or proceeding before any court or governmental or regulatory body, agency or authority shall have been instituted by any person (or instituted or threatened by any governmental or regulatory body, agency or authority) and no investigation by any governmental or regulatory body, agency or authority shall have been commenced with respect to the transactions contemplated hereby or with respect to the Parent and/or the Buyer which would have a material adverse effect on the transactions contemplated hereby or is reasonably likely to result in a Parent Material Adverse Effect.

9.4 Additional Agreements

. The Parent shall have executed and delivered counterparts to the agreements referred to in Section 8.7.

9.5 Material Adverse Effect

. There shall not have occurred any event which is or reasonably could result in a Parent Material Adverse Effect.

9.6 Purchase Price

. At the Closing, the Parent shall distribute the Upfront Cash Consideration in accordance with Section 1.3.

9.7 Supporting Documents

.

(a) The Parent shall have delivered to the Sellers (i) a certificate of the Secretary of State of the State of Delaware dated as of the Closing Date, certifying as to the corporate legal existence and good standing of the Parent and the Buyer, and (ii) a certificate of the Secretary of the Parent and the Buyer, dated the Closing Date, certifying on behalf of the Parent and the Buyer (w) that attached thereto is a true and complete copy of the Certificate of Incorporation of the Parent, as in effect on the date of such certification; (x) that attached thereto is a true and complete copy of the By-Laws of the Parent and the Buyer as in effect on the date of such certification; (y) that attached thereto is a true and complete copy of all resolutions adopted by the Board of Directors of the Parent and the

Buyer authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby; and (z) to the incumbency and specimen signature of each officer of the Parent executing on behalf of the Parent and the Buyer this Agreement and the other agreements related hereto.

ARTICLE X

INDEMNIFICATION; SURVIVAL OF REPRESENTATIONS AND WARRANTIES

10.1 Indemnity Obligations

.

(a) Subject to the remainder of this Article X, from and after Closing, *** indemnify and hold the Parent and the Buyer (including their respective representatives and Affiliates) harmless from, and to reimburse the Parent for, any Losses directly or indirectly arising out of, based upon or resulting from (i) any inaccuracy in or breach of any representation or warranty of the Company set forth in Article II or certificate delivered by the Company or the Sellers pursuant to this Agreement; (ii) any breach or nonfulfillment of, or any failure to perform, any of the covenants, agreements or undertakings of the Company which are contained in this Agreement or any agreement entered into in connection herewith; (iii) any claims by any current or former holder of any equity interest or equity security of the Company or any of its Subsidiaries (including any predecessors), including any shares of the Company or other Company Share Rights, relating to or arising out of this Agreement and the transactions contemplated hereby, including any Losses due to any inaccuracy or incompleteness of the Seller Allocation Spreadsheet (including any Third Party Claim to any portion of the Purchase Price), (iv) any Taxes payable by the Company or any of its Subsidiaries relating to any period ending on or before the Closing Date (other than (A) Taxes reflected in the Final Net Working Capital and Indebtedness Schedule or (B) Taxes arising as a result of a breach of Section 6.2(c)) or (v) any unpaid Indebtedness of the Company or any unpaid Transaction Expenses incurred by the Company

(b) Subject to the remainder of this Article X, from and after Closing, each Seller shall, severally and not jointly, solely as to him, her or itself, indemnify and hold the Parent and the Buyer (including their respective representatives and Affiliates) harmless from, and to reimburse the Parent for, any Losses directly or indirectly arising out of, based upon or resulting from (i) any inaccuracy in or breach of any representation or warranty of such Seller set forth in Article IV; or (ii) any breach or nonfulfillment of, or any failure to perform, any of the covenants, agreements or undertakings of such Seller which are contained in this Agreement or any agreement entered into in connection herewith.

(c) Subject to the remainder of this Article X, from and after Closing, each HoldCo Shareholder shall, jointly and severally, hold the Parent and the Buyer (including their respective representatives and Affiliates) harmless from, and to reimburse the Parent for, any Losses directly or indirectly arising out of, based upon or resulting from any inaccuracy in or breach of any representation or warranty of such Seller set forth in Article III.

10.2 Notification of Claims

.

(a) Subject to the provisions of Section 10.3, in the event of the occurrence of an event pursuant to which the Parent shall seek indemnity pursuant to Section 10.1, the Parent shall provide the Shareholder Representatives with prompt written notice (a "Claim Notice") of such event and shall otherwise promptly make available to the Sellers, all relevant information which is material to the claim and which is in the possession of the indemnified party. The Parent's failure to give a timely Claims Notice or to promptly furnish the Shareholder Representative, with any relevant data and documents in connection with any Third-Party Claim shall not constitute a defense (in part or in whole) to any claim for indemnification by such party, except and only to the extent that such failure shall result in any prejudice to the indemnified party.

(b) The Shareholder Representatives shall have the right to elect to join in, through counsel of its choosing reasonably acceptable to the Parent, the defense, settlement, adjustment or compromise of any claim of any third party (a "Third Party Claim") for which indemnification will be sought by the Parent; provided, however,

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

that the Parent shall control such defense, settlement, adjustment or compromise. The expense of any such defense, settlement, adjustment or compromise, including the Parent's counsel and any counsel chosen by the Shareholder Representatives shall be borne by the Sellers. The Parent shall have the right to settle any such Third Party Claim; provided, however, that the Parent may not effect the settlement, adjustment or compromise of any such Third Party Claim without the written consent of the Shareholder Representatives, which consent shall not be unreasonably withheld, delayed or conditioned.

(c) Notwithstanding the other provisions of this Section 10.2(c), if a third party asserts (other than by means of a lawsuit) that the Buyer is liable to such third party for a monetary or other obligation for which the Buyer expects to seek indemnification pursuant to this Article X, and the Buyer reasonably determines that it has a valid business reason to fulfill such obligation, then (i) the Buyer shall be entitled to satisfy such obligation, without prior notice to or consent from the Shareholder Representatives, (ii) the Buyer may subsequently make a claim for indemnification in accordance with the provisions of this Article X, and (iii) the Buyer shall be reimbursed, in accordance with the provisions of this Article X, for any such Losses for which it is entitled to indemnification pursuant to this Article X (subject to the right of the Seller to dispute the Buyer's entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Article X).

10.3 Duration

. All representations and warranties set forth in this Agreement and any Schedules or certificates delivered pursuant hereto or thereto, and all covenants, agreements and undertakings of the parties contained in or made pursuant to this Agreement and any certificates delivered pursuant hereto or thereto, and the rights of the parties to seek indemnification with respect thereto (all of the foregoing collectively, the "Indemnifiable Matters"), shall survive the Closing but, except in respect of any claims for indemnification as to which a Claim Notice shall have been duly given and also as provided in the immediately following sentence, all Indemnifiable Matters pursuant to Section ***, shall expire on the date that is *** after the Closing Date. Notwithstanding the foregoing, (a) Indemnifiable Matters arising from breaches of the covenants contained in Section *** shall survive the Closing Date until *** anniversary of the Closing Date; (b) Indemnifiable Matters arising from breaches of the representations, warranties and covenants set forth in Sections ***, shall each survive the Closing Date until the *** anniversary of the Closing Date, and (c) Indemnifiable Matters arising from breaches of the representations and warranties set forth in Sections *** shall survive the Closing Date until *** (which date shall not be extended by any waiver given by the Company after the Closing Date without the consent of the Seller Representative, such consent not to be unreasonably withheld) (all such obligations in (a), (b) and (c), collectively, the "Excluded Obligations"). Notwithstanding the foregoing, claims for breaches of the representations and warranties relating to or arising from fraud shall be independent of, and shall not be limited by, the Agreement and shall survive the Closing Date indefinitely.

10.4 Liability; Offset

.

(a) If the Closing occurs, the Parent and the Buyer agree that the right to indemnification pursuant to this Article X shall constitute the Parent's and the Buyer's sole and exclusive remedy and recourse against the Sellers for Losses attributable to any Indemnifiable Matters, except for fraud. Except with respect to the Excluded Obligations and fraud, the maximum liability of Sellers collectively shall be limited to $*** (the "Offset Amount") and of any Seller shall be limited to such Seller's Pro Rata Portion of the Losses up to such Seller's Pro Rata Portion of the Offset Amount and the maximum liability of the Sellers collectively for the Excluded Obligations shall be limited to the Purchase Price actually paid to the Sellers and of any Seller for the Excluded Obligations shall be limited to such Seller's Pro Rata Portion of the Losses up to such Seller's Pro Rata Portion of the Purchase Price actually paid to such Seller. If the Parent or Buyer incur any indemnified Losses that have been finally resolved by the parties in accordance with this Agreement, the Parent or Buyer, as applicable, is authorized, subject to the limitations provided in this Article X, at any time and from time to time to the fullest extent permitted by law to set-off and apply any Earnout Consideration payable to the Sellers pursuant to this Agreement against such indemnifiable Losses. Notwithstanding the foregoing sentence, the Parent or Buyer shall be required to first set-off first against the Escrow Deposit and shall have the right to set-off against the Earnout Consideration any amounts due and payable to it pursuant to this Article X.

(b) Notwithstanding anything to the contrary herein, ***. Notwithstanding the foregoing, the Threshold shall not apply with respect to the Excluded Obligations and fraud.

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

(c) Notwithstanding anything in this Agreement to the contrary, the Offset Amount and the Threshold shall not apply to any claim by the Purchaser in respect of any Losses arising in connection with any misrepresentation or breach of warranty made or given by the HoldCo Shareholders in any of the sections in Article III or of the Sellers in any of the sections in Article IV.

(d) Notwithstanding anything in this Agreement to the contrary, for purposes of the indemnification obligations under this Article X, all of the representations and warranties set forth in this Agreement, or any other agreement, certificate or schedule executed or delivered in connection herewith or therewith that are qualified as to "material," "materiality," "material respects," "Material Adverse Effect" or words of similar import or effect shall be deemed to have been made without any such qualification for purposes of determining the amount of Losses resulting from, arising out of or relating to any such breach of representation or warranty.

(e) Notwithstanding anything in this Agreement to the contrary, the Sellers shall not be obligated to indemnify the Parent and Buyer in respect of Losses related to Taxes where the Losses arise from, or are the result of, (i) an amendment to a Tax Return that is made by the Parent or the Buyer without the Sellers consent unless so required under Law or (ii) an audit that is requested by, or otherwise purposefully initiated in any manner by the actions of, the Parent or the Buyer.

10.5 One Recovery

. The Parent or Buyer shall not be entitled to double recovery in respect of any claims for any indemnification payment pursuant to this Article X even though they may have resulted from the breach of more than one of the representations, warranties, agreements and covenants made in this Agreement.

10.6 No Contribution

. The Sellers hereby waive, acknowledge and agree that the Sellers shall not have and shall not exercise or assert (or attempt to exercise or assert), any right of contribution or right of indemnity against the Parent or the Buyer in connection with any indemnification payments which the Sellers are required to make under this Article X. Nothing contained in this Article X shall limit a Seller's right of contribution or right of indemnity from another Shareholder.

10.7 Exclusive Remedy

. Except for claims of fraud, the Parent and Buyer's rights of indemnity set forth in this Article X are the sole and exclusive remedy of the Parent and Buyer for any non-performance, non-fulfilment, misrepresentation, inaccuracy, or incorrectness of any representation, warranty, certification, agreement or covenant given or made by the Company or the Sellers in this Agreement.

10.8 After Tax Basis

. In determining the amount of any Losses under this Article X, such Losses will be increased (or decreased) to take into account any net Tax cost (or net Tax benefit) incurred or realized by the indemnified party as a result of the matter giving rise to such Losses and the receipt of an indemnity payment hereunder, to the extent necessary to ensure that the indemnified party receives a net amount which, taking into account any net Tax cost or net Tax benefit, is sufficient to fully compensate for the Losses (subject to any other limitations in this Agreement), but results in no net gain to the indemnified party. In computing the amount of any net Tax cost or net Tax benefit, the indemnified party will be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnity payment under this Agreement or the incurrence or payment of any indemnified Losses.

10.9 Treatment of Indemnity Payments

. All payments made pursuant to this Article X pertaining to any indemnification obligations shall be treated as adjustments to the Purchase Price for Tax purposes and such agreed treatment shall govern for purposes of this Agreement, unless otherwise required by Law.

10.10 General Release

.

(a) Each Seller from and after the Closing each hereby releases forever and discharge the Parent, the Buyer, the Company and their respective Affiliates, and each of their respective officers, managers, directors, members and employees (collectively, the "Releasees"), of and from any and all actions, claims, damages and Liabilities of any kind or nature whatsoever that relate to or arise out of any dealings, relationships or transactions by and between the Sellers, on the one hand, and any Releasee, on the other hand, in law or equity, which against any

Releasee such Seller has ever had, now has or which he, she or it hereafter can, shall or may have, whether or not now known, from the beginning of the world to the Closing Date (the "Causes of Action"). Each Seller understands and agrees that he, she or it is expressly waiving all claims, even those it may not know or suspect to exist, which if known may have materially affected the decision to provide this release, and such Seller expressly waives any rights under applicable Law that provide to the contrary. Furthermore, each Seller further agree not to institute any litigation, lawsuit, claim or action against any Releasee with respect to the released Causes of Action.

(b) The release set forth in Section 10.10(a), shall not apply to any rights of a Seller pursuant to this Agreement or any agreement entered into by such Seller in connection with the transactions contemplated by this Agreement (including the Executive Employment Agreement or any restricted stock unit agreement).

(c) Each Seller will not make any claim or take any proceedings against any other person or corporation who might claim, in any manner or forum, contribution or indemnity in common law or in equity, or under the provisions of any statute or regulation, from the Company or its affiliates in connection with the matters released by this Section 10.10. Each Seller agrees and understands that if it commences such an action, or takes such proceedings, and the Company or any of its affiliates is added to such proceeding in any manner whatsoever, whether justified in law or not, the Seller who commenced such a proceeding or made such claims will immediately discontinue the proceedings and/or claims, and will be liable to the Company or the applicable affiliate for the legal costs incurred in any such proceeding, on a solicitor and his own client scale.

(d) The release described in this Section 10.10 shall operate conclusively as an estoppel in the event of any claim, action, complaint or proceeding which might be brought in the future by any party with respect to the matters covered by this release. This terms of this Section 10.10 may be pleaded in the event any such claim, action, complaint or proceeding is brought, as a complete defence and reply, and may be relied upon in any proceeding to dismiss the claim, action, complaint or proceeding on a summary basis and no objection will be raised by the Sellers in any in any subsequent action that the other parties in the subsequent action were not privy to the formation of this Section 10.10.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Amendment

. This Agreement may be amended at any time by execution of an instrument signed by the Parent and the Shareholder Representatives.

11.2 Waiver of Compliance

. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant or agreement contained herein may be waived only by a written notice from the party or parties entitled to the benefits thereof. No failure by any party hereto to exercise, and no delay in exercising, any right hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or future exercise of that right by that party.

11.3 Notices

. All notices and other communications hereunder shall be deemed given if given in writing and delivered personally, by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier to the party to receive the same at its respective address set forth below (or at such other address as may from time to time be designated by such party to the others in accordance with this Section 11.3):

(a) if to the Parent, the Buyer or after the Closing to the Company, to:

Marchex, Inc.
520 Pike Street, Suite 2000
Seattle, WA 98101
Attention: Michelle Paterniti, General Counsel

with copies to:

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

DLA Piper LLP (US)
33 Arch Street, 26th Floor
Boston, MA 02110
Attention: Francis J. Feeney, Jr., Esq.

(b) if to the Shareholder Representatives, to:

***

with copies to:

Osler, Hoskin & Harcourt LLP
100 King Street West, Suite 6200
Toronto, Ontario M5X 1B8
Attention: Chad Bayne

All such notices and communications hereunder shall be deemed given when received, as evidenced by the signed acknowledgment of receipt of the person to whom such notice or communication shall have been personally delivered, the acknowledgment of receipt returned to the sender by the applicable postal authorities or the confirmation of delivery rendered by the applicable overnight courier service

11.4 Binding Effect; Assignment

. This Agreement, and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any rights, duties or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties hereto, except by the Parent to any successor to its business or to any Affiliate as long as the Parent remains ultimately liable for all of the Parent's obligations hereunder.

11.5 No Third Party Beneficiaries

. Neither this Agreement or any provision hereof nor any Schedule, certificate or other instrument delivered pursuant hereto, nor any agreement to be entered into pursuant hereto or any provision hereof, is intended to create any right, claim or remedy in favor of any person or entity, other than the parties hereto and their respective successors and permitted assigns and any other parties indemnified under Article X.

11.6 Public Announcements

. Promptly after the date of execution hereof and the Closing Date, the Parent may issue a press release in such form as reasonably acceptable to the Company and none of the parties hereto shall, except as agreed by the Parent and the Company, or except as may be required by Law or applicable regulatory authority (including without limitation the rules applicable to Nasdaq listed companies), issue any other reports, releases, announcements or other statements to the public relating to the transactions contemplated hereby.

11.7 Counterparts

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

11.8 Headings

. The article and section headings contained in this Agreement are solely for convenience of reference, are not part of the agreement of the parties and shall not be used in construing this Agreement or in any way affect the meaning or interpretation of this Agreement.

11.9 Entire Agreement

. This Agreement, and the Schedules, certificates and other instruments and documents delivered pursuant hereto, together with the other agreements referred to herein and to be entered into pursuant hereto, embody the entire agreement of the parties hereto in respect of, and there are no other agreements or understandings, written or oral, among the parties relating to the subject matter hereof, other than the Confidentiality Agreement. This Agreement supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such subject matter, other than the Confidentiality Agreement (subject to the disclosure requirements of any applicable Laws and/or governmental regulations).

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

11.10 Governing Law

. The parties hereby agree that this Agreement, shall be governed by and construed with the laws of the State of Delaware, without giving effect to principles of conflicts of law thereunder. Each of the parties hereby (i) irrevocably consents and agrees that any legal or equitable action or proceeding arising under or in connection with this Agreement shall be brought exclusively in the federal or state courts sitting in Wilmington, Delaware and any court to which an appeal may be taken in any such litigation, and (ii) by execution and delivery of this Agreement, irrevocably submits to and accepts, with respect to any such action or proceeding, for itself and in respect of its properties and assets, generally and unconditionally, the jurisdiction of the aforesaid courts, and irrevocably waives any and all rights such party may now or hereafter have to object to such jurisdiction.

11.11 Severability

. In the event that any clause or portion of this Agreement shall be held to be invalid, illegal, unenforceable, or in violation of any Law or public policy, such a finding shall not affect the balance of the terms contained herein, and the parties shall be charged with the responsibility of continuing to carry out the terms and conditions of this Agreement in a manner consistent therewith. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject or otherwise unreasonable so as to be unenforceable at Law, such provision or provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable Law as it shall then appear.

11.12 Specific Performance

. In addition to any and all other remedies that may be available at Law in the event of any breach of this Agreement, the parties hereto shall be entitled to specific performance of the agreements and obligations hereunder and to such other injunctive or other equitable relief as may be granted by a court of competent jurisdiction, without the necessity of posting a bond or proving actual damages.

11.13 Disclosure Schedules

. Nothing in any Schedule or any supplement to or amendment of any such Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless such Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. The statements in any such Schedule or supplement or amendment relate only to the provisions in the Section and/or subsections of this Agreement to which they expressly relate and not to any other provision of this Agreement (unless and only to the extent the relevance to other representations and warranties is readily apparent from the actual text of the disclosures without any reference to extrinsic documentation or any independent knowledge on the part of the reader regarding the matter disclosed).

11.14 Construction

. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, provincial or local statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” shall mean including without limitation. Wherever required by the context, as used in this Agreement, the singular number shall include the plural, the plural shall include the singular and all words herein in any gender shall be deemed to include the masculine, feminine and neutral genders. The parties hereto intend that each representation, warranty, and covenant contained herein shall have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which such party has not breached shall not detract from or mitigate the fact that such party is in breach of the first representation, warranty, or covenant.

11.15 Currency

. Unless otherwise specified, all dollar amounts in this Agreement, including the symbol “$”, refer to United States currency.

ARTICLE XII

DEFINITIONS

12.1 Certain Definitions

. As used in this Agreement, the following terms shall have the meanings indicated below:

"***Acceleration Event***" means any of the following: ***.

"***Affiliate***" means, with respect to the Person to which it refers, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such Person.

"***Anti-Spam Laws***" has the meaning set forth in Section 2.12(o).

"***ASPE***" means Canadian accounting standards for private enterprises.

"***Balance Sheet***" has the meaning set forth in Section 2.6(a).

"***Bonus Payment Amount***" means ***.

*"**Business of the Company**"* means the business of development and sale of call and text/SMS tracking, analytics and scoring and attribution technologies and services for the primary purposes of evaluating marketing related attribution.

"***Canadian Privacy Law***" means any applicable law relating to the protection of Personal Information including the Personal Information Protection and Electronic Documents Act (Canada).

"***Cause***" means that any one or more of the following has occurred: ***.

"***Causes of Action***" has the meaning set forth in Section 10.10(a).

"***Claim Notice***" has the meaning set forth in Section 10.10(a).

"***Closing***" means the completion of the sale to, and purchase by, the Buyer of the Shares and the completion of all other transactions contemplated by this Agreement which are to occur contemporaneously with the purchase and sale of the Shares.

"***Closing Date***" means the date of this Agreement.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Company***" has the meaning set forth in the preamble to the Agreement.

"***Company Common Shares***" has the meaning set forth in Section 2.4.

"***Company Disclosure Schedules***" has the meaning set forth in the preamble to Article II of the Agreement.

"***Company Employee Plan***" means any plan, program, policy, practice, contract, agreement or other arrangement (written or oral) providing for deferred compensation, profit sharing, bonus, severance, pension, retirement savings, termination pay, performance awards, share or share-related awards, fringe benefits, health benefits, welfare, pension, or any other material employee benefits or remuneration of any kind, whether formal or informal, funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, which is or has been maintained, contributed to, or required to be contributed to, by the Company or any of its Subsidiaries for the benefit of any Employee, or pursuant to which the Company or any of its Subsidiaries has or may have any Liability, or pursuant to which an ERISA Affiliate has or may have any Liability under ERISA or the Code, contingent or otherwise, but excluding any statutory benefit plans which the Company or any Subsidiaries is required to participate in or comply with.

"***Company Intellectual Property***" means any Intellectual Property that is owned by the Company or any of its Subsidiaries.

"***Company Material Adverse Effect***" means any change, event or effect that is, or that is reasonably likely to be, materially adverse to the business, operations, assets, Liabilities, prospects, financial condition or results of operations of the Company or any of its Subsidiaries, taken as a whole; but shall exclude any Company Material Adverse Effect arising out of: (i) any adverse change, effect or circumstance relating generally to financial markets or general economic conditions; (ii) any adverse change, effect or circumstance relating to conditions generally affecting the industry in which the Company or any of the Subsidiaries operates, and not affecting them in a disproportionate manner; (iii) war, act of terrorism, civil unrest or similar event; (iv) any generally applicable change in Laws or interpretation thereof; (v) any adverse change, effect or circumstance resulting from an action required by this Agreement; or (vi) any adverse change, effect or circumstance caused by the announcement or pendency of this Agreement or the transactions contemplated by this Agreement.

*"**Company Source Code**"* has the meaning set forth in Section 2.12(q).

"***Company Share Rights***" means all outstanding subscriptions, options, calls, warrants or any other rights, whether or not currently exercisable, to acquire any shares of the Company or that are or may become convertible into or exchangeable for any shares of the Company or another Company Share Right.

"***Competition Act***" means the Competition Act (Canada) R.S.C. 1985, c. C-34, as amended.

"***Confidentiality Agreement***" means the confidentiality agreement entered into by the Parent and the Company, dated as of June 9, 2018.

"***Draft Returns***" has the meaning set forth in Section 6.2(a).

"***Earnout Consideration***" has the meaning set forth in Section 1.2(b).

"***Earnout Period***" has the meaning set forth in Section 1.2(b).

"***Earnout Statement***" has the meaning set forth in Section 1.8(a).

"***Employee***" or "***Employees***" means any current employee of the Company or any of its Subsidiaries.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended.

"***ERISA Affiliate***" means any Person that, together with the Company or any of its Subsidiaries, would be treated as a single employer under Section 414 of the Code or Section 4001 of ERISA and the regulations thereunder.

"***Escrow Agent***" has the meaning set forth in Section 1.5.

"***Escrow Agreement***" has the meaning set forth in Section 1.5.

"***Escrow Deposit***" has the meaning set forth in Section 1.5.

"***Escrow Release Date***" means the eighteen (18) month anniversary of the Closing Date, provided that if there has been no claim for indemnification by Buyer prior to the first anniversary of the Closing Date then on such date $*** of the Escrow Deposit (or $*** less the amount reasonably necessary to satisfy claims for indemnification which are subject to a Claim Notice validly delivered in accordance with Article X prior to the Escrow Release Date) shall be released by the Escrow Agent to Shareholder Representatives.

"*Executive Employment Agreement*" means the employment agreement between the Company and Osmak dated as of the Closing Date.

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

"***Excluded Obligations***" has the meaning set forth in Section 10.3.

"***Final Net Working Capital and Indebtedness Schedule***" has the meaning set forth in Section 1.4(c).

"***Final Accounting Firm***" has the meaning set forth in Section 1.4(c)(ii).

"***Financial Goals***" has the meaning set forth in Section 1.2(b).

"***Financial Statements***" has the meaning set forth in Section 2.6(a).

"***Good Reason***" means ***.

"***Governmental Entity***" or "***Governmental Entities***" means any federal, state, local or foreign, governmental or quasi-governmental entity or municipality or subdivision thereof, or any agency, authority, department, commission, board, bureau, agency, court, tribunal or instrumentality, or any applicable self-regulatory organization.

"***HoldCo***" has the meaning set forth in the recitals to the Agreement.

"***HoldCo Statements***" means the unaudited balance sheet of HoldCo as of December 31, 2017 and the statements of operations and cash flow for the fiscal period ending December 31, 2017.

"***HoldCo Shareholders***" means Osmak, Larysa Osmak and KAMSO Trust.

"***Indebtedness***" means (i) indebtedness for borrowed money, or guarantees of any such indebtedness, for which the Company or any of its Subsidiaries is obligated, including the principal amount, plus accrued but unpaid interest thereon, of debt securities of the Company (ii) any Liabilities relating to any capital lease obligation of the Company, and shall include any prepayment penalties or other fees or amounts payable in connection with any such indebtedness or Liabilities and (iii) any negative cash balances of the Company or any of its Subsidiaries.

"***Indemnifiable Matters***" has the meaning set forth in Section 10.3 of this Agreement.

"***Intellectual Property***" means any or all of the following and all rights in, arising out of, or associated therewith: (i) all United States, international and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (ii) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, computer programs and other computer software, including all versions thereof, and all related documentation, manuals, field and data definitions and relationships, data definition specifications, data models, program and system logic, systems designs, sequence and organization, user interfaces, processes and formulae, source code, object code, algorithms, architecture, structure, display screens, layouts, development tools, instructions, templates and marketing materials, designs and all documentation relating to any of the foregoing (including if under development); (iii) all copyrights, copyrights registrations and applications therefor, and all other rights corresponding thereto throughout the world; (iv) all industrial designs and any registrations and applications therefor throughout the world; (v) all trade names, logos, common Law trademarks and service marks, trademark and service mark registrations, intent-to-use applications and other registrations and applications therefor throughout the world; (vi) all databases and data collections and all rights therein throughout the world; (vii) all domain names; (viii) all moral and economic rights of authors and inventors, however denominated, throughout the world, and (ix) any similar or equivalent rights to any of the foregoing anywhere in the world.

"***Investment Canada Act***" means the Investment Canada Act, R.S.C., 1985, c. 28 (1st Supp.).

"***knowledge***" means, with respect to the Company, the actual knowledge of Osmak, Emely Sabandal, Catherine Caplice and Rami Michael and the knowledge that they would have obtained if he had made reasonable inquiry of his direct subordinates or reports or such other employees of the Company who would reasonably be expected to have knowledge of the matter in question.

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

"***Law***" or "***Laws***" means any federal, state, provincial, foreign, or local law, statute, ordinance, rule, regulation, writ, injunction, directive, order, judgment, administrative interpretation, treaty, decree, administrative or judicial decision and any other executive, legislative, regulatory or administrative proclamation.

"***Leased Real Property***" means lands and/or premises which are used by the Company or any of the Subsidiaries which are leased, subleased, licensed or otherwise occupied by them and the interest of the Company or any of the Subsidiaries in plants, buildings, structures, fixtures, erections, improvements, easements, rights of way, spur tracks and other appurtenances situate on or forming part of such premises;

"***Liability***" or "***Liabilities***" means any direct or indirect Liability, indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, whether accrued, unaccrued, absolute, contingent, mature, unmature or otherwise and whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured.

*"**Licensed Intellectual Property**"* means all Intellectual Property used in the operation of the Company's business as presently conducted which is not Company Intellectual Property.

"Lien" means all mortgages, liens, pledges, security interests, charges, claims, restrictions, encumbrances, options, pledges, deeds of trust, voting agreements or trusts, or any other rights or restrictions of any nature whatsoever.

"***Losses***" means any and all losses, damages, deficiencies, Liabilities, obligations, actions, claims, suits, proceedings, demands, assessments, judgments, recoveries, fees, costs and expenses (including, without limitation, all reasonable out-of-pocket expenses, reasonable investigation expenses and reasonable fees and disbursements of accountants and counsel) of any nature whatsoever and whether or not arising from any Third Party Claim.

"***Malware Software***" means any program or file that is harmful to a computer user, including without limitation, computer viruses, worms, and Trojan horses.

"***Near Relatives***" has the meaning set forth in Section 2.11(c) of this Agreement.

"***Net Working Capital***" has the meaning set forth in Section 1.4(a) of this Agreement.

"***Offset Amount***" has the meaning set forth in Section 10.4(a).

"***OIBA***" has the meaning given in Exhibit B;

"***Open Source Materials***" means all software or other material that is distributed as "free software", "open source software" or under a similar licensing or distribution model, including without limitation the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD Licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License.

"***Osmak***" means Andrew Osmak.

"***Parent Material Adverse Effect***" means any change, event or effect that is, or that is reasonably likely to be, materially adverse to the business, operation, assets, Liabilities, financial condition or results of operations of the Parent and its subsidiaries, taken as a whole, but shall in no event be attributable to any change in Parent's stock price or any shortfall in Parent's financial performance from any securities analyst forecast or estimate.

"***Partner***" has the meaning set forth in Section 2.19 of this Agreement.

"***Permitted Encumbrances***" means: (i) statutory Liens for Taxes and utilities that are not yet due and payable or liens for Taxes being contested in good faith by any appropriate proceedings for which adequate reserves have been

established, (ii) statutory Liens to secure obligations to landlords, lessors or renters under leases or rental agreements, (iii) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance or similar programs mandated by Law, (iv) statutory Liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labour, materials or supplies and other like Liens, (v) Liens in favor of customs and revenue authorities arising as a matter of Law to secure payments of customs duties in connection with the importation of goods, (vi) non-exclusive object code licenses of software by the Company in the ordinary course of business consistent with past practice on its standard unmodified form of end user agreement; (vii) Liens affecting a landlord's (or sublandlord's, if applicable) interest in any Leased Real Property and (viii) any Liens set forth in Schedule 2.11 of the Company Disclosure Schedules.

"***Person***" means any individual, corporation, partnership, limited Liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Entity or other entity.

"***Personal Information***" means any information about an identifiable individual which is protected by any Canadian Privacy Law.

"***Preliminary Net Working Capital***" has the meaning set forth in Section 1.4(a).

"***Preliminary Net Working Capital and Indebtedness Schedule***" has the meaning set forth in Section 1.4(a).

"***Privacy Requirements***" has the meaning set forth in Section 2.12(n).

"***Pro Rata Portion***" of a Seller shall be equal to the percentage of the Purchase Price to which such Seller is entitled pursuant to the Seller Allocation Spreadsheet.

"***Purchase Price***" has the meaning set forth in Section 1.2(c).

"***Real Property Leases***" means those leases and subleases and amendments thereto pursuant to which the Company or any of the Subsidiaries uses or occupies the Leased Real Property;

"***Releasees***" has the meaning set forth in Section 10.10(a).

"***Related Person***" has the meaning set forth in Section 2.11(c).

"***Schedules***" means any schedules attached to or provided for under the Agreement.

"***Seller***" has the meaning set forth in the preamble to the Agreement.

"***SEC***" means the U.S. Securities and Exchange Commission.

"***Securities Act***" means *Securities Act* (Ontario).

"***Shares***" has the meaning set forth in the preamble to the Agreement.

"***Seller Allocation Spreadsheet***" means a spreadsheet in the form attached hereto as Exhibit A, and delivered separately to Parent prior to the Closing which sets forth the payments to be made to each Seller at the Closing.

"***Shareholders***" means the holders of shares of the Company.

"***Shareholders' Agreement***" has the meaning set forth in Section 2.4(d).

"***Spyware***" means programming that gathers information about a computer user without permission.

"***Stub Period Return***" has the meaning set forth in Section 6.2.

"***Subsidiary***" has the meaning set forth in Section 2.5(a).

"***Subsidiary Securities***" has the meaning set forth in Section 2.5(b).

"***Systems***" has the meaning set forth in Section 2.11(e).

"***Tax***" or "***Taxes***" means all federal, provincial, state and local, territorial and foreign taxes, levies, deficiencies or other assessments and other charges of whatever nature (including income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, backup withholding, social security, unemployment, disability, real property, personal property, goods and services, sales, use, transfer, real property gains, registration, value added, alternative or add-on minimum, and estimated taxes and workers' compensation premiums and other governmental charges, and other obligations of the same nature as or of a nature similar to any of the foregoing) imposed by any Taxing Authority.

"***Tax Act***" means the *Income Tax Act*, R.S.C. 1985, c.1 (5th supp.), as amended from time to time.

"***Taxing Authority***" means any governmental agency, board, bureau, body, department, or authority of any Canadian or United States federal, provincial, state or local jurisdiction or any foreign jurisdiction having jurisdiction with respect to any Tax.

"***Tax Returns***" means any federal, provincial, state, local and foreign return, declaration, report, claim for refund, amended return, declarations of estimated Tax or information return or statement relating to Taxes, and any schedule or attachment thereto, filed or maintained, or required to be filed or maintained in connection with the calculation, determination, assessment or collection of any Tax, and including any amendment thereof.

"***Third Party Claim***" has the meaning set forth in Section 10.2(b).

"***Threshold***" has the meaning set forth in Section 10.4(b).

"***Transaction Expenses***" has the meaning set forth in Section 6.1.

"***Upfront Cash Consideration***" has the meaning set forth in Section 1.2(a).

"***US GAAP***" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board and rules promulgated by the Securities and Exchange Commission and its related interpretations or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

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COUNTERPART SIGNATURE PAGE
TO SHARE PURCHASE AGREEMENT

IN WITNESS WHEREOF, the parties named below have caused this Agreement to be duly executed and delivered as an instrument under seal as of the date first above written.

PARENT:

MARCHEX, INC.

By: /s/Michael Arends
Name: Mike Arends
Title: Chief Financial Officer

BUYER:

MARCHEX CA CORPORATION

By: /s/Michelle Paterniti
Name: Michelle Paterniti
Title: President

COMPANY:

TELMETRICS INC.

By: /s/Andrew Osmak
Name: Andrew Osmak
Title: Chief Executive Officer

***

SHAREHOLDER REPRESENTATIVES:

***

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

SHARE PURCHASE AGREEMENT
BY AND AMONG
MARCHEX, INC.
SITA LABORATORIES, INC.
THE SELLERS AND
*** AS STOCKHOLDER REPRESENTATIVE
DATED NOVEMBER 20, 2018

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

Exhibits and schedules to the Share Purchase Agreement have been omitted. The following is a list of omitted exhibits and schedules which Buyer agrees to furnish supplementally to the Securities and Exchange Commission upon request.

Exhibits

A	Stockholder Allocation Spreadsheet
B	Escrow Agreement
C	Form of Executive Employment Agreements
D	Preliminary Net Working Capital and Indebtedness Schedule
E	Form of Opinion of Morris, Laing, Evans, Brock & Kennedy, Chartered
F	Secured Promissory Note and Stock Pledge Agreement

Disclosure Schedules

2.1	Corporate Organization
2.3	Consents and Approvals; No Violations
2.4	Company Capital Structure
2.5	Subsidiaries
2.6	Financial Statements; Business Information; Internal Controls
2.7	Absence of Undisclosed Liabilities
2.8	Absence of Certain Changes or Events
2.9	Legal Proceedings, etc.
2.10	Taxes
2.11	Title to Properties and Related Matters
2.12	Intellectual Property; Proprietary Rights; Regulatory Compliance
2.13	Contracts
2.14	Employment Matters
2.15	Employee Benefit Plans
2.18	Major Partners
2.19	Insurance
2.20	Brokers; Payments
2.21	Interested Party Transactions
2.25	Accounts Receivable
3.3	Ownership
6.6	Allocation Schedule
8.6	Consents

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

SHARE PURCHASE AGREEMENT

SHARE PURCHASE AGREEMENT (the "Agreement") dated as of November 20, 2018, by and among Marchex, Inc., a Delaware corporation (the "Buyer"), SITA Laboratories, Inc. d/b/a CallCap, a Kansas corporation (the "Company"), the stockholders parties hereto (collectively the "Stockholders" or the "Sellers" and each individually a "Seller"), and with respect to Section 1.4, Section 6.8, Article XI and as elsewhere referenced herein*** (in such capacity, the "Stockholder Representative").

This Agreement sets forth the terms and conditions upon which the Buyer will purchase from the Stockholders, and the Stockholders will sell to the Buyer, all of the capital stock of the Company, (the "Shares") and the Company at the Note Payment Date shall be subject only to those Liabilities which are specifically hereinafter described, for the consideration provided herein.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged the parties hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Shares. Upon the terms and subject to the conditions contained in this Agreement, at the Closing, the Sellers shall sell, assign, transfer and convey to the Buyer, and the Buyer shall purchase, acquire and accept from the Sellers all of the Sellers' Shares, which shall be free and clear of all Liens on the Note Payment Date (other than restrictions under the Securities Act and other applicable securities Laws). At the Note Payment Date, the Company will be debt-free with any Indebtedness (including the bank facility and the loan from Sunny P. Smith) and all Liabilities to be paid in full prior to Closing or out of the Cash Consideration, other than (a) accounts payable for cost of service related items as agreed to by Buyer (the "Cost of Service Liabilities") and (b) the remaining portion of up to *** payable under the Callcap of Wisconsin Agreement (the "Callcap of Wisconsin Purchase Price") (such Liabilities, excluding the Cost of Service Liabilities and Callcap of Wisconsin Purchase Price, the "Closing Liabilities"). Prior to or contemporaneous with Closing, the Company will distribute the following assets to the Stockholder Representative for distribution to the Sellers in accordance with the Stockholder Allocation Spreadsheet:

(a) Promissory Note of Will Steinhoff in favor of SITA Laboratories, Inc. dated January 1, 2013, in the original principal amount of $***, as amended by First Amendment to Promissory Note dated May 23, 2018, and Stock Pledge Agreement between the same parties dated January 1, 2013;

(b) John Hancock Life Insurance Policy #81 014 550 on the life of Sunny P. Smith; and

(c) John Hancock Life Insurance Policy #81 014 134 on the life of William P. Steinhoff to William P. Steinhoff.

Buyer will not acquire or otherwise obtain any benefit of any of the foregoing assets, and agrees to execute such other and further assignments to confirm and perfect the assignment as may reasonably be requested by the recipient of the foregoing assets.

1.2 Purchase Price. Upon the terms and subject to the conditions contained in this Agreement, in reliance upon the representations, warranties and agreements of the Company and the Sellers contained herein, and in consideration of the aforesaid sale, assignment, transfer and delivery of the Shares, the Buyer will pay or issue, as the case may be, the following:

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(a) at Closing, a Secured Promissory Note and Stock Pledge Agreement in the Form of Exhibit F attached hereto (the "Note and Pledge Agreement"), which shall mature on the next business day (the "Note Payment Date") and be payable in cash in the amount of Twenty-Five Million Dollars ($25,000,000) (the "Cash Consideration"); and

(b) shares of Buyer Class B common stock ("Buyer Common Stock") equal in value to Ten Million Dollars ($10,000,000) (the "Equity Consideration" and together with the Cash Consideration, the "Purchase Price"), calculated based on the 10-day trailing average of Buyer's Common Stock daily closing price on Nasdaq prior to the Closing (the "Closing Stock Price"). For all purposes under this Agreement, the Equity Consideration shall be valued at the Closing Stock Price. Twenty-five (25%) percent of such Equity Consideration shall be issued to the Stockholders on the first, second, third and fourth annual anniversary of the Closing Date, respectively. If either of the Company's Principal Executive Officers resign during such four (4) year period, all remaining Equity Consideration not yet issued will have such issuance deferred until the fifth annual anniversary of the Closing Date. If the employment of either of the Principal Executive Officers is terminated without Cause (as defined in such executive officer's employment agreement to be entered into at Closing) during such four (4) year period, all remaining Equity Consideration not yet issued will be issued in full at such time.

1.3 Distribution of Consideration. After payment of any Indebtedness and the Closing Liabilities per Section 1.1 (to the extent that any Closing Liabilities are not fixed or otherwise payable as of the Closing Date, the Buyer shall hold back at the Note Payment Date funds sufficient to satisfy such Closing Liabilities) and all fees and expenses incurred by the Company in connection with this Agreement in accordance with Section 6.4 of this Agreement and taking into account the Escrow Deposit per Section 1.5(a) and any adjustments per Section 1.4(a), at the Note Payment Date the Cash Consideration shall be wired to a single account designated by the Stockholder Representative for distribution to the Stockholders in accordance with the Stockholder Allocation Spreadsheet in the form of Exhibit A attached hereto. With respect to the Equity Consideration, after taking into account the Escrow Deposit per Section 1.5(a) the Equity Consideration when issuable pursuant to Section 1.2(b) shall be delivered to the Stockholder Representative for distribution to the Stockholders in accordance with the Stockholder Allocation Spreadsheet. Notwithstanding anything to the contrary in this Section 1.3, none of the Buyer, the Company or any party hereto shall be liable for any amount properly paid to a public official in compliance with any applicable abandoned property, escheat or similar law.

1.4 Working Capital and Indebtedness Adjustment.

(a) Preliminary Net Working Capital and Indebtedness. At least three (3) business days prior to the Closing, the Company shall prepare and deliver to the Buyer a statement (the "Preliminary Net Working Capital and Indebtedness Schedule") of the estimated net working capital (current assets less current Liabilities the "Working Capital") and cash (the "Preliminary Net Working Capital") and the Indebtedness and Closing Liabilities (the "Preliminary Closing Indebtedness") as of the Closing Date. Such Preliminary Net Working Capital and Indebtedness Schedule shall be determined in accordance with GAAP applied consistent with the Financial Statements described in Section 2.6. ***

(b) Final Net Working Capital and Indebtedness.

(i) Within sixty (60) days following the Closing, the Buyer shall prepare and deliver to the Stockholder Representative a statement (the "Final Net Working Capital and Indebtedness Schedule") of the Working Capital and cash as of the Closing Date (the "Closing Net Working Capital") and Indebtedness and Closing Liabilities (not satisfied out of the Cash Consideration) as of the Closing Date (the "Closing Indebtedness"). Such Final Net Working Capital and Indebtedness Schedule shall be determined in accordance with GAAP applied consistent with the Financial Statements described in Section 2.6.

(ii) If the Stockholder Representative disagrees with such determination, the Stockholder Representative shall notify the Buyer on or before the date fifteen (15) days after the date on which the Buyer delivers to the Stockholder Representative such statement of the Final Net Working Capital and Indebtedness

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Schedule. The Buyer and the Stockholder Representative shall attempt to resolve any such disagreements in good faith and the Buyer shall furnish the Stockholder Representative with reasonable documentation supporting its calculations in sufficient detail and itemization as to be reviewable by the Stockholder Representative. If the Buyer and the Stockholder Representative are unable to resolve all such disagreements on or before the date fifteen (15) days following notification by the Stockholder Representative of any such disagreements, the Buyer shall retain a nationally recognized independent public accounting firm *** (such accounting firm being referred to as the "Final Accounting Firm"), to resolve all such disagreements, who shall adjudicate only those items still in dispute with respect to the Final Net Working Capital and Indebtedness Schedule.

(iii) The Final Accounting Firm shall offer the Buyer and the Stockholder Representative the opportunity to provide written submissions regarding their positions on the disputed matters, which written submissions shall be provided to the Final Accounting Firm, if at all, no later than fifteen (15) days after the date of referral of the disputed matters to the Final Accounting Firm. The determination of the Final Accounting Firm shall be based solely on the written submissions by the Buyer and the Stockholder Representative and their respective representatives and shall not be by independent review. The Final Accounting Firm shall deliver a written report resolving only the disputed matters and setting forth the basis for such resolution within thirty (30) days after the Buyer and the Stockholder Representative submit in writing (or have had the opportunity to submit in writing but have not submitted) their positions as to the disputed items. In preparing its report, the Final Accounting Firm shall not assign a value to any disputed amount other than one submitted by the Buyer, on the one hand, or the Stockholder Representative, on the other hand whichever amount is nearer to the Final Accounting Firm's independent determination. The determination of the Final Accounting Firm with respect to the correctness of each matter in dispute shall be final and binding on the parties. The fees, costs and expenses of the Final Accounting Firm shall be borne entirely by the party as to whom there is a negative adjustment overall. The Final Accounting Firm shall conduct its determination activities in a manner wherein all materials submitted to it are held in confidence and shall not be disclosed to third parties. The parties hereto agree that judgment may be entered upon the determination of the Final Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced.

(c) ***

1.5 Escrow; Right of Offset.

(a) Buyer will deposit in escrow on behalf of the Sellers $*** of the Cash Consideration (on the Note Payment Date), and $*** of the Equity Consideration (at the time of its issuance) (the "Escrow Deposit"). The Escrow Deposit shall be held by and registered in the name of U.S. Bank National Association, as escrow agent (the "Escrow Agent"), as partial security for the indemnification obligations under Article X pursuant to the provisions of an Escrow Agreement (the "Escrow Agreement") in the form of Exhibit B attached hereto. The Escrow Deposit shall be held by the Escrow Agent for a period ending on the eighteen (18) month anniversary of the Closing (the "Escrow Release Date"), except the Escrow Deposit may be withheld after the Escrow Release Date for so long as is reasonably necessary to satisfy claims for indemnification which are evidenced by a Claim Notice delivered prior to the Escrow Release Date, but only so much of the Escrow Deposit as is reasonably necessary to satisfy the claims that have been evidenced by a Claim Notice. The Escrow Deposit shall be held and disbursed by the Escrow Agent in accordance with the Escrow Agreement.

(b) In addition to any rights now or hereafter granted under applicable law or otherwise and not by way of limitation of any such rights, the Buyer shall have the right to offset as provided in Section 11.4(b) below.

1.6 Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Article IX and subject to the satisfaction or waiver of the conditions set forth in Articles VII and VIII, the closing of the transactions described herein (the "Closing") will take place as promptly as practicable (and in any event within two (2) business days) after satisfaction or waiver of the conditions set forth in Articles VII and VIII, remotely via the electronic exchange of documents and signatures.

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The date of such Closing is referred to herein as the "Closing Date" and the effective time of such Closing for accounting purposes shall be 12:01 a.m. PST on such date.

1.7 Withholding. The Buyer shall be entitled to deduct and withhold from the Purchase Price payable pursuant to this Agreement such amounts as the Buyer may be required to pay, deduct or withhold therefrom under any provision of federal, state, local or foreign Tax Law, including without limitation withholding Taxes, if any. To the extent such amounts are so paid, deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the person to whom such amounts would otherwise have been paid.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Buyer as set forth below, subject to the exceptions set forth in the disclosure schedules hereto (the "Company Disclosure Schedules"), the section numbers and letters of which correspond to the section and subsection numbers and letters of this Agreement.

2.1 Corporate Organization.

The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Kansas. The Company has all requisite corporate power and authority to own, operate and lease the properties and assets it now owns, operates and leases and to carry on the Company's Business as presently conducted. The Company is duly qualified to transact business as a foreign corporation and is in good standing in the jurisdictions set forth in Schedule 2.1(a) hereto, which are the only jurisdictions where such qualification is required by reason of the nature of the properties and assets currently owned, operated or leased by it or the business currently conducted by it, except for such jurisdictions where the failure to be so qualified would not have a Company Material Adverse Effect. The Company has previously delivered to the Buyer complete and correct copies of the certification of incorporation of the Company (certified by the Secretary of State for the State of Delaware as of a recent date) and the by-laws of the Company (certified by the Secretary of the Company as of a recent date). Neither the Company's certificate of incorporation nor its by-laws have been amended since the date of certification thereof, nor has any action been taken for the purpose of effecting any amendment of such instrument.

2.2 Authorization. The Company has full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company has been duly and validly authorized and approved by all necessary corporate actions. This Agreement constitutes the legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other Laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in Law or in equity.

2.3 Consents and Approvals; No Violations. Except as set forth on Schedule 2.3, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including specifically the transfer of the Shares to the Buyer by the Company, will not: (i) violate or conflict with any provision of the certificate of incorporation or by-laws, or other constitutive documents of the Company and each of its Subsidiaries as the case may be; (ii) breach, violate or constitute an event of default (or an event which with the lapse of time or the giving of notice or both would constitute an event of default) under, give rise to any right of termination, cancellation, modification or acceleration under, or require any consent or the giving of any notice under, any note, bond, indenture, mortgage, security agreement, lease, license, franchise, permit, agreement or other instrument or obligation to which the Company or any of its Subsidiaries are parties, or by which the Company, any of its Subsidiaries or any of their respective properties or assets may be bound, or result in the creation of any lien, claim or encumbrance or other right of any third party of any kind whatsoever upon the properties or assets of the

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Company or any of its Subsidiaries pursuant to the terms of any such instrument or obligation; (iii) violate or conflict with any Law, statute, ordinance, code, rule, regulation, judgment, order, writ, injunction, decree or other instrument of any federal, state, local or foreign court or governmental or regulatory body, agency, association, organization or authority applicable to the Company or any of its Subsidiaries or by which their respective properties or assets may be bound, except for such violations and conflicts which would not have a Company Material Adverse Effect; or (iv) require, on the part of the Company or any of its Subsidiaries, any filing or registration with, or permit, license, exemption, consent, authorization or approval of, or the giving of any notice to, any governmental or regulatory body, agency or authority, other than any filing, registration, permit, license, exemption, consent, authorization, approval or notice which if not obtained would not have a Company Material Adverse Effect.

2.4 Company Capital Structure.

(a) The authorized capital stock of the Company consists of (i) ten million Class A Voting shares and ten million Class B Non-voting shares of Common Stock, no par value per share, of which 1,476,100 Class A Voting shares are issued and outstanding and 459,053 Class B Non-voting shares are issued and outstanding ("Company Capital Stock"). The Company does not have any shares of preferred stock or any other shares of capital stock authorized, issued or outstanding. The Company Capital Stock is held of record and to the Company's knowledge, beneficially by the Persons with the addresses and in the amounts and represented by the certificates set forth on Schedule 2.4(a). All outstanding shares of Company Capital Stock (i) have been duly authorized and validly issued and are fully paid, non-assessable and not subject to preemptive rights or similar rights created by statute, the Company's certificate of incorporation, by-laws or any agreement or document to which the Company is a party or by which it is bound, and (ii) have been offered, sold, issued and delivered by the Company in all material respects in compliance with all applicable Laws, including federal and state corporate and securities Laws. There are no declared or accrued but unpaid dividends with respect to any shares of Company Capital Stock. Since June 30, 2018, there have been no dividends or distributions with respect to any shares of Company Capital Stock or otherwise to any officer or director of the Company not in accordance with past practices and in no event greater than $900,000 per calendar quarter (prorated for any partial quarter) and as set forth on Schedule 2.4(a). Except as set forth above, as of the date of this Agreement no shares of Company Capital Stock, other equity securities, partnership interests or similar ownership interests or other voting securities of the Company or any securities exchangeable or convertible into or exercisable for such capital stock, other equity securities, partnership interests or similar ownership interests or other voting securities of the Company, were issued, reserved for issuance or outstanding. There are no bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which Stockholders of the Company may vote. Except as set forth on Schedule 2.4(a), the Company has never repurchased, redeemed or otherwise acquired or caused the repurchase, redemption or acquisition of any shares of Company Capital Stock or other securities of the Company, and there are no amounts owed or which may be owed to any person by the Company as a result of any repurchase, redemption or acquisition of any shares of Company Capital Stock or other securities of the Company. There is no claim or basis for such a claim to any portion of the Purchase Price except as provided in the Stockholder Allocation Spreadsheet by any current or former stockholder, option holder or warrant holder of the Company, or any other Person.

(i) Neither the Company nor any of its Subsidiaries has ever adopted, sponsored or maintained any option plan or any other plan or agreement providing for equity compensation to any Person (a "Company Option").

(ii) The Company has no outstanding warrants ("Company Warrant") for the purchase of shares of Company Capital Stock.

(iii) There are no Company Stock Rights or agreements of any character, written or oral, obligating the Company or any of its Subsidiaries to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any Company Capital Stock or equity or other ownership interest of the Company or any Subsidiary or obligating the Company or any of its Subsidiaries to grant, extend, accelerate the vesting of, change the price of, otherwise amend or enter into any Company Stock Right. There are no

outstanding or authorized stock appreciation, phantom stock, profit participation, or other similar rights with respect to the Company or any of its Subsidiaries.

(b) Except for the voting, right of first refusal, registration rights, stockholder or similar agreements set forth in Schedule 2.4(b) (collectively, the "Investor Agreements") there are no (i) voting trusts, proxies, or other agreements or understandings with respect to the voting stock of the Company or any of its Subsidiaries to which the Company or any of its Subsidiaries is a party, by which the Company or any of its Subsidiaries is bound, or of which the Company has knowledge, or (ii) agreements or understandings to which the Company or any of its Subsidiaries is a party, by which the Company or any of its Subsidiaries is bound, or of which the Company has knowledge relating to the registration, sale or transfer (including agreements relating to rights of first refusal, "co-sale" rights or "drag-along" rights) of any shares of Company Capital Stock. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and thereby does not implicate any rights or obligations under the Investor Agreements that have not been complied with or waived. The holders of shares of Company Capital Stock have been or will be properly given, or shall have properly waived, any required notice prior to the transactions contemplated therein.

2.5 Subsidiaries.

(a) Except for the Persons set forth in Schedule 2.5(a) (each a "Subsidiary"), the Company does not own and has never otherwise owned, directly or indirectly, any capital stock of or any other equity interest in, or controlled, directly or indirectly, any other Person, and the Company is not and has not otherwise been, directly or indirectly, a party to, member of or participant in any partnership, joint venture or similar business entity. Each Subsidiary is duly organized, validly existing and in good standing (to the extent applicable) under the Laws of its jurisdiction of formation. Each Subsidiary has all requisite power and authority to own, lease and operate its properties and to carry on its business as currently conducted. Each Subsidiary is duly qualified or licensed to do business and is in good standing (to the extent applicable) as a foreign organization in each jurisdiction listed on Schedule 2.5(a), which constitute all of the jurisdictions in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not reasonably be expected to be material to the Company and its Subsidiaries or the Company's ability to consummate the transactions contemplated by this Agreement in a timely manner. The Company has delivered to the Buyer a true and correct copy of each Subsidiary's articles of incorporation and by-laws (or other comparable organizational documents), each as amended to date and in full force and effect on the date hereof. Schedule 2.5(a) lists every jurisdiction in which each Subsidiary of the Company has facilities, maintains an office or has an Employee.

(b) The capitalization of each Subsidiary, including the identity of each holder of an outstanding equity interest therein, is as set forth on Schedule 2.5(b). All of the outstanding capital stock of, or other ownership interests in, each Subsidiary is owned by the Company, directly or indirectly, free and clear of any lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests). There are no outstanding (i) securities of the Company or any of its Subsidiaries convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in any Subsidiary or (ii) options or other rights to acquire from the Company or any of its Subsidiaries, or obligation on the part of the Company or any of its Subsidiaries to issue, any capital stock, voting securities or other ownership interests in, or any securities convertible into or exchangeable for any capital stock, voting securities or ownership interests in, any of its Subsidiaries (the items in clauses (i) and (ii) being referred to collectively as the "Subsidiary Securities"). There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any outstanding Subsidiary Securities. All of the outstanding share capital of each Subsidiary has been duly authorized and is validly issued, fully paid and non-assessable.

2.6 Financial Statements; Business Information; Internal Controls.

(a) Attached hereto as Schedule 2.6(a) are (i) the audited balance sheets of the Company as of December 31, 2016 and 2017 and the statements of operations and cash flow for the fiscal periods then ended,

and (ii) the unaudited balance sheet of the Company as of October 31, 2018 (the "Balance Sheet") and the statements of operations and cash flow of the Company for the ten (10) month period then ended (hereinafter collectively referred to as the "Financial Statements"). The Financial Statements (i) have been prepared from the books and records of the Company, (ii) have been prepared in accordance with GAAP consistently applied during the periods covered thereby, and (iii) present fairly in all material respects the financial condition and results of operations of the Company or any of its Subsidiaries as at the dates, and for the periods, stated therein, except that the interim Financial Statements are subject to normal year-end adjustments which will not be individually or in the aggregate material in amount or effect. For the purposes of this Agreement, generally accepted accounting principles shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board and rules promulgated by the Securities and Exchange Commission (the "SEC") and its related interpretations or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination ("GAAP").

(b) Schedule 2.6(b) attached hereto sets forth certain statistics regarding the Company's Business including, but not limited to, information related to the Company's products, services and websites such as (i) approximate number of calls, approximate number of billed calls, the average revenue per call, (ii) approximate number of call minutes, total number of phone-numbers, number of toll-free numbers and number of local numbers in service with customers and numbers held for reserve purposes, and average cost per minute, average cost of total phone-numbers and average cost of toll-free numbers and average cost of local numbers, (iii) average length of calls, approximate number of calls scored and average cost of call-scoring, average cost of listening functions and communication service costs, if applicable, (iv) average cost per minute into inbound to a call tracking number and outbound to a destination number; (v) average number of calls transcribed through third parties and average cost per minute transcribed; (vi) average number of phone numbers augmented with third party lookup data (name, address, or other demographic data) and average cost per lookup; (vii) list of all carriers with any phone numbers or calls routed; (viii) average count of phone numbers enabled for texting, average quantity of messages sent and received, and the average cost for each; (ix) average quantity of phone numbers provisioned from carriers, ported into carriers, deactivated, and ported out from the Company and the average cost for each, (x) number of customers, number of installed applications (of the Ice Boxes and of number of customers installed applications), and (xi) number of unique calls, each for the months of August, September and October 2018 (collectively, the "Data") which are true and correct in all material respects as of the dates stated in the schedule. Without limiting the materiality of any other representations, warranties and covenants of the Company contained herein, the Company specifically acknowledges that the accuracy in all material respects of such Data is material to the Buyer's decision to enter into the transactions contemplated by this Agreement and to pay the Purchase Price.

(c) To the best of its knowledge, the Company and each of its Subsidiaries have not directly or indirectly installed, imbedded or derived any traffic, leads or calls from any Spyware or Malware Software sources.

(d) The Company and each of its Subsidiaries has in place systems and processes that are: (i) designed to (x) provide reasonable assurances regarding the reliability of the Financial Statements, and (y) in a timely manner accumulate and communicate to the Company's principal executive officer and principal financial officer the type of information that would be required to be disclosed in the Financial Statements; (ii) customary for a company at the same stage of development as the Company; and (iii) to the Company's knowledge, adequate for a company at the same stage of development as the Company. To the Company's knowledge, there have been no instances of fraud, whether or not material, which occurred during any period covered by the Financial Statements, except as set forth on Schedule 2.6(d).

(e) To the Company's knowledge, no Employee has provided information to any Governmental Entity regarding the commission of any crime or violation of any Law applicable to the Company, any of its Subsidiaries or any part of their respective operations.

(f) During the period covered by the Financial Statements, the Company's external auditor was independent of the Company's and its management. Schedule 2.6(f) lists each written report by the Company's external auditors to the Company's board of directors, or any committee thereof, or the Company's management concerning any of the following and pertaining to any period covered by the Financial Statements: critical accounting policies; its internal controls; significant accounting estimates or judgments; alternative accounting treatments; and any required communications with the Company's board of directors, or any committee thereof, or with management of the Company. The Company's revenue recognition policy is consistent with GAAP.

2.7 Absence of Undisclosed Liabilities. Except as set forth on Schedule 2.7 the Company is neither liable for nor subject to any material Liability except for (i) those Liabilities reflected on the Balance Sheet and not previously paid or discharged, (ii) contractual and other Liabilities incurred in the ordinary course of business which are not required by GAAP to be reflected on a balance sheet, which would not individually or collectively result in a Company Material Adverse Effect, and (iii) those Liabilities which have arisen since the date of the Balance Sheet in the ordinary course of business, which would not individually or collectively result in a Company Material Adverse Effect.

2.8 Absence of Certain Changes or Events. Except as set forth on Schedule 2.8 hereto, since December 31, 2017, the Company has carried on its business in all material respects in the ordinary course and consistent with past practice. Except as set forth on Schedule 2.8 or as set forth or reserved against in the Balance Sheet, since December 31, 2017, neither the Company nor any of its Subsidiaries has: (i) incurred any material obligation or Liability (whether absolute, accrued, contingent or otherwise) except in the ordinary course of the Company's Business and consistent with past practice; (ii) experienced any Company Material Adverse Effect; (iii) made any change in accounting principle or practice or in its method of applying any such principle or practice; (iv) suffered any material damage, destruction or loss, whether or not covered by insurance, affecting its properties, assets or the Company's Business; (v) mortgaged, pledged or subjected to any lien, charge or other encumbrance, or granted to third parties any rights in, any of its properties or assets, tangible or intangible; (vi) sold or transferred any of its assets, except in the ordinary course of business and consistent with past practice, or canceled or compromised any debts or waived any claims or rights of a material nature; (vii) issued any additional Company securities, other equity securities, partnership interests or similar equity interests, or any rights, options or warrants to purchase, or securities convertible into or exchangeable for, Company securities; (viii) declared or paid any dividends on or made any distributions (however characterized) in respect of Company securities; (ix) repurchased or redeemed any Company securities; (x) terminated, amended or waived with respect to any material contract, any material right, except in the ordinary course of business and consistent with past practice; (xi) granted any general or specific increase in the compensation payable or to become payable to any of its Employees or any bonus or service award or other like benefit, or instituted, increased, augmented or improved any Company Employee Plan; or (xii) entered into any agreement to do any of the foregoing.

2.9 Legal Proceedings, etc. Except as set forth on Schedule 2.9, there are no suits, actions, claims, proceedings (including, without limitation, arbitral or administrative proceedings) or investigations pending or, to the knowledge of the Company, threatened against the Company, any of its Subsidiaries, any of their respective properties, assets or business or, to the knowledge of the Company, pending or threatened against any of the officers, directors, partners, managers, employees, agents or consultants of the Company or any of its Subsidiaries. There are no such suits, actions, claims, proceedings or investigations pending against the Company or any of its Subsidiaries or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries challenging the validity or propriety of the transactions contemplated by this Agreement. There is no judgment, order, injunction, decree or award (whether issued by a court, an arbitrator or an administrative agency) to which the Company or any of its Subsidiaries is a party, or involving the properties, assets or business, which is unsatisfied or which requires continuing compliance therewith by the Company or any of its Subsidiaries. Schedule 2.9 hereto sets forth all settlements, judgments, orders, injunctions, decrees and awards entered into or imposed which the Company or any of its Subsidiaries is a party to or by which the Company or any of its Subsidiaries is bound, and the Company and each of its Subsidiaries is and has been at all times in material compliance with the terms of such settlements, judgments, orders, injunctions, decrees and awards. Schedule 2.9 hereto sets forth all suits, actions, claims, proceedings or investigations regarding any equity security of the Company or any of its Subsidiaries which the Company has ever been involved in or received notice of.

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

2.10 Taxes.

(a) The Company is, and has been at all times since its incorporation, an "S corporation" within the meaning of Section 1361 of the Code and the applicable provisions of state income Tax law (except in those states which do not recognize S corporation status) and has filed all forms and taken all actions necessary to maintain such status. Neither the Company nor any Seller has taken or omitted to take any action, or knows of any fact or circumstance, which action, omission, fact or circumstance could result in the loss of the Company's status as an S corporation. No Acquired Company had or will have any liability for Taxes pursuant to Section 1374 or 1375 of the Code, including as a result of the transactions contemplated by this Agreement. No Acquired Company has, in the past five years (i) acquired assets from another corporation in a transaction in which the tax basis of the acquired assets (or any other property) was determined, in whole or in part, by reference to the tax basis of the acquired assets (or any other property) in the hands of the transferor, or (ii) acquired the stock of any corporation.

(b) Each Acquired Company has properly and timely filed (taking into account all applicable extensions) all Tax Returns required to be filed by it on or prior to the date hereof, and has in a timely manner paid all Taxes which are due whether or not shown on such Tax Returns, except to the extent the Company has established adequate reserves in accordance with GAAP (excluding accruals and reserves for deferred Taxes established to reflect timing differences between financial accounting and taxable income) on the Balance Sheet for such Taxes and disclosed the dollar amount and the components of such reserves on Schedule 2.10(b) hereof. All such Tax Returns have been accurately and completely prepared in all material respects in compliance with all Laws.

(c) Except as set forth on Schedule 2.10(c), there are no examinations, investigations, audits, actions, suits or proceedings currently being conducted, pending or, to the knowledge of the Company, threatened against any Acquired Company by any Taxing Authority, no claim for the assessment or collection of Taxes has been asserted against any Acquired Company and there are no matters under discussion by any Acquired Company with any Taxing Authority regarding claims for the assessment or collection of Taxes. Any Taxes that have been claimed or imposed as a result of any examinations of any Tax Return of the Acquired Companies by any Taxing Authority have been paid or are being contested in good faith and have been disclosed in writing to the Buyer. There are no agreements or applications by any Acquired Company for an extension of time for the assessment or payment of any Taxes, nor is there any waiver of the statute of limitations in respect of Taxes. There are no Tax liens on any of the assets of the Acquired Companies that resulted from the failure, or alleged failure, to pay Taxes due or payable.

(d) No Acquired Company is a party to or bound by or has any obligation under any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar agreement or arrangement and no Acquired Company has any Liability for Taxes of any other Person under any applicable Law as transferee or successor.

(e) The Company and each of its Subsidiaries has withheld all amounts from its respective employees, agents and other Persons required to be withheld under the tax, social security, unemployment and other withholding provisions of all federal, state, local and foreign Laws, and has complied with all information reporting and back-up withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party.

(f) No amount will be required to be withheld under Section 1445 of the Code in connection with any of the transactions contemplated by this Agreement.

(g) No power of attorney has been granted by the Company or any of its Subsidiaries that is currently in force with respect to any matter relating to Taxes, except powers of attorney in favor of Allen, Gibbs & Houlik, L.C. for Form 1120S and Form 3115 for tax years 2016 and 1017.

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

(h) No Acquired Company is a party to any joint venture, partnership or other arrangement that is treated as a partnership for U.S. federal income tax purposes.

(i) Neither the Company nor any of its Subsidiaries has received any written ruling of a Taxing Authority relating to Taxes or entered in any written and legally binding agreement with a Taxing Authority relating to Taxes, including any closing agreements under Section 7121 of the Code.

(j) No claim has ever been made in writing to the Company or any of its Subsidiaries by any authority in a jurisdiction where the Company or any of its Subsidiaries file Tax Returns that it is or may be subject to taxation by that jurisdiction, and neither the Company nor any of its Subsidiaries does business in nor derives income from within or allocable to any state, local, territorial or foreign taxing jurisdiction other than those for which all Tax Returns have been furnished to the Buyer.

(k) Neither the Company nor any of its Subsidiaries engage in a non-United States trade or business, other than the sale of services in the ordinary course of business to customers in Canada in amounts not in excess of $105,500 for 2017 and $138,300 for 2018 (through August 31) as set forth in Schedule 2.10(k), and neither the Company nor any of its Subsidiaries has a permanent establishment or fixed place of business outside the United States.

(l) The Company and each its Subsidiaries has delivered or made available to the Buyer for inspection true and complete copies of (i) all private letter rulings, revenue agent reports, information document requests, audit reports, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending ruling requests and any similar documents submitted by, received by or agreed to by or on behalf of the Company and each its Subsidiaries relating to Taxes for all taxable periods for which the applicable statute of limitations has not yet expired, and (ii) all federal, state, local and foreign income or franchise Tax Returns for the Company and each its Subsidiaries for all periods for which the statute of limitations has not expired.

(m) Neither the Company nor any of its Subsidiaries has made any payments, is not obligated to make any payment, and is not a party to any agreement, contract, arrangement or plan that under any circumstances could obligate it to make any payment that will not be deductible under Section 280G of the Code, or that would be subject to an excise Tax under Section 4999 of the Code.

(n) Neither the Company nor any of its Subsidiaries has engaged in a "reportable transaction" within the meaning of Treasury Regulations Section 1.6011(b).

(o) Schedule 2.10(o) attached hereto sets forth each jurisdiction in which the Company or each of its Subsidiaries files, is required to file or has been required to file a Tax Return or is or has been liable for Taxes on a "nexus" basis.

(p) Each plan, program, arrangement or agreement that is a nonqualified deferred compensation plan within the meaning of Section 409A of the Code is identified as such on Schedule 2.10(p).

(q) Each plan, program, arrangement or agreement identified or required to be identified on Schedule 2.10(p) has been operated and maintained in compliance with Section 409A of the Code.

(r) Neither the Company nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in connection with a distribution described in Section 355 of the Code.

(s) Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) use of an incorrect method of accounting or any change in method of accounting for a taxable period ending on or prior to the Closing Date or for any Straddle Period, including under

Section 481 of the Code (or any corresponding or similar provision of state, local, non-U.S. or other law); (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local, non-U.S. or other law); (iii) deferred intercompany gain or any excess loss account described in the Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local, non-U.S. or other law) existing on or before the Closing Date; (iv) installment sale or open transaction disposition made on or prior to the Closing Date, or application of the completed contract method of accounting or the cash method of accounting to any transaction occurring on or prior to the Closing Date; (v) prepaid amount, advanced payment or deferred revenue received or accrued on or prior to the Closing Date; (vi) election under Section 108(i) of the Code or Section 965 of the Code (or any corresponding or similar provision of state, local, non-U.S. or other law); (viii) debt instrument that was acquired with "original issue discount" as defined in Section 1273(a) of the Code or is subject to the rules set forth in Section 1276 of the Code; (ix) application of Section 951, 951A or 965 of the Code to any interest held in a "deferred foreign income corporation" or in a "controlled foreign corporation" (as respectively defined in Sections 965 and 957 of the Code) with respect to income earned or recognized or payments received on or prior to the Closing Date; (x) ownership of "United States property" (as defined in Section 956 of the Code) by any "controlled foreign corporation" (as defined in Section 957 of the Code) on or prior to the Closing Date; or (xi) any similar election, action or agreement deferring the liability for Taxes from any taxable period (or portion thereof) ending on or before the Closing Date to any taxable period (or portion thereof) beginning after the Closing Date.

2.11 Title to Properties and Related Matters. (a) The Company and each of its Subsidiaries has good and marketable title to, or a valid leasehold or licensed (as set forth on Schedule 2.11(a)) interest in, all of the Company's assets, and valid licenses for third-party-owned commercially available computer software and applications generally available to the public (none of which third-parties is a Related Person) which need not be separately scheduled, free and clear of any claims, liens, pledges, security interests or encumbrances of any kind whatsoever (other than (i) purchase money security interests and common Law vendor's liens, in each case for goods purchased on open account in the ordinary course of business and having a fair market value of less than $10,000 in each individual case), (ii) liens for Taxes not yet due and payable, and (iii) Liens identified on Schedule 2.11(a)). All Company assets conform to all applicable Laws, statutes, ordinances, rules and regulations.

(b) Neither the Company nor any of its Subsidiaries owns any real property or any interest in real property.

(c) Schedule 2.11(c) hereto sets forth a list, which is correct and complete in all material respects, of all equipment, machinery, instruments, vehicles, furniture, fixtures and other items of personal property currently owned or leased by the Company with a book value in each case of $10,000 or more. Except as set forth on Schedule 2.11(c) hereto, all such personal property is in suitable operating condition (ordinary and reasonable wear and tear excepted) and is physically located in or about one of the places of business of the Company or any of its Subsidiaries and is owned by the Company or any of its Subsidiaries or is leased by the Company or any of its Subsidiaries under one of the leases set forth in Schedule 2.11(d) hereto. None of such personal property is subject to any agreement or commitment for its use by any person other than the Company or any of its Subsidiaries. The maintenance and operation of such personal property has been in conformance with all applicable material Laws and regulations. There are no assets leased by the Company or any of its Subsidiaries or used in the operation of the Company or any of its Subsidiaries that are owned, directly or indirectly, by any Related Person. For the purposes hereof, "Related Person" shall mean any of the following (i) the Stockholders; (ii) the spouses and children of any of the Stockholders (collectively, "Near Relatives"); (iii) any trust for the benefit of any of the Stockholders or any of their respective Near Relatives; or (iv) any corporation, partnership, joint venture or other entity or enterprise owned or controlled by the Stockholders or by any of their respective Near Relatives.

(d) Schedule 2.11(d) sets forth a complete and correct list of all real property and personal property leases to which the Company or any of its Subsidiaries is a party. The Company and each of its Subsidiaries has previously delivered to the Buyer complete and correct copies of each lease (and any amendments or supplements thereto) listed in Schedule 2.11(d) hereto. Except as set forth on Schedule 2.11(d) hereto, (i) each such lease is valid and binding, and in full force and effect; except to the extent that applicable bankruptcy, reorganization, insolvency, moratorium or other Laws affecting the enforcement of creditors' rights may affect such

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

validity or enforceability, (ii) neither the Company nor any of its Subsidiaries nor to the knowledge of the Company, any other party is in material default under any such lease, and no event has occurred which constitutes, or with the lapse of time or the giving of notice or both would constitute, a material default by the Company or any of its Subsidiaries or to the knowledge of the Company, a default by any other party under such lease; (iii) to the knowledge of the Company, there are no disputes or disagreements between the Company or any of its Subsidiaries and any other party with respect to any such lease; and (iv) except as set forth on Schedule 2.11(d) there is no requirement under any such lease that the Company or any of its Subsidiaries either obtain the lessor's consent to, or notify the lessor of, the consummation of the transactions contemplated by this Agreement.

(e) None of the computer software, computer hardware (whether general or special purpose), telecommunications capabilities (including all voice, data and video networks) and other similar or related items of automated, computerized, and/or software systems and any other networks or systems and related services that are used by or relied on by the Company or any of its Subsidiaries in the conduct of the Business (collectively, the "Systems") have experienced bugs, failures, or breakdowns in the past twelve (12) months that has caused any material disruption or material interruption in or to the use of any such Systems by the Company or any of its Subsidiaries. The Company, its Subsidiaries and their Affiliates are covered by business interruption insurance in scope and amount customary and reasonable to ensure the ongoing business operations of the Business."

2.12 Intellectual Property; Proprietary Rights; Regulatory Compliance.

(a) Set forth on Schedule 2.12(a) hereto is a list of all Company Intellectual Property or other Intellectual Property required to operate the Company's Business as currently conducted (other than generally available software such as Microsoft Word and the like). True and correct copies of all licenses, assignments and releases relating to such Intellectual Property have been provided or made available to the Buyer prior to the date hereof, all of which are valid and binding agreements of the parties thereto, enforceable in accordance with their terms. Except as set forth on Schedule 2.12(a), the Company and each of its Subsidiaries owns and has good and exclusive right, title and interest to, or (i) has exclusive license to, each item of Company Intellectual Property and (ii) has non-exclusive license to other Intellectual Property required to operate the Company's Business as currently conducted, free and clear of any lien or encumbrance; and all such Intellectual Property rights are in full force and effect. Except as set forth on Schedule 2.12(a), to the knowledge of the Company, the Company and each of its Subsidiaries is the exclusive owner of all trademarks and trade names used in connection with the operation of the Company's Business as currently conducted, including the sale of any products or the provision of any services by Company or any of its Subsidiaries. Except as set forth on Schedule 2.12(a), to the knowledge of the Company, the Company and each of its Subsidiaries owns exclusively, and has good title to, all copyrighted works that are Company products or which the Company or any of its Subsidiaries otherwise expressly purports to own. No university, government agency (whether federal or state) or other organization has sponsored research and development conducted by the Company or any of its Subsidiaries or has any claim of right to or ownership of or other encumbrance upon the Intellectual Property rights of the Company or any of its Subsidiaries.

(b) Except as set forth on Schedule 2.12(b), no Company Intellectual Property or product or service of the Company or any of its Subsidiaries is subject to any proceeding or outstanding decree, order, judgment, contract, license, agreement, or stipulation restricting in any manner the use, transfer, or licensing thereof by the Company or any of its Subsidiaries or which may affect the validity, use or enforceability of such Company Intellectual Property.

(c) All patents, patent applications, trademarks, service marks, copyrights, mask work rights and domain names of the Company or any of its Subsidiaries have been duly registered and/or filed with or issued by each appropriate Governmental Entity in the jurisdictions indicated on Schedule 2.12(c) hereto, all necessary affidavits of continuing use have been filed, and all necessary maintenance fees have been paid to continue all such rights in effect.

(d) To the extent that any Intellectual Property (including without limitation software, hardware, copyrightable works and the like) has been developed, created, modified or improved by a third party for

the Company or any of its Subsidiaries, except as set forth on Schedule 2.12(d), the Company or any of its Subsidiaries has a written agreement with such third party that assigns to the Company or any of its Subsidiaries exclusive ownership of such Intellectual Property, each of which is a valid and binding agreement of the parties thereto, enforceable in accordance with its terms. Except as set forth on Schedule 2.12(d), the Company or any of its Subsidiaries has the right to use all trade secrets, data, customer lists, log files, hardware designs, programming processes, software and other information required for or incident to its products or the Company's Business (including, without limitation, the operation of their respective Web sites) as presently conducted and has received no notice that any of such information that is provided to the Company or any of its Subsidiaries by third parties will not continue to be provided to the Company or any of its Subsidiaries on the same terms and conditions as currently exist.

(e) Except as set forth on Schedule 2.12(e), neither the Company nor any of its Subsidiaries has transferred ownership of, or granted any exclusive license with respect to, any Intellectual Property that is or was Company Intellectual Property to any third party.

(f) Except as set forth on Schedule 2.12(f), the operation of the Company's Business as such business currently is conducted, including the design, development, manufacture, marketing and sale of the products or services of the Company or any of its Subsidiaries has not and does not, and with respect to products currently under development to the Company's knowledge will not, infringe or misappropriate the Intellectual Property of any third party or, to its knowledge, constitute unfair competition or trade practices under the Laws of any jurisdiction.

(g) Except as set forth on Schedule 2.12(g), neither the Company nor any of its Subsidiaries has received any notice or other claim from any third party that the operation of the Company's Business or any act, product or service of the Company or any of its Subsidiaries infringes, may infringe or misappropriates the Intellectual Property of any third party or constitutes unfair competition or trade practices under the Laws of any jurisdiction.

(h) To the knowledge of the Company, no Person has infringed or is infringing or misappropriating any Company Intellectual Property or other Intellectual Property rights in any of its products, technology or services, or has or is violating the confidentiality of any of its proprietary information.

(i) The Company and each of its Subsidiaries has taken reasonable steps to protect the Company's or any of its Subsidiaries' rights in the Company's or any of its Subsidiaries' proprietary and/or confidential information and trade secrets or any trade secrets or confidential information of third parties provided to the Company or any of its Subsidiaries, and, without limiting the foregoing, the Company and each of its Subsidiaries has enforced a policy requiring each employee and contractor to execute a confidentiality and nondisclosure agreement substantially in the form provided to the Buyer, and since January 1, 2012 all current and former employees and contractors of the Company and each of its Subsidiaries has executed such an agreement except as set forth on Schedule 2.12(i). To the knowledge of the Company, all trade secrets and other confidential information of the Company and each of its Subsidiaries are not part of the public domain nor, have they been misappropriated by any person having an obligation to maintain such trade secrets or other confidential information in confidence for the Company and each of its Subsidiaries. To the knowledge of the Company, no employee or consultant of the Company or any of its Subsidiaries has used any trade secrets or other confidential information of any other person in the course of their work for the Company or any of its Subsidiaries nor is the Company and any of its Subsidiaries making unlawful use of any confidential information or trade secrets of any past or present employees of the Company.

Except as set forth on Schedule 2.12(i), all Intellectual Property rights purported to be owned by the Company and each of its Subsidiaries which were developed, worked on or otherwise held by any employee, officer, director, shareholder or consultant are owned free and clear by the Company and each of its Subsidiaries by operation of Law or have been validly assigned to the Company and such assignments have been provided or made available to the Buyer and are valid binding agreements of the parties thereto, enforceable in accordance with their terms. Except as set forth on Schedule 2.12(i), neither the Company, any of its Subsidiaries or the Stockholders, nor

to the knowledge of the Company, any of the employees of the Company, have any agreements or arrangements with current or former employers relating to (i) confidential information or trade secrets of such employers, or (ii) the assignment of rights to any inventions, know-how or intellectual property of any kind nor are any such Persons bound by any consulting agreements relating to confidential information or trade secrets of another entity that are being violated by such persons. To the knowledge of the Company, the activities of the employees and consultants of the Company and each of its Subsidiaries on behalf of the Company and each of its Subsidiaries do not violate in any material respects any agreements or arrangements known to the Company which any such employees or consultants have with former employers or any other entity to whom such employees or consultants may have rendered consulting services.

(j) All information and content of the "callcap.com" World Wide Web site of the Company and each of its Subsidiaries (other than information provided by users, customers and advertisers) is accurate and complete in all material respects.

(k) Schedule 2.12(k) lists all Open Source Materials that the Company and each of its Subsidiaries has used in any way and describes the manner in which such Open Source Materials have been used by the Company and each of its Subsidiaries in connection with the Company's Business, including, without limitation, whether and how the Open Source Materials have been modified and/or distributed by the Company and each of its Subsidiaries. Except as set forth in Schedule 2.12(k), the Company and each of its Subsidiaries has not (i) incorporated any Open Source Materials into, or combined Open Source Materials with, any products of the Company's Business, (ii) distributed Open Source Materials in connection with any products of the Company's Business, or (iii) used Open Source Materials that (with respect to either clause (i), (ii) or (iii) above) (A) create, or purport to create, obligations for the Company and each of its Subsidiaries with respect to software developed or distributed by the Company and each of its Subsidiaries, or (B) grant, or purport to grant, to any third party any rights or immunities under intellectual property rights. Without limiting the generality of the foregoing, neither the Company nor any of its Subsidiaries has used any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials, that other software incorporated into, derived from or distributed with such Open Source Materials be (1) disclosed or distributed in source code form, (2) licensed for the purpose of making derivative works, or (3) redistributed at no charge.

(l) In connection with the operation of the Company's Business, the Company has complied in all material respects with (i) all applicable legal and contractual requirements relating to privacy, commercial e-mail, data protection and security and the collection, storage, disclosure and/or use of personal information and user information (including information from or about children) gathered or accessed in the course of the operation of the Company's Business, and (ii) all rules, policies and procedures established by the Company and each of its Subsidiaries with respect to privacy, publicity, commercial e-mail, data protection and security and the collection, storage, disclosure and/or use of personal information and user information (including information from or about children) gathered or accessed in the course of the operation of the Company's Business, and with respect to the foregoing, neither the Company nor any of its Subsidiaries has received any notice from any person of any claims alleging any violation thereof nor has the Company or any Subsidiary been required by applicable Law to provide notice to any Person reporting the unauthorized access to or acquisition of personal information. In connection with the operation of the Company's Business, the Company and each of its Subsidiaries has taken all reasonably necessary steps (including implementing and monitoring compliance with measures with respect to technical and physical security) to ensure that the personal and user information gathered or accessed in the course of the operation of the Company's Business is protected against material loss and unauthorized access, use, modification or disclosure, and, to the knowledge of the Company, there has been no unauthorized access to or other misuse of any such information.

(m) The Company is not a "Covered Entity" or "Business Associate" as such terms are defined in the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), and to the Company's knowledge, neither the Company nor any Subsidiary has or processes any "protected health information" as such term is defined by HIPAA.

(n) To the extent they apply to the Company or a Subsidiary, the Company and its Subsidiaries are in compliance in all material respects with the 1996 Telecommunications Act, with all applicable Federal Communications Commission ("FCC") rules and regulations, and with the communications laws, and regulations of each state in which the Company and its Subsidiaries operate or provide services to their customers ("Communications Laws"). The Company and its Subsidiaries have not and will not operate as a telecommunications service provider, a common carrier, or a private carrier, as these terms are defined in the Communications Laws. The Company and its Subsidiaries have received no written communications from the FCC, the Universal Service Administrative Company ("USAC") or a state-level regulatory authority suggesting that the Company or any Subsidiary is subject to regulation pursuant to the Communications Laws. The Company and its Subsidiaries have made no filings or registered with USAC. The Company and its Subsidiaries have not been required to make any contributions or pay any fees under the Communications Laws. The Company and its Subsidiaries have received no written communication from any company that provides wireless or wireline telecommunications capacity to them indicating that they are subject to regulation as a telecommunications service provider or are subject to filing and/or contribution obligations with USAC. The Company and its Subsidiaries have not executed a reseller certificate, as the term is used in the Communications Laws, for any company that provides wireless or wireline telecommunications capacity to them. The Company and its Subsidiaries have not received any written communication from the FCC or any other federal or state governmental entity in the United States alleging a violation of the Communication Laws.

(o) All of the assets of NEXTms, Inc., a Kansas corporation owned by Sunny P. Smith, including all of its Intellectual Property, have been validly assigned or contributed to the Company prior to Closing. In addition all of the Intellectual Property created or owned by Sunny P. Smith or his affiliated company, Sunny P. Smith Inc., which is used in, useful to or related in any way to the Company's Business has previously been validly assigned and contributed to the Company.

2.13 Contracts. (a) Except as set forth on Schedules 2.13(a) hereto, the Company and each of its Subsidiaries is not a party to, or subject to:

(i) any contract, arrangement or understanding, or series of related contracts, arrangements or understandings, which involves annual expenditures or receipts by the Company or any of its Subsidiaries of more than $10,000;

(ii) any note, indenture, credit facility, mortgage, security agreement or other contract, arrangement or understanding relating to or evidencing indebtedness for money borrowed or a security interest or mortgage in the assets of the Company or any of its Subsidiaries;

(iii) any guaranty issued by the Company or any of its Subsidiaries;

(iv) any contract, arrangement or understanding relating to the acquisition, issuance or transfer of any securities, including, without limitation, convertible securities;

(v) any contract, arrangement or understanding relating to the acquisition, transfer, distribution, use, development, sharing or license of any technology or Company Intellectual Property, other than licenses granted in the ordinary course of business with a term of less than one (1) year;

(vi) any contract, arrangement or understanding granting to any Person the right to use any property or property right of the Company other than licenses granted in the ordinary course of business with a term of less than one (1) year;

(vii) any contract, arrangement or understanding restricting the right of the Company or any of its Subsidiaries to (A) engage in any business activity or compete with any business, or (B) develop or distribute any technology;

(viii) any contract, arrangement or understanding relating to the employment of, or the performance of services of, any employee, consultant or independent contractor and pursuant to which the Company or any of its Subsidiaries is required to pay more than $10,000 per month;

(ix) any contract, arrangement or understanding with a Related Person; or

(x) any outstanding offer, commitment or obligation to enter into any contract or arrangement of the nature described in subsections (i) through (ix) of this subsection 2.13(a).

(b) The Company and each of its Subsidiaries has previously provided or made available to the Buyer complete and correct copies (or, in the case of oral contracts, a complete and correct description) of any contract (and any amendments or supplements thereto) listed on Schedule 2.13(a) hereto. Except as set forth on Schedule 2.13(b) hereto, (i) each contract listed in Schedule 2.13(a) hereto is in full force and effect; (ii) neither the Company, nor any of its Subsidiaries, nor to the knowledge of the Company, any other party is in default under any contract listed in Schedule 2.13(a) hereto, and no event has occurred which constitutes, or with the lapse of time or the giving of notice or both would constitute, a default by the Company or any of its Subsidiaries or to the knowledge of the Company, a default by any other party under such contract; (iii) to the knowledge of the Company, there are no disputes or disagreements between the Company or any of its Subsidiaries and any other party with respect to any contract listed in Schedule 2.13(a) hereto; (iv) each other party to each such material contract has consented or been given notice (or prior to the Closing shall have consented or been given notice), where such consent or the giving of such notice is necessary in order for such contract to remain in full force and effect following the consummation of the transactions contemplated by this Agreement without modification in the rights or obligations of the Company or any of its Subsidiaries thereunder; and (v) the Company has provided written notice to all of its customers on their November 1, 2018 invoices of the Company's amended contractual terms and conditions.

(c) Except as set forth on Schedule 2.13(c) hereto, neither the Company nor any of its Subsidiaries has issued any warranty or any agreement or commitment to indemnify any person other than in the ordinary course of business.

(d) Each of the contracts set forth on Schedules 2.13(a) hereto, is and always has been in compliance with all applicable Laws, including any and all Laws applicable to the Internet or the Company's Business, or any other Law, statute, ordinance, code, rule, regulation, judgment, order, injunction, writ or decree of any federal, state, local or foreign court or governmental or regulatory body, agency or authority having, asserting or claiming jurisdiction over it or over any part of the Company's Business, operations, properties or assets, except for any violation that would not have a Company Material Adverse Effect.

2.14 Employment Matters.

(a) Schedule 2.14(a) sets forth, (i) with respect to each current Employee (including any Employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized, including disability, family or other leave, sick leave, or on layoff status subject to recall) (A) the name of such Employee and the date as of which such Employee was originally hired by the Company or any of its Subsidiaries, and whether the Employee is on an active or inactive status; (B) such Employee's title; (C) such Employee's annualized compensation as of the date of this Agreement, including base salary, vacation and/or paid time off accrual amounts, bonus and/or commission potential, severance pay potential, and any other compensation forms; (D) whether such Employee is not fully available to perform work because of a qualified disability or other leave and, if applicable, the basis of such disability or leave and the anticipated date of return to full service; (E) whether such Employee is employed by the Company or one of its Subsidiaries, and if by a Subsidiary, the name of the Subsidiary; (F) the Company or Subsidiary facility at which such Employee is deemed to be located; and (G) each current benefit plan in which such Employee participates or is eligible to participate; (ii) any governmental authorization, permit or license that is held by such Employee and that is used in connection with the Company's Business; and (iii) whether

such Employee has executed the Company's standard form nondisclosure, confidentiality and assignment of inventions agreement.

(b) Schedule 2.14(b) contains a list of individuals who are currently performing services for the Company or any of its Subsidiaries and are classified as "consultants" or "independent contractors," the respective compensation of each such "consultant" or "independent contractor" and whether the Company is party to a consulting or independent contractor agreement with the individual. Any such agreements have been delivered or made available to the Buyer and are set forth on Schedule 2.14(b). Any Persons now or heretofore engaged by the Company or any of its Subsidiaries as independent contractors, rather than Employees, have been properly classified as such, are not entitled to any compensation or benefits to which regular, full-time Employees are or were at the relevant time entitled, and were and have been engaged in accordance with all applicable Laws, and received the proper tax treatment for compensation received by them.

(c) Each employment agreement is set forth on Schedule 2.14(c) and a copy of each employment agreement and any amendment thereto has been provided or made available to the Buyer. Except as set forth in Schedule 2.14(c), the employment of each of the Employees is terminable by the Company at will (except for non-U.S. employees of the Company or any of its Subsidiaries located in a jurisdiction that does not recognize the "at will" employment concept) and the Company and each such Subsidiary does not have any obligation to provide any particular form or period of notice prior to terminating the employment of any of their respective employees, except as set forth on Schedule 2.14(c). Neither the Company nor any of its Subsidiaries has, and to the knowledge of Company, no other Person has, (i) entered into any agreement that obligates or purports to obligate the Buyer to make an offer of employment to any present or former Employee or consultant of the Company or any of its Subsidiaries or (ii) promised or otherwise provided any assurances (contingent or other) to any present or former Employee or consultant of the Company or any of its Subsidiaries of any terms or conditions of employment with the Buyer following the Closing.

(d) The Company and each of its Subsidiaries has delivered or made available to the Buyer accurate and complete copies in all material respects of all employee manuals and handbooks, employment policy statements and employment agreements.

(e) (i) None of the Employees has given the Company or any of its Subsidiaries written notice terminating his or her employment with the Company or any of its Subsidiaries, or terminating his or her employment upon a sale of, or business combination relating to, the Company or any of its Subsidiaries or in connection with the transactions contemplated by this Agreement; (ii) except as set forth on Schedule 2.14(e), neither the Company nor any of its Subsidiaries has a present intention to terminate the employment of any current Employee; and (iii) except as set forth on Schedule 2.14(e), neither the Company nor any of its Subsidiaries is, and neither has ever been, engaged in any dispute or litigation with an Employee regarding intellectual property matters.

(f) Neither the Company nor any of its Subsidiaries is presently, nor have they been in the past, a party to or bound by any union contract, collective bargaining agreement or similar contract. Neither the Company nor any of its Subsidiaries knows of any activities or proceedings of any labor union to organize any Employees.

(g) Neither the Company nor any of its Subsidiaries is engaged or has ever been engaged in any unfair labor practice of any nature, that, if adversely determined, would result in any material Liability to the Company or any of its Subsidiaries. There has never been any slowdown, work stoppage, labor dispute or union organizing activity, or any similar activity or dispute, affecting the Company, any of its Subsidiaries or any Employees. There is not now pending and, to the Company's knowledge, no Person has threatened to commence, any such slowdown, work stoppage, labor dispute, union organizing activity or any similar activity or dispute.

(h) The Employees have been, and currently are, properly classified under the Fair Labor Standards Act of 1938, as amended, and under any similar Law of any state applicable to such employees. Neither the Company nor any of its Subsidiaries is delinquent to, or has failed to pay, any of its Employees, consultants or

contractors for any wages (including overtime, meal breaks or waiting time penalties), salaries, commissions, accrued and unused vacation to which they would be entitled under applicable Law, if any, bonuses, benefits or other compensation for any services performed by them or amounts required to be reimbursed to such individuals. Neither the Company nor any of its Subsidiaries is liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for Employees (other than routine payments to be made in the normal course of business and consistent with past practice).

(i) Except as set forth in Schedule 2.14(i), neither the Company nor any of its Subsidiaries has an established severance pay practice or policy. Except as set forth in Schedule 2.14(i), (i) neither the Company nor any of its Subsidiaries is liable for any severance pay, bonus compensation, acceleration of payment or vesting of any equity interest, or other payments (other than accrued salary, vacation, or other paid time off in accordance with the Company's and the Subsidiaries' policies) to any Employee arising from the termination of employment under any benefit or severance policy, practice, agreement, plan, program of the Company or any of its Subsidiaries, applicable Law or otherwise; and (ii) as a result of or in connection with the transactions contemplated hereunder or as a result of the termination by the Company or any of its Subsidiaries of any persons employed by the Company or any of its Subsidiaries on or prior to the Closing Date, the Company will not have (A) any Liability that exists or arises under any Company or any of its Subsidiaries' benefit or severance policy, practice, agreement, plan, program, Law applicable thereto, including severance pay, bonus compensation or similar payment, or (B) to accelerate the time of payment or vesting, or increase the amount of or otherwise enhance any benefit due any Employee. Accordingly, as of the Closing Date, the Company shall have satisfied in full all of its obligations to such Employees, consultants and/or contractors for any severance pay, accelerated vesting, or any other payments whatsoever.

(j) The Company and each of its Subsidiaries is in compliance, in all material respects, with all applicable Laws, agreements, contracts and promises respecting employment, employment practices, employee benefits, terms and conditions of employment, immigration matters, labor matters, and wages and hours, in each case, with respect to its Employees.

(k) There are no claims pending or, to the Company's knowledge, threatened in writing, before any Governmental Entity by any Employees for compensation, pending severance benefits, vacation time, vacation pay or pension benefits, or any other claim threatened in writing or pending before any Governmental Entity (or any state "referral agency") from any Employee or any other Person arising out of the Company's or any of its Subsidiaries' status as employer, whether in the form of claims for employment discrimination, harassment, retaliation, unfair labor practices, grievances, wrongful discharge, breach of contract, unfair business practice, tort, unfair competition or otherwise. In addition, there are no pending or threatened in writing or claims or actions against the Company or any of its Subsidiaries under any workers compensation policy or long-term disability policy.

(l) The Company and each of its Subsidiaries, and to the Company's knowledge each Employee, is in compliance with all applicable visa and work permit requirements.

(m) Schedule 2.14(m) sets forth (i) each plan or agreement of the Company or any of its Subsidiaries pursuant to which any amounts may become payable (whether currently or in the future including upon any future end of employment) to Employees of the Company or any of its Subsidiaries as a result of or in connection with transactions contemplated by this Agreement and (ii) a summary of the nature and amounts by Employee that may become payable pursuant to each such agreement.

2.15 Employee Benefit Plans.

(a) Schedule 2.15(a) sets forth each Company Employee Plan.

(b) Documents. The Company has delivered to the Buyer correct and complete copies of each Company Employee Plan, including all amendments thereto.

(c) Employee Plan Compliance. The Company and each of its Subsidiaries has performed all material obligations required to be performed by it under each Company Employee Plan and each Company Employee Plan has been established and maintained in accordance with its terms and in compliance with all applicable Law, including ERISA and the Code. Each Company Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is so qualified and has received a favorable opinion letter from the IRS with respect to its qualified status under the Code on which it may rely and which it has delivered to Buyer. There are no actions, audits, investigations, suits or claims pending, or, to the knowledge of the Company, threatened in writing (other than routine claims for benefits) against any Company Employee Plan or fiduciary thereto or against the assets of any Company Employee Plan.

(d) Plan Status. None of the Company, any of its Subsidiaries or any ERISA Affiliate now, or has ever, maintained, established, sponsored, participated in, or contributed to, any plan which is subject to Title IV of ERISA or Section 412 of the Code or any retiree medical arrangement. No Liability associated with any Company Employee Plan may become a Liability of the Buyer or any of its Affiliates.

(e) Effect of Transaction. The execution and delivery by the Company of this Agreement and any related agreement to which the Company is a party, and the consummation of the transactions contemplated hereby and thereby, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under any Company Employee Plan, trust or loan that would reasonably be expected to result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Employee.

2.16 Compliance with Applicable Law. Neither the Company nor any of its Subsidiaries is in violation in any respect of any applicable privacy, data protection and security Law (including the EU General Data Protection Regulation), telecommunications Laws, safety, health or environmental Law, any Law applicable to the internet or the Company's Business, any Payment Card Industry Data Security Standards (PCI DSS), or any other Law, statute, ordinance, code, rule, regulation, judgment, order, injunction, writ or decree of any federal, state, local or foreign court or governmental or regulatory body, agency or authority having, asserting or claiming jurisdiction over it or over any part of the Company's Business, operations, properties or assets, except for any violation that would not have a Company Material Adverse Effect. The Company has not received any written notice alleging any such violation, and to the knowledge of the Company, there is no inquiry, investigation or proceeding relating thereto.

2.17 Ability to Conduct Business. There is no agreement, arrangement or understanding, nor any judgment, order, writ, injunction or decree of any court or governmental or regulatory body, agency or authority applicable to the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries is a party or by which it or any of its properties or assets is bound, that will prevent the use by the Buyer, after the Closing Date, of the properties and assets owned by, the business conducted by or the services rendered by the Company or any of its Subsidiaries on the date hereof, in each case on substantially the same basis as the same are used, owned, conducted or rendered on the date hereof. The Company and each of its Subsidiaries has in force, and is in compliance with, in all material respects, all governmental permits, licenses, exemptions, consents, authorizations and approvals used in or required for the conduct of the Company's Business as presently conducted, all of which shall continue in full force and effect, without requirement of any filing or the giving of any notice and without modification thereof, following the consummation of the transactions contemplated hereby. Neither the Company nor any of its Subsidiaries has received any notice of, and to the knowledge of the Company, there are no inquiries, proceedings or investigations relating to or which could result in the revocation or modification of any such permit, license, exemption, consent, authorization or approval.

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

2.18 Major Partners. Schedule 2.18 hereto sets forth a complete and correct list of each of the ten (10) largest customers and vendors (collectively, "Partners") of the Company in terms of revenue recognized and payment by the Company thereto, respectively, in respect of such Partners during the ten (10) months ended October 31, 2018 and the twelve (12) months ended December 31, 2017, showing the amount of revenue recognized or payments thereto for each such Partner, as the case may be, during such period. To the knowledge of the Company, except as set forth on Schedule 2.18 hereto, neither the Company nor any of its Subsidiaries has received any notice or other communication (written or oral) from any of the Partners listed in Schedule 2.18 hereto terminating, amending or reducing in any material respect, or setting forth an intention to terminate, amend or reduce in the future, or otherwise reflecting a material adverse change in, the business relationship between such Partner and the Company or any of its Subsidiaries.

2.19 Insurance. Schedule 2.19 hereto sets forth a true and complete list of all insurance policies carried by the Company and each of its Subsidiaries with respect to the Company's Business, together with, in respect of each such policy, the name of the insurer, the number of the policy, the annual policy premium payable therefor, the limits of coverage, the deductible amount (if any), the expiration date thereof and each pending claim thereunder. The Company and each of its Subsidiaries has maintained insurance covering it and its properties in such amounts against such hazards and Liabilities and for such purposes as is customary in the industry for companies of established reputation engaged in the same or similar businesses and owning or operating similar properties. Except as set forth on Schedule 2.19 hereto, all such policies are in full force and effect and such policies, or other policies covering the same risks, have been in full force and effect, without gaps, continuously for the past two (2) years. All premiums due thereon have been paid in a timely manner. Complete and correct copies of all current insurance policies of the Company and each of its Subsidiaries have been made available to the Buyer for inspection. Neither the Company nor any of its Subsidiaries is in default under any of such policies, and neither the Company nor any of its Subsidiaries has failed to give any notice or to present any claim under any such policy in a due and timely fashion. Neither the Company nor any of its Subsidiaries have knowledge of any facts which would likely result in an insurer reducing coverage or increasing premiums on existing policies and to the Company's knowledge, all such insurance policies can be maintained in full force and effect without substantial increase in premium or reducing the coverage thereof following the Closing. There is no claim pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policy.

2.20 Brokers; Payments. Except as set forth on Schedule 2.20, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company and each of its Subsidiaries. The Company and each of its Subsidiaries has suspended or terminated, and has the legal right to terminate or suspend, all negotiations and discussions of Acquisition Transactions with parties other than the Buyer. No valid claim exists against the Company and each of its Subsidiaries or, based on any action by the Company and each of its Subsidiaries, against the Buyer for payment of any "topping," "break-up" or "bust-up" fee or any similar compensation or payment arrangement as a result of the transactions contemplated hereby.

2.21 Interested Party Transactions.

(a) Except as set forth on Schedule 2.21(a), to the Company's knowledge, no Related Person has or has had, directly or indirectly, (i) an economic interest in any Person which furnished or sold, or furnishes or sells, services or products that the Company or any of its Subsidiaries furnishes or sells, or proposes to furnish or sell, or (ii) an economic interest in any Person that purchases from or sells or furnishes to, the Company or any of its Subsidiaries, any goods or services or (iii) a beneficial interest in any agreement to which the Company or any Subsidiary is a party or by which they or their properties or assets are bound; provided, however, that ownership of no more than 1% of the outstanding voting stock of a publicly traded corporation shall not be deemed an "economic interest in any entity" for purposes of this Section 2.21.

(b) Except as set forth on Schedule 2.21(b), there are no receivables of the Company or any of its Subsidiaries owed by any Related Person other than advances in the ordinary and usual course of business for

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

reimbursable business expenses (as determined in accordance with the Company's established employee reimbursement policies and consistent with past practice). Except as set forth on Schedule 2.21(b), the Stockholders have not agreed to, or assumed, any obligation or duty to guaranty or otherwise assume or incur any obligation or Liability of the Company or any of its Subsidiaries.

2.22 Third Party Audits and Investigations. There are no ongoing audits or investigations of the Company or any of its Subsidiaries with respect to the Company's Business by any Governmental Entity or other third party, including, without limitation, any party to a contract with the Company or any of its Subsidiaries.

2.23 Absence of Questionable Payments. Neither the Company nor any of its Subsidiaries nor any of its directors, officers, agents, employees or any other Persons acting on their behalf has, in connection with the operation of the Company's Business, (i) used any corporation or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to foreign or domestic government officials, candidates or members of political parties or organizations or established or maintained any unlawful or unrecorded funs in violation of Section 104 of the Foreign Corrupt Practices Act of 1977, as amended, or any other similar applicable foreign, federal or state law; (ii) made any payment or provided services which were no legal to make or provide which the Company, any of its Subsidiaries or any Affiliate thereof or any such officer, employee or other person should reasonably have known were not legal for the payee or the recipient of such services to receive; or (iii) paid, accepted or received any unlawful contributions, payments, expenditures or gifts.

2.24 Projections. The projections previously provided to the Buyer (i) have been prepared by management of the Company in good faith, (ii) were based on assumptions believed by management of the Company to be reasonable in light of current conditions and current facts known at the time made and (iii) represent good faith estimates by management of the Company as to the financial performance of the Company and each of its Subsidiaries for the periods indicated, but do not represent any guarantee or assurance of the future financial results of the Company and each of its Subsidiaries (it being understood that such projections are subject to uncertainties and contingencies that are beyond the control of the Company and its management).

2.25 Accounts Receivable. All receivables of the Company included in the Financial Statements are valid and collectible obligations and were not and are not subject to any written, or to the Company's knowledge, any oral, material offset or counterclaim and have arisen from a bona fide transactions by the Company in the ordinary course of business consistent with past practice. The Company's receivables are reflected on the Balance Sheet included in the Financial Statements in accordance with GAAP applied on a basis consistent with past practice. Since December 31, 2017, there have not been any material write-offs as uncollectible of any of the Company's receivables. Schedule 2.25 sets forth a true and correct list of each account receivable of the Company (and the age of such receivable), as of October 31, 2018.

2.26 Disclosure. Neither the Company nor any of its Subsidiaries has failed to disclose to the Buyer any fact that is reasonably more likely than not to have a Company Material Adverse Effect or impede or impair the ability of the Company and each of its Subsidiaries to perform its obligations under this Agreement in any material respect. No representation or warranty by the Company and each of its Subsidiaries contained in this Agreement and no statement contained, when considered together as a whole, in any of the Company Disclosure Schedules, and the certificates and other documents or instruments delivered or to be delivered pursuant to this Agreement by or on behalf of the Company and each of its Subsidiaries contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller, severally and not jointly, solely as to him, her or itself, represents and warrants to the Buyer as follows.

3.1 Authority; Binding Nature of Agreement. This Agreement and all other agreements, documents and instruments executed and delivered by the Seller pursuant hereto are valid and binding obligations of the Seller enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and general principles of equity (whether considered in equity or at law). The Seller has full right, authority, power and capacity to enter into this Agreement and all other agreements, documents and instruments executed and delivered by the Seller pursuant hereto and to carry out the transactions contemplated hereby and thereby.

3.2 Non-Contravention; Consents. The execution, delivery and performance by the Seller of this Agreement and all other agreements, documents and instruments executed and delivered by the Seller pursuant hereto and the performance of the transactions contemplated by this Agreement and such other agreements, documents and instruments do not and will not: (i) violate or result in a violation of, conflict with or constitute or result in a violation of or default (whether after the giving of notice, lapse of time or both) under, accelerate any obligation under, or give rise to a right of termination of, any material contract, agreement, obligation, permit, license or authorization to which the Seller is a party or by which their assets are bound, or any provision of the Seller's organizational documents, if applicable; (ii) violate or result in a violation of, or constitute a default (whether after the giving of notice, lapse of time or both) under, any provision of any law, regulation or rule, or any order of, or any restriction imposed by, any court or Governmental Entity applicable to the Seller; or (iii) require from the Seller any notice to, declaration or filing with, or consent or approval of, any Governmental Entity or other third party.

3.3 Ownership. Immediately prior to the Closing, the Seller is the sole record and beneficial owner of the Shares set forth opposite his, her or its name on Exhibit A attached hereto, free and clear of any Liens including Liens of spouses, former spouses and other family members, except as set forth on Schedule 3.3. The Seller has the unqualified right and unrestricted power to enter into this Agreement and to convey to the Buyer the Shares and at the Closing the Seller will convey to the Buyer good and valid title to the Shares, which shall be free and clear of any and all Liens upon payment of the Cash Consideration on the Note Payment Date, other than restrictions on transfer that may be imposed by applicable securities Laws. Except as set forth on Schedule 3.3, the Seller is not a party to, nor are any of the Seller's Shares subject to (i) any option, warrant, purchase right, right of first refusal, call, put or other contract or agreement that would require the Seller to sell, transfer or otherwise dispose of the Seller's Shares or (ii) any voting trust, proxy or other contract or agreement relating to the voting or disposition of the Seller's Shares.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Company and the Sellers as set forth below, subject to the exceptions set forth in the disclosure schedules hereto (the "Buyer Disclosure Schedules"), the section numbers and letters of which correspond to the section and subsection numbers and letters of this Agreement.

4.1 Corporate Organization. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. The Buyer has all requisite corporate power and authority to own, operate and lease the properties and assets the Buyer now owns, operates and leases and to carry on the Buyer's business as presently conducted. The Buyer is duly qualified to transact business as a foreign corporation and is in good standing in the jurisdictions where such qualification is required by reason of the nature of the properties and assets currently owned, operated or leased by the Buyer or the business currently conducted by it, except for such jurisdictions where the failure to be so qualified would not have a Buyer Material Adverse Effect. The Buyer has previously made available to the Company complete and correct copies of its certificate of incorporation and all amendments thereto as of the date hereof (certified by the Secretary of State of Delaware as of a recent date) and its by-laws (certified by the Secretary of the Buyer as of a recent date). Neither the certificate of incorporation nor the by-laws of the Buyer have been amended since the respective dates of certification thereof, nor has any action been taken for the purpose of effecting any amendment of such instruments.

4.2 Authorization. The Buyer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Buyer has been duly and validly authorized and approved by all necessary corporate action on the part of the Buyer. This Agreement constitutes the legal and binding obligation of the Buyer, enforceable against it in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other Laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or in Law).

4.3 Consents and Approvals; No Violations. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not: (i) violate or conflict with any provisions of the certificate of incorporation or by-laws of the Buyer; (ii) breach, violate or constitute an event of default (or an event which with the lapse of time or the giving of notice or both would constitute an event of default) under, give rise to any right of termination, cancellation, modification or acceleration under, or require any consent or the giving of any notice under, any note, bond, indenture, mortgage, security agreement, lease, license, franchise, permit, agreement or other instrument or obligation to which the Buyer is party, or by which the Buyer or its properties or assets may be bound, or result in the creation of any lien, claim or encumbrance of any kind whatsoever upon the properties or assets of the Buyer pursuant to the terms of any such instrument or obligation, other than any breach, violation, default, termination, cancellation, modification or acceleration which would not have a Buyer Material Adverse Effect; (iii) violate or conflict with any Law, statute, ordinance, code, rule, regulation, judgment, order, writ, injunction or decree or other instrument of any federal, state, local or foreign court or governmental or regulatory body, agency, association, organization or authority applicable to the Buyer or by which any of its properties or assets may be bound, except for such violations or conflicts which would not have a Buyer Material Adverse Effect; or (iv) require, on the part of the Buyer, any filing or registration with, or permit, license, exemption, consent, authorization or approval of, or the giving of any notice to, any governmental or regulatory body, agency or authority other than any filing, registration, permit, license, exemption, consent, authorization, approval or notice which if not obtained or made would not have a Buyer Material Adverse Effect.

4.4 SEC Reports and Financial Statements. Since January 1, 2018, the Buyer has filed reports and made other filings with the SEC pursuant to the Securities Act and the Exchange Act, and the rules and regulations thereunder (such reports and other filings collectively referred to herein as the "SEC Filings"). The SEC Filings constitute all of the documents required to be filed by the Buyer under the Securities Act and Exchange Act since such date. All documents that are required to be filed as exhibits to the SEC Filings have been so filed, and all contracts so filed as exhibits are in full force and effect, except those which are expired in accordance with their terms, and neither the Buyer nor any of its subsidiaries is in default thereunder. As of their respective dates, the SEC Filings did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of the Buyer included in the SEC Filings comply in all material respects with the published rules and regulations of the SEC with respect thereto, and such audited financial statements (i) were prepared from the books and records of the Buyer, (ii) were prepared in accordance with GAAP applied on a consistent basis, and (iii) present fairly the financial position of the Buyer as at the dates thereof and the results of operations and cash flows for the periods then ended, subject to normal year-end adjustments and any other adjustments described therein or in the notes or schedules thereto. The unaudited financial statements included in the SEC Filings comply in all material respects with the published rules and regulations of the SEC with respect thereto and such unaudited financial statements (A) were prepared from the books and records of the Buyer, (B) were prepared in accordance with GAAP on a consistent basis (except as may be indicated therein or in the notes or schedules thereto), and (C) present fairly the financial position of the Buyer as at the dates thereof and the results of operations and cash flows for the periods then ended, subject to normal year-end adjustments and any other adjustments described therein or in the notes or schedules thereto. The foregoing representations and warranties in this Section 4.4 shall also be deemed to be made with respect to all filings made with the SEC on or before the Closing Date.

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

4.5 Brokers; Payments. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Buyer.

4.6 Disclosure. The Buyer has not failed to disclose to the Company any fact that is reasonably more likely than not to have a Buyer Material Adverse Effect or impede or impair the ability of the Buyer to perform its obligations under this Agreement in any material respect. No representation or warranty by the Buyer contained in this Agreement and no statement contained, when considered together as a whole, in any of the Buyer Disclosure Schedules, and the certificates and other documents or instruments delivered or to be delivered pursuant to this Agreement by or on behalf of the Buyer contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

ARTICLE V

CONDUCT OF BUSINESS PRIOR TO THE CLOSING DATE

5.1 Conduct of Business of the Company. During the period commencing on the date hereof and continuing until the Closing Date, the Company and each of its Subsidiaries agrees that the Company and each of its Subsidiaries, except as otherwise expressly contemplated by this Agreement or agreed to in writing by the Buyer:

(a) will carry on the Company's Business only in the ordinary course and consistent with past practice;

(b) will not declare or pay any dividend on or make any other distribution (however characterized) in respect of shares of its capital stock or otherwise to any officer or director of the Company not in accordance with past practices and not in the aggregate in excess of the lowest amount so distributed by the Company in any prior calendar quarter during 2018 or 2017 and in no event greater than $900,000 per calendar quarter (prorated for any partial quarter);

(c) will not, directly or indirectly, redeem or repurchase, or agree to redeem or repurchase, directly or indirectly, any shares of its capital stock;

(d) will not amend its certificate of incorporation;

(e) will not issue, or agree to issue, any shares of its capital stock, or any options, warrants or other rights to acquire shares of its capital stock, or any securities convertible into or exchangeable for shares of its capital stock;

(f) will not combine, split or otherwise reclassify any shares of its capital stock;

(g) will not form any subsidiaries;

(h) will use its best efforts to preserve intact its present business organization, keep available the services of its officers and key employees and preserve its relationships with clients and others having business dealings with it to the end that its goodwill and ongoing business shall not be materially impaired at the Closing Date;

(i) will not (i) make any capital expenditures individually or in the aggregate in excess of $10,000, (ii) enter into any license, distribution, OEM, reseller, joint venture or other similar agreement other than in the ordinary course, (iii) enter into or terminate any lease of, or purchase or sell, any real property, (iv) enter into any leases of personal property involving individually or in the aggregate in excess of $10,000 annually, (v) incur or guarantee any additional indebtedness for borrowed money other than in the ordinary course, (vi) create or permit to

become effective any security interest, mortgage, lien, charge or other encumbrance on any of its properties or assets, or (vii) enter into any agreement to do any of the foregoing;

(j) will not adopt or amend any Company Employee Plan for the benefit of Employees, or increase the salary or other compensation (including, without limitation, bonuses or severance compensation) payable or to become payable to its Employees, beneficiaries or any other person or accelerate, amend or change the period of exercisability or the vesting schedule of options or restricted stock granted under any stock option plan or agreements or enter into any agreement to do any of the foregoing, except as specifically required by the terms of such plans or agreements;

(k) will not accelerate receivables or delay payables;

(l) will promptly advise the Buyer of the commencement of, or threat of (to the extent that such threat comes to the knowledge of the Company) any claim, action, suit, proceeding or investigation (collectively, a "Claim") against, relating to or involving the Company, any of its Subsidiaries or any of its respective officers, employees, agents or consultants in connection with their businesses or the transactions contemplated hereby and will not settle any Claim;

(m) will use its commercially reasonable efforts to maintain in full force and effect all insurance policies maintained by the Company and each of its Subsidiaries on the date hereof;

(n) will not enter into any agreement to dissolve, merge, consolidate or, sell any material assets of the Company and each of its Subsidiaries (other than in the ordinary course) or acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or substantial portion of the assets of, or by any other manner, any business or any corporation, partnership or other business organization or division, or otherwise acquire or agree to acquire any assets in excess of $10,000 in the aggregate; and

(o) will not change the method of accounting of the Company or any of its Subsidiaries, make any Tax elections, enter any settlement or compromise of any Tax claim, audit, investigation, examination, or other proceeding or Liability with any Taxing Authority, amend any Tax Return, surrender any right to claim a refund or credit of Taxes, or incur any Liability for Taxes outside the ordinary course of business consistent with past practice, or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim, audit, investigation, examination, or other proceeding or assessment, in each case that could adversely affect the Shares, the Company, the Buyer or its subsidiaries, without the advance written consent of the Buyer;

(p) will not make any payments to any Stockholders, officers, directors, partners or managers, other than in the ordinary course consistent with prior practice;

(q) will not enter into any agreements with contractors or consultants (or amend or authorize additional work orders with respect to any such existing agreements) except as contemplated by this Agreement;

(r) will not change, accelerate or alter, in each case, the payment terms of any existing contract or agreement nor enter into any contract or agreement with payment terms (including timing) not materially consistent with past practice; and

(s) will not sell any phone numbers or domain names (or enter into any agreement to do the foregoing) other than the provisioning of phone numbers to customers in the ordinary course of business without the Buyer's consent which shall not be unreasonably withheld or delayed.

5.2 Other Negotiations. Neither the Sellers, the Company nor any of its Subsidiaries (nor will the Company or any of its Subsidiaries permit any of their respective officers, directors, managers, consultants, employees, agents, partners and Affiliates on their behalf to) take any action to solicit, initiate, seek, encourage or support any inquiry, proposal or offer from, furnish any information to, or participate in any discussions or

negotiations with, any corporation, partnership, person or other entity or group (other than the Buyer) regarding any acquisition of the Company or any of its Subsidiaries, any merger or consolidation with or involving the Company or any of its Subsidiaries or any acquisition of any material portion of the stock or assets of the Company or any of its Subsidiaries or any equity or debt financing of the Company or any of its Subsidiaries or any material license of Intellectual Property rights or any business combination, recapitalization, joint venture or other major transaction involving the Company's Business (any of the foregoing being referred to in this Agreement as an "Acquisition Transaction") or enter into an agreement concerning any Acquisition Transaction with any party other than the Buyer. If between the date of this Agreement and the termination of this Agreement pursuant to Article IX, the Company or any of its Subsidiaries receives from a third party any offer to negotiate or consummate an Acquisition Transaction, the Company and each of its Subsidiaries shall (i) notify the Buyer immediately (orally and in writing) of such offer, including the identity of such party and the terms of any proposal therein, and (ii) notify such third party of the obligations of the Company and each of its Subsidiaries under this Agreement.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Access to Properties and Records. The Company and each of its Subsidiaries will provide (or will cause to be provided) to the Buyer and the Buyer's accountants, counsel and other authorized advisors, with reasonable access, during business hours, to its premises and properties and its books and records (including, without limitation, contracts, leases, financial information, insurance policies, litigation files, minute books, accounts, working papers and Tax Returns filed and in preparation) and will cause its officers to furnish to the Buyer and the Buyer's authorized advisors such additional financial, tax and operating data and other information pertaining to the Company's Business as the Buyer shall from time to time reasonably request. All of such data and information shall be kept confidential by the Buyer, Company and each of its Subsidiaries unless and until the transactions contemplated herein are consummated pursuant to the Confidentiality Agreement.

6.2 Reasonable Efforts; etc. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use his, her or its commercially reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including obtaining any consents, authorizations, exemptions and approvals from, and making all filings with, any governmental or regulatory authority, agency or body which are necessary in connection with the transactions contemplated by this Agreement.

6.3 Material Events. At all times prior to the Closing Date, each party shall promptly notify the others in writing of the occurrence of any event which will or may result in the failure to satisfy any of the conditions specified in Article VII or Article VIII hereof.

6.4 Fees and Expenses. The parties shall each bear and pay all of their own fees, costs and expenses relating to the transactions contemplated by this Agreement, including, without limitation, the fees and expenses of their respective counsel, accountants, brokers and financial advisors. If the Closing is consummated, then the Sellers shall pay directly or reimburse the Company for all such fees, costs and expenses incurred by the Company in connection with the transaction out of the Cash Consideration at the Note Payment Date. To the extent any such fees, costs and expenses as well as any Indebtedness and Closing Liabilities are not accounted for at the Closing, the Buyer shall have the right to offset them against the Escrow Deposit first and the Equity Consideration (not yet issued) second.

6.5 Supplements to Disclosure Schedules. From time to time prior to the Closing Date, each party hereto shall supplement or amend its Disclosure Schedules with respect to any matter hereafter arising that, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described in its Disclosure Schedules or that is necessary to correct any information in its Disclosure Schedules or in its representations and warranties that have been rendered inaccurate thereby. The Disclosure Schedules delivered by a

party hereto shall be deemed to include only that information contained therein on the date of this Agreement and shall be deemed to exclude any information contained in any subsequent supplement or amendment thereto.

6.6 Tax Matters.

(a) In the case of Taxes that are payable with respect to any Straddle Period, the portion of any such Taxes that are treated as Taxes attributable to a Pre-Closing Tax Period for purposes of this Agreement shall be:

(i) in the case of Taxes (x) based upon, or related to, income, receipts, profits, wages, capital or net worth, (y) imposed in connection with the sale, transfer or assignment of property, or (z) required to be withheld, deemed equal to the amount which would be payable if the taxable year of the Company (and each member of the Target Company Group) ended with the Closing Date; and

(ii) in the case of other Taxes (such as property Taxes and other periodic Taxes), deemed to be the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period.

(b) Sellers, the Company and Buyer will jointly make a timely Section 338(h)(10) Election. Buyer and Sellers will file all Tax Returns consistent with such Section 338(h)(10) Election, agree not to take any action that could cause such Section 338(h)(10) Election to be invalid, and will not take any position contrary thereto unless required to do so pursuant to a determination (as defined in Section 1313(a) of the Code or any similar state, foreign or local Income Tax provision). Buyer will prepare copies of the Section 338 Forms and Sellers will provide fully executed Section 338 Forms on the Closing Date. The Sellers and Buyer shall cooperate with each other to take all actions necessary and appropriate (including filing such additional forms, Tax Returns, elections, schedules and other documents as may be required) to effect and preserve the Section 338(h)(10) Election in accordance with the provisions of Treasury Regulation Section 1.338(h)(10)-1 (and comparable provisions of each applicable state, foreign and local Law) or any successor provisions. Sellers and Buyer agree that the Purchase Price and the Liabilities of the Company and any Subsidiary classified for income Tax purposes as an entity disregarded as separate from the Company (plus other relevant items) shall be allocated among the assets of the Company and any such Subsidiary for all tax purposes in accordance with Section 338 of the Code and the Treasury Regulations promulgated thereunder as shown on the allocation schedule (the "Allocation Schedule") consistent with the methodology provided in Schedule 6.6(b). A draft of the Allocation Schedule prepared consistent with the allocation methodology shall be prepared by Buyer and delivered to the Stockholder Representative for its approval within thirty (30) days following the determination of the Final Net Working Capital pursuant to Section 1.4(b). If the Stockholder Representative notifies Buyer, within ten (10) days of receipt of the Allocation Schedule, in writing that the Stockholder Representative objects to one or more items reflected in the Allocation Schedule, the Stockholder Representative and Buyer shall negotiate in good faith to resolve such dispute; provided, however, that if the Stockholder Representative and Buyer are unable to resolve any dispute with respect to the Allocation Schedule within ten (10) days, such dispute shall be resolved by the Final Accounting Firm. If the Stockholder Representative does not notify Buyer, within ten (10) days of receipt of the Allocation Schedule, in writing that the Stockholder Representative objects to one or more items reflected in the Allocation Schedule, the Allocation Schedule as prepared by Buyer shall be final. The fees and expenses of the Final Accounting Firm shall be borne one half by the Sellers and one half by Buyer. Buyer, the Company and the Sellers shall file all Tax Returns, including IRS Form 8883 (including amended returns and claims for refund) and information reports, in a manner consistent with the final Allocation Schedule. Any adjustments to the Purchase Price pursuant to this Agreement shall be allocated in a manner consistent with the final Allocation Schedule.

(c) The Stockholder Representative shall prepare, or cause to be prepared, at the expense of Sellers, and shall timely file, or cause to be timely filed, all Seller Prepared Returns. Such Seller Prepared Returns shall be prepared consistent with past practices to the extent in accordance with Law. Any Seller Prepared Return shall be submitted by the Stockholder Representative to Buyer (together with schedules, statements and, to the

extent requested by the Buyer, supporting documentation) at least thirty (30) days prior to the due date (including extensions) of such Seller Prepared Return. If Buyer objects to any item on any such Seller Prepared Return, Buyer shall, within ten (10) days after delivery of such Seller Prepared Return, notify the Stockholder Representative in writing that Buyer so objects, specifying with particularity any such item and stating the specific factual or legal basis for any such objection. If a notice of objection shall be duly delivered, Buyer and the Stockholder Representative shall negotiate in good faith and use their commercially reasonable efforts to resolve such items. If Buyer and the Stockholder Representative are unable to reach such agreement within ten (10) days after receipt by Buyer of such notice, the disputed items shall be resolved by the Final Accounting Firm and any determination by the Final Accounting Firm shall be final. The Final Accounting Firm shall resolve any disputed items within twenty (20) days of having the item referred to it pursuant to such procedures as it may require. If the Final Accounting Firm is unable to resolve any disputed items before the due date for such Seller Prepared Return, the Seller Prepared Return shall be filed as prepared by the Stockholder Representative and then amended to reflect the Final Accounting Firm's resolution. The costs, fees and expenses of the Final Accounting Firm shall be borne one half by Buyer and one half by the Sellers. Sellers shall be solely responsible for and shall timely pay when due any Indemnified Taxes and any Taxes of the Sellers in connection with the Seller Prepared Returns.

(d) Buyer shall prepare, or cause to be prepared, at the expense of Buyer, all Buyer Prepared Returns (except that the cost of any Straddle Period Buyer Prepared Return shall be borne by the Buyer and the Sellers 50-50). Such Buyer Prepared Returns shall be prepared consistent with past practices to the extent in accordance with Law. Any Buyer Prepared Return shall be submitted by Buyer to the Stockholder Representative (together with schedules, statements and, to the extent requested by the Stockholder Representative, supporting documentation) at least thirty (30) days prior to the due date (including extensions) of such Buyer Prepared Return (or if such Buyer Prepared Return is due within thirty (30) days of the Closing Date, reasonably in advance of the due date of such Buyer Prepared Return to allow sufficient time for the Stockholder Representative's review). If the Stockholder Representative objects to any item on any such Buyer Prepared Return, the Stockholder Representative shall, within ten (10) days after delivery of such Buyer Prepared Return, notify Buyer in writing that the Stockholder Representative so objects, specifying with particularity any such item and stating the specific factual or legal basis for any such objection. If a notice of objection shall be duly delivered, Buyer and the Stockholder Representative shall negotiate in good faith and use their commercially reasonable efforts to resolve such items. If Buyer and the Stockholder Representative are unable to reach such agreement within ten (10) days after receipt by Buyer of such notice, the disputed items shall be resolved by the Final Accounting Firm and any determination by the Final Accounting Firm shall be final. The Final Accounting Firm shall resolve any disputed items within twenty (20) days of having the item referred to it pursuant to such procedures as it may require. If the Final Accounting Firm is unable to resolve any disputed items before the due date for such Buyer Prepared Return, the Buyer Prepared Return shall be filed as prepared by Buyer and then amended to reflect the Final Accounting Firm's resolution. The costs, fees and expenses of the Final Accounting Firm shall be borne one half by Buyer and one half by the Sellers. Sellers shall be responsible for and timely pay to Buyer no later than five (5) days prior to the due date of any such Buyer Prepared Return any Indemnified Taxes with respect to such Buyer Prepared Returns.

(e) Following the Closing Date, the Buyer shall promptly notify the Stockholder Representative in writing upon receipt by Buyer of written notice from any Taxing Authority of the commencement of any Tax Contest provided that any failure to provide such notification to the Stockholder Representative shall not affect the Sellers' indemnification obligation under this Agreement. The Stockholder Representative shall have fifteen (15) days following its receipt of notice from the Buyer of such Tax Contest to elect in writing (through delivery of such written election to the Buyer) to control (at the Sellers' cost and expense) any Tax Contest that (A) relates solely to S corporation income Tax Returns of an Acquired Company for Pre-Closing Tax Periods, and (B) could not reasonably be expected to adversely affect the Acquired Companies, the Buyer or any Affiliate of any of the foregoing with respect to any taxable period ending after the Closing Date (as reasonably determined by the Buyer); provided, that (I) the Stockholder Representative will provide to the Buyer a written acknowledgment from the Sellers (in form and substance reasonably satisfactory to the Buyer) pursuant to which the Sellers agree to be fully responsible for all Losses relating to such Tax Contest and to provide full indemnification to the Buyer for such Losses, (II) the Stockholder Representative will control such Tax Contest diligently and in good faith, (III) the Buyer shall have the right to (a) receive notice and copies of all correspondence and otherwise to be reasonably apprised of the initiation and status of any such Tax Contest, (b) receive copies of and to comment on any written

materials in connection therewith, including due consideration by the Stockholder Representative in good faith with respect to any such comments, (c) be present at and participate fully in any meetings, conferences, proceedings or appearances with respect to such Tax Contest and (d) obtain separate counsel, at the Buyer's expense, with respect to such Tax Contest, and (IV) the Stockholder Representative shall not consent to the entry of any judgment with respect to such Tax Contest or enter into any settlement with respect to such Tax Contest (or otherwise compromise such Tax Contest) without the prior written consent of the Buyer (which consent shall not be unreasonably withheld, conditioned or delayed). The Buyer shall control all aspects of each Tax Contest other than any Tax Contest conducted by the Stockholder Representative in accordance with this Section 6.6(e). The Sellers shall be responsible for the costs and expenses for defending and/or controlling any Tax audit or other proceeding with respect to the Taxes of the Acquired Companies for Pre-Closing Tax Periods whether or not such Tax audit or proceeding results in any adjustment.

(f) Nothing in this Agreement shall preclude or prevent the Buyer, its Affiliates or, following the Closing Date, any Acquired Company from (x) filing or submitting a Tax Return, or paying or collecting a Tax, in a jurisdiction in which an Acquired Company has not previously filed a Tax Return or paid a Tax, (y) from filing or submitting a type of Tax Return, or paying or collecting a type of Tax, in a jurisdiction in which an Acquired Company has previously filed or submitted a Tax Return or paid or collected a Tax, but not the type to be filed, submitted, paid or collected, or (z) taking any action to mitigate any noncompliance with applicable law (including through the utilization of a voluntary disclosure process, agreement or similar program with respect to any applicable taxable period). In the event the Buyer files or submits, or causes an Acquired Company to file or submit, any Tax Return, or pay or collect any Tax, in a jurisdiction in which an Acquired Company has not previously filed a Tax Return (or the type of Tax Return), or paid or collected a Tax (or the type of Tax), and the filing of such Tax Return or payment or collection of such Tax causes, in whole or in part, the applicable Taxing Authority to audit, examine or otherwise investigate any Acquired Company with respect to any Pre-Closing Tax Period or otherwise results in the assessment or imposition of any Taxes with respect to any Pre-Closing Tax Period, nothing in this Agreement shall be construed to excuse or limit any obligation of the Sellers to provide indemnification with respect to any Taxes or other Losses with respect thereto.

6.7 Financial Statements. At the request of the Buyer at any time following the Closing, the Stockholders shall use best efforts and shall cooperate to facilitate an audit and/or review by the Company's independent auditor of the financial statements of the Company for the periods as requested by the Buyer (collectively, the "Audit") to be completed promptly to the Buyer's reasonable satisfaction at the Buyer's sole expense. The Stockholders shall deliver a customary management representation letter in connection with the completion of such Audit within two (2) business days of request. The Stockholders agree as requested by the Buyer from time to time, after the Closing Date to use best efforts to assist the Buyer in promptly obtaining the consent of the Company's independent auditor to include such auditor's report on the foregoing in any and all of the Buyer's SEC filings.

6.8 Appointment of Stockholder Representative.

(a) The Stockholder Representative is hereby appointed as representative of the Stockholders for purposes of this Agreement. The Buyer may rely upon the acts of the Stockholder Representative for all purposes permitted hereunder.

(b) The Stockholder Representative shall have full power of substitution to act in the name, place and stead of the Stockholders in all matters in connection with this Agreement. The Stockholder Representative's power shall include the following powers, without limitation: the power to act for the Stockholders with regard to indemnification obligations hereunder; the power to compromise any claim on behalf of the Stockholders and to transact matters of litigation or arbitration in connection with this Agreement; the power to do or refrain from doing all such further acts and things on behalf of the Stockholders that the Stockholder Representative deems necessary or appropriate in his sole discretion, and to execute all such documents as the Stockholder Representative shall deem necessary or appropriate, in connection therewith; and the power to receive service of process in connection with any claims under this Agreement.

(c) If the Stockholder Representative dies or otherwise becomes incapacitated and unable to serve as Stockholder Representative, his successor shall be appointed by a majority in interest of the Stockholders (such majority in interest to be determined in accordance with the pro rata amounts of the Company Capital Stock as set forth on Exhibit A hereto).

(d) The Stockholder Representative shall act for the Stockholders in the manner the Stockholder Representative believes to be in the best interest of the Stockholders and consistent with his obligations under this Agreement, but shall have no duties or obligations except as specifically set forth in this Agreement. In acting as representative of the Stockholders, the Stockholder Representative may rely upon, and shall be protected in acting or refraining from acting upon, an opinion or advice of counsel, certificate of auditors or other certificate, statement, instrument, opinion, report, notice, request, consent, order arbitrator's award, appraisal, bond or other paper or documents reasonably believed by him to be genuine and to have been signed or presented by the proper party or parties. The Stockholder Representative shall not be personally liable to the Stockholders for any action taken, suffered or omitted by him in good faith and reasonably believed by him to be authorized or within the discretion of the rights or powers conferred upon him by this Section. The Stockholder Representative may consult with counsel and any advice of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered or omitted by him in such capacity in good faith and in accordance with such opinion of counsel. The Stockholder Representative may perform his duties as Stockholder Representative either directly or by or through his agents or attorneys, and the Stockholder Representative shall not be responsible to the Stockholders for any misconduct or negligence on the part of any agent or attorney appointed with due care by him under this Agreement. No bond shall be required of the Stockholder Representative, and the Stockholders jointly and severally shall indemnify the Stockholder Representative with respect to any and all decisions made or actions taken in the capacity as Stockholder Representative, other than for the Stockholder Representative's willful misconduct or gross negligence.

(e) The Stockholder Representative shall be entitled to retain a copy of the records that relate to the operations and finances of the Company and its Subsidiaries solely for record keeping purposes, preparing and reviewing any notices, reports or filings required or permitted by this Agreement, making all Tax filings that the Stockholder Representative or the Sellers are required to make hereunder, preparing for, using in or defending any Tax Contest for which the Stockholder Representative has assumed responsibility under Section 6.6(e), and which shall not be disclosed to any third party, except to Taxing Authorities and attorneys, accountants and other advisors to the Sellers and the Stockholder Representative, without the prior written consent of the Buyer.

(f) The Stockholder Representative shall retain access to the following email addresses and telephone numbers: ***

6.9 Termination of Investor Agreements. Effective as of the Closing, all Investor Agreements (including the management agreements) shall be terminated.

6.10 Section 280G Approval. If the Company is obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate it to make any payments, that will not be deductible under Section 280G of the Code if the stockholder approval requirements of Section 280G(b)(5)(B) of the Code are not satisfied, then the Company shall use its commercially reasonable efforts to obtain such stockholder approval as promptly as is practicable after the date hereof and in any event prior to the Closing.

6.11 Exercise and Termination of Company Stock Rights.

(a) Promptly after the date of this Agreement, the Company shall deliver proper notice to each holder, if any, of a Company Option pursuant to a Company Option Plan informing such holder of the effect of the transactions contemplated herein on the Company Options. Prior to the Closing, the Company shall take all action necessary to (i) terminate any Company Option Plan, and (ii) terminate or cause to be exercised in full any Company Option still outstanding as of immediately prior to the Closing.

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

(b) The Company shall take all action necessary to ensure that all Company Stock Rights are either (i) exercised in full and the exercise price with respect thereto is delivered to the Company in cash or by check prior to the Closing or (ii) terminated as of immediately prior to the Closing.

6.12 Certain Deliveries. As soon as practicable after the date hereof, the Company will deliver to Buyer on one or more CD-Rom disks a complete and accurate (as of the date hereof) electronic copy of the "data room".

6.13 Remote Access. So long as Sunny P. Smith is an employee of the Company, any Company employees who work remotely at Sunny P. Smith's home office space will be allowed to continue such arrangement following Closing without any cost to the Company.

ARTICLE VII

COVENANTS OF THE SELLERS

Each Seller hereby agrees that for a period of *** following the Closing Date, he, she or it will not, directly or indirectly, alone or as a partner, officer, director, employee, consultant, agent, independent contractor or stockholder of any company or business organization, engage in any business activity, or have a financial interest in any business activity (excepting only the ownership of not more than one percent (1%) of the outstanding securities of any class of any entity listed on an exchange or regularly traded in the over-the-counter market), which is directly or indirectly in competition with the Company's Business ("Competitive Activity"). Each Seller agrees that, for a period of *** following the Closing Date hereof, he, she or it will not in any capacity, either separately, jointly or in association with others, directly or indirectly, solicit or contact in connection with, or in furtherance of, a Competitive Activity any of the employees, consultants, agents, suppliers, customers or prospects of the Company, Buyer that were such at any time during the one (1) year immediately preceding the date hereof or that become such at any time during the *** immediately following the date hereof.

ARTICLE VIII

CONDITIONS TO THE OBLIGATIONS OF THE BUYER

The obligation of the Buyer to consummate the transactions contemplated hereby shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions (any of which may be waived in writing by the Buyer in its sole discretion):

8.1 Representations and Warranties True. The representations and warranties of the Company and the Sellers which are contained in this Agreement, or contained in any Schedule, certificate or instrument delivered or to be delivered pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date and at the Closing the Company shall have delivered to the Buyer a certificate (signed on behalf of the Company by its President or Chief Executive Officer) to that effect with respect to all such representations and warranties made by the Company and the Sellers.

8.2 Performance. The Company and the Sellers shall have performed and complied in all material respects with all of the obligations under this Agreement which are required to be performed or complied with by he, she or it on or prior to the Closing Date, and at the Closing the Company shall have delivered to the Buyer a certificate (duly executed on behalf of the Company by its President or Chief Executive Officer) to that effect with respect to all such obligations required to have been performed or complied with by the Company and the Sellers on or before the Closing Date.

8.3 Absence of Litigation. No statute, rule or regulation shall have been enacted or promulgated, and no order, decree, writ or injunction shall have been issued and shall remain in effect, by any court or governmental

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or regulatory body, agency or authority which restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby, and no action, suit or proceeding before any court or governmental or regulatory body, agency or authority shall have been instituted by any person (or instituted or threatened by any governmental or regulatory body, agency or authority), and no investigation by any governmental or regulatory body, agency or authority shall have been commenced with respect to the transactions contemplated hereby or with respect to the Company and each of its Subsidiaries or the Sellers which is reasonably likely to have a material adverse effect on the transactions contemplated hereby or is reasonably likely to result in a Company Material Adverse Effect.

8.4 Purchase Permitted by Applicable Laws; Legal Investment. The Buyer's purchase of and payment for the Shares (i) shall not be prohibited by any applicable Law or governmental order, rule, ruling, regulation, release or interpretation, (ii) shall not subject the Buyer to any penalty, Tax, Liability or, in the reasonable judgment of the Buyer, any other onerous condition under or pursuant to any applicable Law, statute, ordinance, regulation or rule, (iii) shall not constitute a fraudulent or voidable conveyance under any applicable Law, and (iv) shall be permitted by all applicable Laws, statutes, ordinances, regulations and rules of the jurisdictions to which the Buyer is subject.

8.5 Proceedings Satisfactory. All proceedings taken in connection with the purchase and sale of the Shares, the Agreement and all documents and papers relating thereto, shall be in form and substance reasonably satisfactory to the Buyer.

8.6 Consents. All approvals, consents (including contractual consents), licenses, permits, orders, waivers and authorizations required to be obtained by the Company or the Stockholders in connection with the transactions contemplated by this Agreement and the sale of the Shares as set forth on Schedule 8.6 attached hereto shall have been obtained and shall be in full force and effect.

8.7 Additional Agreements. The following agreements, forms or notices, as the case may be, shall have been executed and delivered to the Buyer:

(a) Executive Employment Agreements in the form attached hereto as Exhibit C, duly executed by each of Sunny P. Smith and Will Steinhoff;

(b) Confidentiality, Assignment of Inventions and Employment-at-Will Agreements for consultants and employees, in a form satisfactory to the Buyer, executed by each of the employees of the Company;

(c) the Sellers shall have delivered to the Buyer certifications that they are not foreign persons in accordance with the Treasury Regulations under Section 1445 of the Code;

(d) Each Seller shall deliver to Buyer a properly completed and executed Form W-9 on the Closing and prior to any payment of the Purchase Price; and

(e) the Escrow Agreement duly executed by the Stockholder Representative.

8.8 Material Adverse Effect. There shall not have occurred any event which is or reasonably could result in a Company Material Adverse Effect.

8.9 Supporting Documents. The Company and the Sellers shall have delivered to the Buyer a certificate (i) of the Secretary of State of the State of Kansas dated as of the Closing Date or within three (3) business days prior to the Closing Date, certifying as to the corporate legal existence and good standing of the Company; and (ii) of the Secretary of the Company dated the Closing Date, certifying on behalf of the Company (w) that attached thereto is a true and complete copy of the certificate of incorporation of the Company, as in effect on the date of such certification; (x) that attached thereto is a true and complete copy of the by-laws of the Company, as in effect on the date of such certification; (y) that attached thereto is a true and complete copy of all resolutions adopted by the Board of Directors and the Stockholders, authorizing the execution, delivery and performance of this

Agreement and the consummation of the transactions contemplated hereby; and (z) to the incumbency and specimen signature of each officer of the Company, executing on behalf of the company this Agreement and the other agreements related hereto; and (iii) satisfactory evidence that tax good standings, waivers of state tax liens and state clearance certificates from each such jurisdiction in which the Company does business has been applied for, and in lieu of each such certificate, the Company will provide to the Buyer written evidence as to the absence of any such liens which will be certified by the Company's Treasurer.

8.10 Release of Liens. The Company shall have obtained to the satisfaction of the Buyer, binding payoff letters (which shall include releases) or releases from creditors needed to terminate any security interests in the Company, if any, and including under any lines of credit. In the event Company furnishes a payoff letter, Buyer may remit the amount of the payoff to the creditor furnishing the payoff letter and reduce the Cash Consideration by the amount of the payoff remitted.

8.11 Stockholder Allocation Spreadsheet. The Buyer shall have received the Stockholder Allocation Spreadsheet.

8.12 Preliminary Net Working Capital and Indebtedness Schedule. The Buyer shall have received the Preliminary Net Working Capital and Indebtedness Schedule in the form attached hereto as Exhibit D.

8.13 Legal Opinion. The Buyer shall have received an opinion letter of Morris, Laing, Evans, Brock & Kennedy, Chartered, dated the Closing Date, substantially in the form of Exhibit E.

ARTICLE IX

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY AND THE SELLERS

The obligation of the Company and the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or prior to the Closing Date of each of the following conditions (any of which may be waived in writing by the Company and the Sellers in their sole discretion):

9.1 Representations and Warranties True. The representations and warranties of the Buyer contained in this Agreement, or contained in any Schedule, certificate or other instrument or document delivered or to be delivered pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date and at the Closing the Buyer shall have delivered to the Company and the Sellers a certificate (with respect to Buyer, signed on its behalf by its Chief Executive Officer and with respect to the Buyer, signed on its behalf by its President) to that effect with respect to all such representations and warranties made by such entity.

9.2 Performance. The Buyer shall have performed and complied in all material respects with all of the obligations under this Agreement which are required to be performed or complied with by them on or prior to the Closing Date, and at the Closing the Buyer shall have delivered to the Company and the Sellers a certificate (signed on its behalf by its Chief Financial Officer) to that effect with respect to all such obligations required to have been performed or complied with by such entity on or before the Closing Date.

9.3 Absence of Litigation. No statute, rule or regulation shall have been enacted or promulgated, and no order, decree, writ or injunction shall have been issued and shall remain in effect, by any court or governmental or regulatory body, agency or authority which restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby, and no action, suit or proceeding before any court or governmental or regulatory body, agency or authority shall have been instituted by any person (or instituted or threatened by any governmental or regulatory body, agency or authority) and no investigation by any governmental or regulatory body, agency or authority shall have been commenced with respect to the transactions contemplated hereby or with respect to the Buyer which would have a material adverse effect on the transactions contemplated hereby or is reasonably likely to result in a Buyer Material Adverse Effect.

9.4 Consents. All approvals, consents, licenses, permits, orders, waivers and authorizations required to be obtained by the Buyer in connection with the transactions contemplated by this Agreement and the sale of the Shares shall have been obtained and shall be in full force and effect.

9.5 Additional Agreements. The Buyer shall have executed and delivered:

(a) counterparts of the Executive Employment Agreements to the executives who are parties thereto; and

(b) the Escrow Agreement to the Stockholder Representative.

9.6 Material Adverse Effect. There shall not have occurred any event which is or reasonably could result in a Buyer Material Adverse Effect.

9.7 Purchase Price. At the Closing, the Buyer shall deliver the Note and Pledge Agreement to the Stockholder Representative, and on the Note Payment Date shall distribute the Cash Consideration in accordance with Section 1.2 (and provide evidence reasonably satisfactory to the Sellers of having made the Escrow Deposit on the Note Payment Date).

9.8 Supporting Documents. The Buyer shall have delivered to the Company and the Stockholders (i) a certificate of the Secretary of State of the State of Delaware dated as of the Closing Date, certifying as to the corporate legal existence and good standing of the Buyer, and (ii) a certificate of the Secretary of the Buyer, dated the Closing Date, certifying on behalf of the Buyer (w) that attached thereto is a true and complete copy of the Certificate of Incorporation of the Buyer, as in effect on the date of such certification; (x) that attached thereto is a true and complete copy of the By-Laws of the Buyer as in effect on the date of such certification; (y) that attached thereto is a true and complete copy of all resolutions adopted by the Board of Directors of the Buyer authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby; and (z) to the incumbency and specimen signature of each officer of the Buyer executing on behalf of the Buyer this Agreement and the other agreements related hereto.

ARTICLE X

TERMINATION

10.1 Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by the written consent of the Company and the Buyer;

(b) by either the Company or the Buyer:

(i) if any court or governmental or regulatory agency, authority or body shall have enacted, promulgated or issued any statute, rule, regulation, ruling, writ or injunction, or taken any other action, restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and all appeals and means of appeal therefrom have been exhausted; or

(ii) if the Closing Date shall not have occurred on or before December 15, 2018, provided, however, that the right to terminate this Agreement pursuant to this Section 10.1(b)(ii) shall not be available to any party whose (or whose Affiliate(s)') breach of any representation or warranty or failure to perform or comply with any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date; or

(iii) if there shall have been a material breach of any representation, warranty, covenant, condition or agreement on the part of the other party set forth in this Agreement which breach is incapable

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

of cure, or if capable of cure, shall not have been cured within twenty (20) business days following receipt by the breaching party of notice of such breach.

10.2 Effect of Termination. In the event of termination of this Agreement, this Agreement shall forthwith become void and there shall be no Liability on the part of any of the parties hereto or (in the case of the Company and the Buyer) their respective officers or directors, except for Sections 6.4 and 13.6, and the last sentence of Section 6.1, which shall remain in full force and effect, and except that nothing herein shall relieve any party from Liability for a breach of this Agreement prior to the termination hereof.

ARTICLE XI

INDEMNIFICATION; SURVIVAL OF REPRESENTATIONS AND WARRANTIES

11.1 Indemnity Obligations. (a) Subject to Sections 11.3 and 11.4 hereof, *** indemnify and hold the Buyer (including their respective representatives and Affiliates) harmless from, and to reimburse the Buyer for, any Losses directly or indirectly arising out of, based upon or resulting from (i) any inaccuracy in or breach of any representation or warranty of the Company set forth in Article II of this Agreement or any Schedule or certificate delivered by the Company pursuant hereto; (ii) any inaccuracy in or breach of any representation or warranty of the Sellers set forth in Article III of this Agreement or any Schedule or certificate delivered by the Sellers pursuant hereto; (iii) any breach or nonfulfillment of, or any failure to perform, any of the covenants, agreements or undertakings of the Company or the Sellers which are contained in this Agreement or any agreement entered into in connection herewith including, without limitation, the covenants set forth in Article VII of this Agreement; (iv) any Indebtedness, Closing Liabilities, fees and expenses pursuant to Section 6.4 and Indemnified Taxes and any Liabilities related to Callcap of Wisconsin other than the Callcap of Wisconsin Purchase Price and (v) any claims by any current or former holder of any equity interest or equity security of the Company or any of its Subsidiaries (including any predecessors), including any Company Capital Stock, Company Options, Company Warrants or other Company Stock Rights, relating to or arising out of this Agreement and the transactions contemplated hereby, including any Losses due to any inaccuracy or incompleteness of the Stockholder Allocation Spreadsheet (including any Third Party Claim to any portion of the Purchase Price).

(b) The Buyer agrees to indemnify and hold the Sellers (including their respective representatives and Affiliates) harmless from, and to reimburse the Sellers for, any Losses directly or indirectly arising out of, based upon or resulting from (i) any inaccuracy in or breach of any representation or warranty of the Buyer set forth in Article IV of this Agreement or any Schedule or certificate delivered by the Buyer pursuant hereto; and (ii) any breach or nonfulfillment of, or any failure to perform, any of the covenants, agreements or undertakings of the Buyer which are contained in this Agreement or any agreement entered into in connection herewith.

11.2 Notification of Claims.

(a) Subject to the provisions of Section 11.3 below, in the event of the occurrence of an event pursuant to which the Buyer shall seek indemnity pursuant to Section 11.1, the Buyer shall provide the Stockholder Representative with prompt written notice (a "Claim Notice") of such event and shall otherwise promptly make available to the Stockholder Representative, all relevant information which is material to the claim and which is in the possession of the indemnified party. The Buyer's failure to give a timely Claims Notice or to promptly furnish the Stockholder Representative, with any relevant data and documents in connection with any Third-Party Claim shall not constitute a defense (in part or in whole) to any claim for indemnification by such party, except and only to the extent that such failure shall result in any prejudice to the indemnifying party.

(b) The Stockholder Representative shall have the right to elect to join in, through counsel of its choosing reasonably acceptable to the Buyer, the defense, settlement, adjustment or compromise of any claim of any third party (a "Third Party Claim") for which indemnification will be sought by the Buyer; provided, however, that the Buyer shall control such defense, settlement, adjustment or compromise. The expense of any such defense, settlement, adjustment or compromise, including the Buyer's counsel and any counsel chosen by the Stockholder

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Representative shall be borne by the Stockholders. The Buyer shall have the right to settle any such Third Party Claim; provided, however, that the Buyer may not effect a settlement, adjustment or compromise of or a confession of judgment to any such Third Party Claim without the written consent of the Stockholder Representative, which consent shall not be unreasonably withheld, delayed or conditioned.

(c) Notwithstanding the other provisions of this Section 11.2, if a third party asserts (other than by means of a lawsuit) that the Buyer is liable to such third party for a monetary or other obligation for which the Buyer expects to seek indemnification pursuant to this Article XI, and the Buyer reasonably determines that it has a valid business reason to fulfill such obligation, then (i) the Buyer shall be entitled to satisfy such obligation, without prior notice to or consent from the Stockholder Representative, (ii) the Buyer may subsequently make a claim for indemnification in accordance with the provisions of this Article XI, and (iii) the Buyer shall be reimbursed, in accordance with the provisions of this Article XI, for any such Losses for which it is entitled to indemnification pursuant to this Article XI (subject to the right of the Stockholder Representative to dispute the Buyer's entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Article XI).

11.3 Duration. All representations and warranties set forth in this Agreement and any Schedules or certificates delivered pursuant hereto or thereto, and all covenants, agreements and undertakings of the parties contained in or made pursuant to this Agreement and any Schedules or certificates delivered pursuant hereto or thereto, and the rights of the parties to seek indemnification with respect thereto (all of the foregoing collectively, the "Indemnifiable Matters"), shall survive the Closing but, except in respect of any claims for indemnification as to which a Claim Notice shall have been duly given and also as provided in the immediately following sentence, all Indemnifiable Matters pursuant to Section *** shall expire on the *** of the Closing Date (the "Release Date"). Notwithstanding the foregoing, (a) Indemnifiable Matters arising from breaches of the covenants contained in Article VII shall survive the Closing Date until the *** anniversary of the Closing Date; (b) Indemnifiable Matters arising from breaches of the representations and warranties set forth in Section *** shall survive the Closing Date until the *** anniversary of the Closing Date; and (c) Indemnifiable Matters arising from breaches of the representations, warranties and covenants set forth in Sections *** shall each survive the Closing Date until the *** anniversary of the Closing Date (all such obligations in (a), (b) and (c), collectively, the "Excluded Obligations"). Notwithstanding the foregoing, claims for breaches of the representations and warranties relating to or arising from fraud shall be independent of, and shall not be limited by, the Agreement and shall survive the Closing Date indefinitely.

11.4 Liability; Offset.

(a) If the Closing occurs, the Buyer agree that the right to indemnification pursuant to this Article XI shall constitute the Buyer's sole and exclusive remedy and recourse against the Stockholders for Losses attributable to any Indemnifiable Matters. Except with respect to the Excluded Obligations, the maximum liability of the Stockholders collectively shall be limited to *** and the maximum liability of any Stockholder shall be limited to *** and the maximum liability of the Stockholders collectively for the Excluded Obligations shall be limited to the Purchase Price and the maximum liability of any Stockholder for the Excluded Obligations shall be limited to such Stockholder's Pro Rata Portion of the Losses up to such Stockholder's Pro Rata Portion of the Purchase Price. No Stockholder shall have liability for breach of the covenants set forth in Article VII of this Agreement except in the event of such Stockholder's involvement in, consent to, or facilitation of the breach of such covenants in Article VII.

(b) If the Closing occurs, the Stockholders agree that the right to indemnification pursuant to this Article XI shall constitute the Stockholders' sole and exclusive remedy and recourse against the Buyer for Losses attributable to any Indemnifiable Matters. The maximum liability of the Buyer hereunder shall be limited to ***.

(c) The Buyer shall have the right to offset against the Equity Consideration (not yet issued) any amounts due to it pursuant to this Article XI; provided, however, Buyer's right of set-off is available only to the

extent, according to the procedures, and in such amount as Buyer is entitled to indemnification under the provisions of this Article XI.

11.5 No Contribution. The Stockholders hereby waive, acknowledge and agree that the Stockholders shall not have and shall not exercise or assert (or attempt to exercise or assert), any right of contribution or right of indemnity against the Buyer or the Company in connection with any indemnification payments which the Stockholders are required to make under this Article XI. Nothing contained in this Article XI shall limit a Stockholder's right of contribution or right of indemnity from another Stockholder.

11.6 Treatment of Indemnity Payments. All payments made pursuant to this Article XI pertaining to any indemnification obligations shall be treated as adjustments to the Purchase Price for Tax purposes and such agreed treatment shall govern for purposes of this Agreement, unless otherwise required by Law.

11.7 Waiver of Certain Damages. No party shall be liable to any other party for any special, punitive, exemplary, or consequential damages as a result of a breach of this Agreement, except to the extent any such damages constitute Losses to such party pursuant to an indemnified Third-Party Claim.

General Release

.

(a) Each Seller from and after the Closing each hereby releases forever and discharge the Buyer, the Company, their respective Affiliates, and each of their respective officers, managers, directors, shareholders, members and employees (collectively, the "Releasees"), of and from any and all actions, claims, damages and Liabilities of any kind or nature whatsoever that relate to or arise out of any dealings, relationships or transactions by and between the Sellers, on the one hand, and any Releasee, on the other hand, in law or equity, which against any Releasee such Seller has ever had, now has or which he, she or it hereafter can, shall or may have, whether or not now known, from the beginning of the world to the Closing Date (the "Causes of Action"). Each Seller understands and agrees that he, she or it is expressly waiving all claims, even those it may not know or suspect to exist, which if known may have materially affected the decision to provide this release, and such Seller expressly waives any rights under applicable Law that provide to the contrary. Furthermore, each Seller further agrees not to institute any litigation, lawsuit, claim or action against any Releasee with respect to the released Causes of Action.

(b) The release set forth in this Section 11.8, shall not apply to any rights of a Seller pursuant to this Agreement or any agreement entered into by such Seller in connection with the transactions contemplated by this Agreement.

ARTICLE XII

REGISTRATION RIGHTS

12.1 Registrable Shares. For purposes of this Agreement, "Registrable Shares" shall mean the Buyer Common Stock, issued as part of the Equity Consideration.

12.2 Registration. Buyer shall use commercially reasonable best efforts to prepare and file with the SEC a registration statement on Form S-3 under the Securities Act with respect to the resale of the Registrable Shares (the "Registration Statement") within five (5) business days after the issuance of any Registrable Shares and shall use reasonable best efforts to effect all such registrations, qualifications and compliances (including, without limitation, obtaining appropriate qualifications under applicable state securities or "blue sky" Laws and compliance with any other applicable governmental requirements or regulations) as the Sellers may reasonably request and that would permit or facilitate the sale of Registrable Shares (provided however that Buyer shall not be required in connection therewith to qualify to do business or to file a general consent to service of process in any such state or jurisdiction).

12.3 Effectiveness; Suspension Right.

(a) Buyer will use commercially reasonable best efforts to cause any Registration Statement to become and remain effective for six (6) months from the issuance of any Registrable Shares under the Securities Act and from time to time will amend or supplement each Registration Statement and the prospectus contained therein as and to the extent necessary to comply with the Securities Act, the Exchange Act and any applicable state securities statute or regulation, subject to the following limitations and qualifications. Buyer will notify the Sellers promptly upon any Registration Statement being declared effective or when a supplement to any prospectus forming a part of any Registration Statement has been filed.

(b) Following such date as a Registration Statement is first declared effective, the Sellers will be permitted to offer and sell the Registrable Shares registered therein during the registration effective period in the manner described in the Registration Statement provided that the Registration Statement remains effective and has not been suspended.

(c) Notwithstanding any other provision of this Article XII, Buyer shall have the right at any time to require that the Sellers suspend further open market offers and sales of Registrable Shares pursuant to the Registration Statement whenever, and for so long as, in the reasonable judgment of Buyer, upon written advice of counsel, there is in existence material undisclosed information or events with respect to Buyer, the disclosure of which would be materially detrimental to the Buyer, because such disclosure would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Buyer; or (ii) require premature disclosure of material information that the Buyer has a bona fide business purpose for preserving as confidential (the "Suspension Right"). In the event Buyer exercises the Suspension Right, such suspension will begin on the date a notice of such suspension is provided to the Sellers and shall continue for the period of time reasonably necessary for disclosure to occur at the earliest time that such disclosure would not have a material adverse effect on Buyer, as determined in good faith by Buyer after consultation with counsel. Buyer will promptly give the Sellers written notice of any such suspension and will use its commercially reasonable best efforts to minimize the length of the suspension.

12.4 Expenses. The costs and expenses to be borne by Buyer for purposes of this Article XII shall include, without limitation, printing expenses, legal fees and disbursements of counsel for Buyer, "blue sky" expenses, accounting fees, governmental filing fees and exchange listing fees, but shall not include underwriting commissions or similar charges, legal fees and disbursements of counsel (if any) for the Sellers.

12.5 Indemnification.

(a) To the extent permitted by Law, Buyer will indemnify and hold harmless the Sellers, any underwriter (as defined in the Securities Act) for the Sellers, and their officers, directors, stockholders or partners and each Person, if any, who controls or is alleged to control the Sellers or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state Law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (A) any untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (B) the omission or alleged omission to state or incorporate by reference therein a material fact required to be stated or incorporated by reference therein, or necessary to make the statements included or incorporated by reference therein not misleading, or (C) any violation or alleged violation by Buyer of the Securities Act, the Exchange Act, any state securities Law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities Law; and Buyer will pay to the Sellers, underwriter or controlling Person, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, Liability, or action; provided, however, that the indemnity agreement contained in this Section 12.5(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, Liability, or action if such settlement is effected without the consent of Buyer (which consent may not be unreasonably withheld); nor shall Buyer be liable to the Sellers in any such case for any such loss, claim, damage, Liability, or action to the extent that it arises out of or is based upon

(i) a Violation which occurs in reliance upon and in conformity with written information furnished by the Sellers expressly for use in the Registration Statement, or (ii) a Violation that would not have occurred if the Sellers had delivered to the purchaser the version of the Prospectus most recently provided by Buyer to the Sellers as of a date prior to such sale.

(b) To the extent permitted by Law, the Sellers will indemnify and hold harmless Buyer, each of its directors, each of its officers who has signed the Registration Statement, each Person, if any, who controls Buyer within the meaning of the Securities Act, any underwriter, and any controlling Person of any such underwriter, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing Persons may become subject, under the Securities Act, the Exchange Act or other federal or state Law, insofar as, and only to the extent that, such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation (which includes without limitation the failure of the Sellers to deliver the most current prospectus provided by Buyer prior to the date of such sale), in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by the Sellers expressly for use in the Registration Statement or such Violation is caused by the Sellers' failure to deliver to the purchaser of the Sellers' Registrable Shares a prospectus (or amendment or supplement thereto) that had been provided to the Sellers by Buyer prior to the date of the sale; and the Sellers will pay any legal or other expenses reasonably incurred by any Person intended to be indemnified pursuant to this Section 12.5(b) in connection with investigating or defending any such loss, claim, damage, Liability, or action; provided, however, that the indemnity agreement contained in this Section 12.5(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, Liability or action if such settlement is effected without the consent of the Sellers, which consent shall not be unreasonably withheld. The aggregate indemnification and contribution Liability of the Sellers under this Section 12.5(b) and 12.5(d) below shall not exceed the net proceeds received by the Sellers in connection with sale of shares pursuant to the Registration Statement.

(c) Each Person entitled to indemnification under this Section 12.5 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought and shall permit the Indemnifying Party to assume the defense of any such claim and any litigation resulting therefrom, provided that counsel for the Indemnifying Party who conducts the defense of such claim or any litigation resulting therefrom shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 12.5 unless the Indemnifying Party is materially prejudiced thereby. No Indemnifying Party, in the defense of any such claim or litigation, shall (except with the consent of each Indemnified Party) consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all Liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(d) To the extent that the indemnification provided for in this Section 12.5 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, Liability, claim, damage or expense referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, Liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions which resulted in such loss, Liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue of alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

12.6 Procedures for Sale of Shares Under Registration Statement.

(a) Notice and Approval. If a Seller shall propose to sell Registrable Shares pursuant to the Registration Statement, he, she or it shall notify Buyer of the intent to do so (including the proposed manner and timing of all sales) at least one (1) full trading day prior to such sale, and the provision of such notice to Buyer shall conclusively be deemed to reestablish and reconfirm an agreement by such Seller to comply with the registration provisions set forth in this Agreement. Unless otherwise specified in such notice, such notice shall be deemed to constitute a representation that any information previously supplied by such Seller expressly for inclusion in the Registration Statement (as the same may have been superseded by subsequent such information) is accurate as of the date of such notice. At any time within such one (1) trading-day period, Buyer may refuse to permit such Seller to resell any Registrable Shares pursuant to the Registration Statement; provided, however, that in order to exercise this right, Buyer must deliver a certificate in writing to such Seller to the effect that a delay in such sale is necessary because a sale pursuant to the Registration Statement in its then-current form without the addition of material, non-public information about Buyer, could constitute a violation of the federal securities Laws.

(b) For any offer or sale of any of the Registrable Shares by a Seller in a transaction that is not exempt under the Securities Act, such Seller shall deliver to the purchaser the version of the Prospectus most recently provided by Buyer to such Seller as of a date prior to such sale.

12.7 Removal of Restrictive Legends. At any time after the date that is six (6) months following the issuance of any Registrable Shares, the Buyer shall, within five (5) business days upon the request of a Seller, issue new stock certificates representing such shares without restrictive legends if such Seller is not then an affiliate of the Buyer within the meaning of Rule 144 promulgated under the Securities Act.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Amendment. This Agreement may be amended by the parties hereto at any time by execution of an instrument signed on behalf of the party against whom enforcement is sought.

13.2 Waiver of Compliance. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant or agreement contained herein may be waived only by a written notice from the party or parties entitled to the benefits thereof. No failure by any party hereto to exercise, and no delay in exercising, any right hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or future exercise of that right by that party.

13.3 Notices. All notices and other communications hereunder shall be deemed given if given in writing and delivered personally, by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier to the party to receive the same at its respective address set forth below (or at such other address as may from time to time be designated by such party to the others in accordance with this Section 13.3):

(a) if to the Company (prior to Closing) or the Stockholders to:

SITA Laboratories, Inc.
125 N. Emporia, #201
Wichita, KS 67202
Attention: Will Steinhoff, President

with copies to:

Morris, Laing, Evans, Brock & Kennedy, Chartered
300 N. Mead, Suite, 200

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

Wichita, KS 67202
Attention: Roger L. Theis

(b) if to the Buyer, to:

Marchex, Inc.
520 Pike Street, Suite 2000
Seattle, WA 98101
Attention: Michelle Paterniti, General Counsel

with copies to:

DLA Piper LLP (US)
33 Arch Street, 26th Floor
Boston, MA 02110
Attention: Francis J. Feeney, Jr., Esq.

All such notices and communications hereunder shall be deemed given when received, as evidenced by the signed acknowledgment of receipt of the person to whom such notice or communication shall have been personally delivered, the acknowledgment of receipt returned to the sender by the applicable postal authorities or the confirmation of delivery rendered by the applicable overnight courier service

13.4 Binding Effect; Assignment. This Agreement, and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any rights, duties or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties hereto, except by the Buyer to any successor to its business or to any Affiliate as long as the Buyer remains ultimately liable for all of the Buyer's obligations hereunder.

13.5 No Third Party Beneficiaries. Neither this Agreement or any provision hereof nor any Schedule, certificate or other instrument delivered pursuant hereto, nor any agreement to be entered into pursuant hereto or any provision hereof, is intended to create any right, claim or remedy in favor of any person or entity, other than the parties hereto and their respective successors and permitted assigns and any other persons indemnified under Article XI.

13.6 Public Announcements. Promptly after the date of execution hereof and the Closing Date, the Buyer may issue a press release in such form as reasonably acceptable to the Stockholder Representative and none of the parties hereto shall, except as agreed by the Buyer and the Stockholder Representative, or except as may be required by Law or applicable regulatory authority (including without limitation the rules applicable to Nasdaq listed companies), issue any other reports, releases, announcements or other statements to the public relating to the transactions contemplated hereby.

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

13.8 Headings. The article and section headings contained in this Agreement are solely for convenience of reference, are not part of the agreement of the parties and shall not be used in construing this Agreement or in any way affect the meaning or interpretation of this Agreement.

13.9 Entire Agreement. This Agreement, and the Schedules, certificates and other instruments and documents delivered pursuant hereto, together with the other agreements referred to herein and to be entered into pursuant hereto, embody the entire agreement of the parties hereto in respect of, and there are no other agreements or understandings, written or oral, among the parties relating to the subject matter hereof, other than the

Confidentiality Agreement. This Agreement supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such subject matter, other than the Confidentiality Agreement (subject to the disclosure requirements of any applicable Laws and/or governmental regulations).

13.10 Governing Law. The parties hereby agree that this Agreement, and the respective rights, duties and obligations of the parties hereunder, shall be governed by and construed in accordance with the applicable General Corporation Law of the State of Delaware or KGCL as to matters within the scope thereof and, as to all other matters, shall be governed by and construed with the laws of the State of Washington, without giving effect to principles of conflicts of law thereunder. Each of the parties hereby (i) irrevocably consents and agrees that any legal or equitable action or proceeding arising under or in connection with this Agreement shall be brought exclusively in the federal or state courts sitting in Delaware and any court to which an appeal may be taken in any such litigation, and (ii) by execution and delivery of this Agreement, irrevocably submits to and accepts, with respect to any such action or proceeding, for itself and in respect of its properties and assets, generally and unconditionally, the jurisdiction of the aforesaid courts, and irrevocably waives any and all rights such party may now or hereafter have to object to such jurisdiction.

13.11 Severability. In the event that any clause or portion of this Agreement shall be held to be invalid, illegal, unenforceable, or in violation of any Law or public policy, such a finding shall not affect the balance of the terms contained herein, and the parties shall be charged with the responsibility of continuing to carry out the terms and conditions of this Agreement in a manner consistent therewith. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject or otherwise unreasonable so as to be unenforceable at Law, such provision or provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable Law as it shall then appear.

13.12 Specific Performance. In addition to any and all other remedies that may be available at Law in the event of any breach of this Agreement, the parties hereto shall be entitled to specific performance of the agreements and obligations hereunder and to such other injunctive or other equitable relief as may be granted by a court of competent jurisdiction, without the necessity of posting a bond or proving actual damages.

13.13 Disclosure Schedules. Nothing in any Schedule or any supplement to or amendment of any such Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless such Schedule identifies the exception with reasonable particularity. The statements in any such Schedule or supplement or amendment relate only to the provisions in the Section and/or subsections of this Agreement to which they expressly relate and not to any other provision of this Agreement.

13.14 Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state or local statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. The word "day" shall refer to a calendar day, unless otherwise specified. Wherever required by the context, as used in this Agreement, the singular number shall include the plural, the plural shall include the singular and all words herein in any gender shall be deemed to include the masculine, feminine and neutral genders. The parties hereto intend that each representation, warranty, and covenant contained herein shall have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which such party has not breached shall not detract from or mitigate the fact that such party is in breach of the first representation, warranty, or covenant.

13.15 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AND ANY ACTION, PROCEEDING OR COUNTERCLAIM

(WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF.

13.16 Electronic Signatures. This Agreement, and any agreement, assignment, instrument, statement, certificate and other document given pursuant hereto, may be executed by means of electronic or other facsimile signatures, which and shall be binding on the parties as though they were manual signatures.

ARTICLE XIV

DEFINITIONS

14.1 Certain Definitions. As used in this Agreement, the following terms shall have the meanings indicated below:

"***Acquired Company***" means the Company and each of its Subsidiaries.

"***Acquisition Transaction***" has the meaning set forth in Section 5.2 of the Agreement.

"***Affiliate***" means, with respect to the Person to which it refers, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such Person.

"***Allocation Schedule***" has the meaning set forth in Section 6.6(b) of the Agreement.

"***Audit***" has the meaning set forth in Section 6.7 of the Agreement.

"***Balance Sheet***" has the meaning set forth in Section 2.6(a) of the Agreement.

"***Buyer Common Stock***" has the meaning set forth in Section 1.2(b) of the Agreement.

"***Buyer Disclosure Schedules***" has the meaning set forth in the preamble of Article IV to the Agreement.

"***Buyer Material Adverse Effect***" means any change, event or effect that is, or that is reasonably likely to be, materially adverse to the business, operation, assets, Liabilities, financial condition or results of operations of the Buyer and its subsidiaries, taken as a whole, but shall in no event be attributable to any change in Buyer's stock price or any shortfall in Buyer's financial performance from any securities analyst forecast or estimate.

"***Buyer Prepared Return***" means any Tax Return, other than a Seller Prepared Return, required to be filed by the Company or any of its Subsidiaries after the Closing Date with respect to a Pre-Closing Tax Period, including all Tax Returns for Straddle Periods.

"***Callcap of Wisconsin Agreement***" means that certain Asset Purchase Agreement dated November 19, 2018, between by and between Callcap of Wisconsin, Inc., a Delaware corporation (sometimes referred to as "Callcap Milwaukee"), Bryon Follansbee, and Bryan Bender, of the first part; and SITA Laboratories, Inc., a Kansas corporation, of the second part.

"***Callcap of Wisconsin Purchase Price***" has the meaning set forth in Section 1.1 of the Agreement.

*"**Cash Consideration**"* has the meaning set forth in Section 1.2(a) of the Agreement.

*"**Causes of Action**"* has the meaning set forth in Section 11.8 of the Agreement.

*"**Claim**"* has the meaning set forth in Section 5.1 of the Agreement.

"***Claim Notice***" has the meaning set forth in Section 11.2 of the Agreement.

"***Closing***" has the meaning set forth in Section 1.6 of the Agreement.

"***Closing Date***" has the meaning set forth in Section 1.6 of the Agreement.

"***Closing Indebtedness***" has the meaning set forth in Section 1.4(b) of the Agreement.

"***Closing Liabilities***" has the meaning set forth in Section 1.1 of the Agreement.

"***Closing Net Working Capital***" has the meaning set forth in Section 1.4(b) of the Agreement.

"***Closing Stock Price***" has the meaning set forth in Section 1.2(b) of the Agreement.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Communications Laws***" has the meaning set forth in Section 2.12(n) of the Agreement.

"***Company***" has the meaning set forth in the preamble to the Agreement.

"***Company's Business***" means a call measurement and analytics company which provides its customers with the following call related features: provisioning of phone numbers, call tracking, call monitoring, call recording and retention, outbound marketing, text platform with two-way messaging and customized integrations/related dashboard.

"***Company Capital Stock***" has the meaning set forth in Section 2.4 of the Agreement.

"***Company Disclosure Schedules***" has the meaning set forth in the preamble to Article II of the Agreement.

"***Company Employee Plan***" means any plan, program, policy, practice, contract, agreement or other arrangement (written or oral) providing for deferred compensation, profit sharing, bonus, severance, termination pay, performance awards, stock or stock-related awards, fringe benefits, welfare, pension or other employee benefits or remuneration of any kind, whether formal or informal, funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, which is or has been maintained, contributed to, or required to be contributed to, by the Company or any of its Subsidiaries or ERISA Affiliates for the benefit of any Employee, or pursuant to which the Company or any of its Subsidiaries has or may have any Liability, contingent or otherwise.

"***Company Intellectual Property***" means any Intellectual Property that is owned by, or exclusively licensed to, the Company or any of its Subsidiaries.

"***Company Material Adverse Effect***" means any change, event or effect that is, or that is reasonably likely to be, materially adverse to the business, operations, assets, Liabilities, prospects, financial condition or results of operations of the Company or any of its Subsidiaries, taken as a whole.

"***Company Option***" has the meaning set forth in Section 2.4 of the Agreement.

"***Company Option Plan***" has the meaning set forth in Section 2.4 of the Agreement.

"***Company Preferred Stock***" has the meaning set forth in Section 2.4 of the Agreement.

"***Company Stock Rights***" means (i) any outstanding Company Options, (ii) any outstanding Company Warrants and (iii) any other outstanding subscriptions, options, calls, warrants or any other rights, whether or not currently exercisable, to acquire any shares of Company Capital Stock or that are or may become convertible into or exchangeable for any shares of Company Capital Stock or another Company Stock Right.

"***Company Warrant***" has the meaning set forth in Section 2.4 of the Agreement.

"***Confidentiality Agreement***" means the confidentiality agreement entered into by the Buyer and the Company, dated as of March 21, 2018.

"***Cost of Service Liabilities***" has the meaning set forth in Section 1.1 of the Agreement.

"***Data***" has the meaning set forth in Section 2.6(b) of the Agreement.

"***DGCL***" means the Delaware General Corporation Law.

"***Employee***" or "***Employees***" means any current employee, officer, or director of the Company or any of its Subsidiaries.

"***Equity Consideration***" has the meaning set forth in Section 1.2(b) of the Agreement.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended.

"***ERISA Affiliate***" means any Person that, together with the Company or any of its Subsidiaries, would be treated as a single employer under Section 414 of the Code or Section 4001 of ERISA and the regulations thereunder.

"***Escrow Agent***" has the meaning set forth in Section 1.5(a) of the Agreement.

"***Escrow Agreement***" has the meaning set forth in Section 1.5(a) of the Agreement.

"***Escrow Deposit***" has the meaning set forth in Section 1.5(a) of the Agreement.

"***Escrow Release Date***" has the meaning set forth in Section 1.5(a) of the Agreement.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"***Excluded Obligations***" has the meaning set forth in Section 10.3 of the Agreement.

"FCC" has the meaning set forth in Section 2.12(n) of the Agreement.

"***Final Net Working Capital and Indebtedness Schedule***" has the meaning set forth in Section 1.4(b) of the Agreement.

"***Final Accounting Firm***" has the meaning set forth in Section 1.4(b) of the Agreement.

"***Financial Statements***" has the meaning set forth in Section 2.6(a) of the Agreement.

"***GAAP***" has the meaning set forth in Section 2.6(a) of the Agreement.

"***Governmental Entity***" or "***Governmental Entities***" means any federal, state, local or foreign, governmental or quasi-governmental entity or municipality or any subdivision thereof or agency, authority,

department, commission, board, bureau, court, tribunal or instrumentality, or any applicable self-regulatory organization.

"***Ice Boxes***" means a plug and play hardware solution installed in-line on a customer's network to capture call detail information and permit the recording of phone calls.

"***Indebtedness***" means (i) indebtedness for borrowed money, or guarantees of any such indebtedness, for which the Company or any of its Subsidiaries is obligated, including the principal amount, plus accrued but unpaid interest thereon, of debt securities of the Company; and (ii) any Liabilities relating to any capital lease obligation of the Company, and shall include any prepayment penalties or fees or other amounts payable in connection with any such indebtedness or Liabilities.

"***Indemnifiable Matters***" has the meaning set forth in Section 11.3 of the Agreement.

"***Indemnified Party***" has the meaning set forth in Section 12.5(c) of the Agreement.

"***Indemnified Taxes***" means, except to the extent included in the determination of Final Net Working Capital, (i) all Taxes of the Company and its Subsidiaries or relating to the business of the Company or its Subsidiaries for all Pre-Closing Tax Periods (including the portion of the Straddle Period ending on and including the Closing Date, as determined under Section 6.6(a) of this Agreement); (ii) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company or any of its Subsidiaries (or any predecessor) is or was a member on or prior to the Closing Date by reason of a Liability under Treasury Regulation Section 1.1502-6 or any comparable provisions of foreign, state or local Law; (iii) all Taxes imposed on the Company or any of its Subsidiaries as a result of the transactions contemplated by this Agreement, including pursuant to Section 1374 of the Code and any comparable provision of state Law; (iv) any and all Taxes of any Person imposed on the Company or any of its Subsidiaries arising under the principles of transferee or successor Liability or by contract, relating to an event or transaction occurring before the Closing Date; (v) Transfer Taxes, if any; and (vi) the employer portion of any employment Taxes attributable to payments contemplated by this Agreement.

"***Indemnifying Party***" has the meaning set forth in Section 12.5(c) of the Agreement.

"***Intellectual Property***" means any or all of the following and all rights in, arising out of, or associated therewith: (i) all United States, international and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (ii) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, computer programs and other computer software, including all versions thereof, and all related documentation, manuals, field and data definitions and relationships, data definition specifications, data models, program and system logic, systems designs, sequence and organization, user interfaces, processes and formulae, source code, object code, algorithms, architecture, structure, display screens, layouts, development tools, instructions, templates and marketing materials, designs and all documentation relating to any of the foregoing (including if under development); (iii) all copyrights, copyrights registrations and applications therefor, and all other rights corresponding thereto throughout the world; (iv) all industrial designs and any registrations and applications therefor throughout the world; (v) all trade names, logos, common Law trademarks and service marks, trademark and service mark registrations, intent-to-use applications and other registrations and applications therefor throughout the world; (vi) all databases and data collections and all rights therein throughout the world; (vii) all domain names; (viii) all moral and economic rights of authors and inventors, however denominated, throughout the world, and (ix) any similar or equivalent rights to any of the foregoing anywhere in the world.

"***Investor Agreements***" has the meaning set forth in Section 2.4(b) of the Agreement.

"***IRS***" means the United States Internal Revenue Service.

"**KGCL**" means the Kansas General Corporation Law.

"***knowledge***" means (including any derivation thereof such as "known" or "knowing") means the actual knowledge, after due inquiry, of any of the officers and directors of the Company and its Subsidiaries or the Sellers.

"***Law***" or "***Laws***" means any federal, state, foreign, or local law, statute, ordinance, rule, regulation, writ, injunction, directive, order, judgment, administrative interpretation, treaty, decree, administrative or judicial decision and any other executive, legislative, regulatory or administrative proclamation.

"Lien" means all mortgages, liens, pledges, security interests, charges, claims, restrictions, encumbrances, options, pledges, deeds of trust, voting agreements or trusts, or any other rights or restrictions of any nature whatsoever.

"***Liability***" or "***Liabilities***" means any direct or indirect Liability, indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, whether accrued, unaccrued, absolute, contingent, mature, unmature or otherwise and whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured.

"***Losses***" means any and all losses, damages, deficiencies, Liabilities, obligations, actions, claims, suits, proceedings, demands, assessments, judgments, recoveries, fees, diminution in value, costs and expenses (including, without limitation, all out-of-pocket expenses, reasonable investigation expenses and reasonable fees and disbursements of accountants and counsel) of any nature whatsoever and whether or not arising from any Third Party Claim.

"***Malware Software***" means any program or file that is harmful to a computer user, including without limitation, computer viruses, worms, and Trojan horses.

"***Near Relatives***" has the meaning set forth in Section 2.11(c) in the Agreement.

"***Note and Pledge Agreement***" has the meaning set forth in Section 1.2 of the Agreement.

"***Note Payment Date***" has the meaning set forth in Section 1.2 of the Agreement.

"***Open Source Materials***" means all software or other material that is distributed as "free software", "open source software" or under a similar licensing or distribution model, including without limitation the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD Licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License.

"***Partner***" has the meaning set forth in Section 2.18 of the Agreement.

"***Person***" means any individual, corporation, partnership, limited Liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Entity or other entity.

"***Pre-Closing Tax Period***" means any taxable period ending on or before the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Closing Date.

"***Preliminary Closing Indebtedness***" has the meaning set forth in Section 1.4(a) of the Agreement.

"***Preliminary Net Working Capital***" has the meaning set forth in Section 1.4(a) of the Agreement.

"***Preliminary Net Working Capital and Indebtedness Schedule***" has the meaning set forth in Section 1.4(a) of the Agreement.

"***Principal Executive Officers***" means Sunny P. Smith and Will Steinhoff.

"***Pro Rata Portion***" of a Stockholder shall be equal to the percentage of the Purchase Price to which such Stockholder is entitled pursuant to the Stockholder Allocation Spreadsheet.

"***Purchase Price***" has the meaning set forth in Section 1.2(b) of the Agreement.

"***Registrable Shares***" has the meaning set forth in Section 12.1 of the Agreement.

"***Registration Statement***" has the meaning set forth in Section 12.2 of the Agreement.

"***Releasees***" has the meaning set forth in Section 11.8 of the Agreement

"***Related Person***" has the meaning set forth in Section 2.11(c) of the Agreement.

"***Schedules***" means any schedules attached to or provided for under the Agreement.

"***SEC***" has the meaning set forth in Section 2.6(a) of the Agreement.

"***SEC Filings***" has the meaning set forth in Section 4.4 of the Agreement.

"***Section 338(h)(10) Election***" means an election provided for by Section 338(h)(10) of the Code (and any corresponding election under applicable state, local, or foreign Tax Law) with respect to the Buyer's purchase of the Company Capital Stock.

"***Section 338 Forms***" means an IRS Form 8023, including any schedules thereto, and any similar state, local or foreign forms.

"***Securities Act***" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"***Seller***" has the meaning set forth in the preamble to the Agreement.

"***Seller Prepared Return***" means any S corporation income Tax Return of the Company that is required to be filed after the Closing Date for any Tax period ending on or prior to the Closing Date.

"***Shares***" has the meaning set forth in the preamble to the Agreement.

"***Spyware***" means programming that gathers information about a computer user without permission.

"***Stockholder Allocation Spreadsheet***" means a spreadsheet in the form attached hereto as Exhibit A, and delivered separately to Buyer prior to the Closing which sets forth the payments to be made to each Stockholder at the Closing.

"***Stockholders***" means the holders of Company Capital Stock of the Company.

"***Straddle Period***" means any taxable period that begins on or before the Closing Date and ends after the Closing Date.

"***Subsidiary***" has the meaning set forth in Section 2.5(a) of the Agreement.

"***Subsidiary Securities***" has the meaning set forth in Section 2.5(b) of the Agreement.

"***Systems***" has the meaning set forth in Section 2.11(e) of the Agreement.

"***Tax***" or "***Taxes***" means all federal, state and local, territorial and foreign taxes, levies, deficiencies or other assessments and other charges of whatever nature (including income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, backup withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, real property gains, registration, value added, alternative or add-on minimum, and estimated taxes and workers' compensation premiums and other governmental charges, and other obligations of the same nature as or of a nature similar to any of the foregoing) imposed by any Taxing Authority, as well as any obligation to contribute to the payment of taxes determined on a consolidated, combined or unitary basis with respect to the Company or any Affiliate, and including any transferee Liability in respect of any tax (whether imposed by Law, contractual agreement or otherwise) and any Liability in respect of any tax as a result of being a member of any affiliated, consolidated, combined unitary or similar group including any Liability pursuant to Treasury Regulation Section 1.1502-6, including any interest, penalty (civil or criminal), or addition thereto, whether disputed or not, as well as any expenses incurred in connection with the determination, settlement or litigation of any Liability.

"***Taxing Authority***" means any governmental agency, board, bureau, body, department, or authority of any United States federal, state or local jurisdiction or any foreign jurisdiction having jurisdiction with respect to any Tax.

"***Tax Contest***" means any examination, audit or other proceeding with respect to the Taxes of any Acquired Company for which the Sellers are reasonably likely to incur an indemnification obligation under this Agreement.

"***Tax Returns***" means any federal, state, local and foreign return, declaration, report, claim for refund, amended return, declarations of estimated Tax or information return or statement relating to Taxes, and any schedule or attachment thereto, filed or maintained, or required to be filed or maintained in connection with the calculation, determination, assessment or collection of any Tax, and including any amendment thereof, as well as, where permitted or required, combined or consolidated returns for any group of entities that include the Company or any Affiliate; and reports with respect to backup withholding and other payments to third parties.

"***Third Party Claim***" has the meaning set forth in Section 11.2(b) of the Agreement.

"***Transfer Taxes***" means all transfer, documentary, sales, use, stamp and registration Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by the Agreement.

"***USAC***" has the meaning set forth in Section 2.12(n) of the Agreement.

"***Violation***" has the meaning set forth in Section 12.5(a) of the Agreement.

"***Working Capital***" has the meaning set forth in Section 1.4(a) of the Agreement.

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COUNTERPART SIGNATURE PAGE
TO SHARE PURCHASE AGREEMENT

IN WITNESS WHEREOF, the parties named below have caused this Agreement to be duly executed and delivered as an instrument under seal as of the date first above written.

BUYER:

MARCHEX, INC.

By: /s/Michael Arends
Name:Michael Arends
Title:Chief Financial Officer

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

COUNTERPART SIGNATURE PAGE
TO SHARE PURCHASE AGREEMENT

IN WITNESS WHEREOF, the parties named below have caused this Agreement to be duly executed and delivered as an instrument under seal as of the date first above written.

COMPANY:

SITA LABORATORIES, INC.

By: /s/Sunny P. Smith
Name: Sunny P. Smith
Title: CEO

STOCKHOLDER REPRESENTATIVE:

***

SELLERS:

***

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

MARCHEX, INC.
2014 EMPLOYEE STOCK PURCHASE PLAN

1. Purpose.

It is the purpose of this 2014 Employee Stock Purchase Plan (the "Plan") to provide a means whereby eligible employees may purchase Class B common stock of Marchex, Inc. (the "Company") through after-tax payroll deductions. It is intended to provide a further incentive for employees to promote the best interests of the Company and to encourage stock ownership by employees in order that they may participate in the Company's economic growth. It is the intention, but not the obligation, of the Company that the Plan qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code, and that the provisions of this Plan be construed in a manner consistent with the Code. The Company's 2004 Employee Stock Purchase Plan, as amended, will terminate on December 31, 2013 (the "2004 Plan"). This Plan shall be effective January 1, 2014.

2. Definitions.

The following words or terms, when used herein, shall have the following respective meanings:

(a) "Account" means the Employee Stock Purchase Account established for a Participant under Section 7 hereunder.

(b) "Board of Directors" shall mean the Board of Directors of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(d) "Committee" shall mean the committee described in Section 5.

(e) "Common Stock" shall mean shares of the Company's Class B common stock with a par value of $.01 per share.

(f) "Company" shall mean Marchex, Inc., a Delaware corporation.

(g) "Compensation" means the amount of money reportable on the employee's Federal Income Tax Withholding Statement from the Company, excluding overtime, shift premium, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances for travel expenses, income or gains on the exercise of Company stock options or stock appreciation rights, and similar items, whether or not shown on the employee's Federal Income Tax Withholding Statement. Notwithstanding the foregoing, the Board of Directors or Committee in its sole discretion from time to time may substitute another definition of compensation to be eligible to be taken into account under the Plan, provided that no such determination shall include or exclude any type or amount of Compensation contrary to the requirements of Section 423 of the Code.

(h) "Effective Date" shall mean January 1, 2014. After December 31, 2013, no further Options will be granted under the 2004 Plan.

(i) "Eligible Employees" shall mean all persons employed by the Company or a Subsidiary and classified by the Company or the Subsidiary as an employee for federal income tax withholding purposes, but excluding:

(1) Persons who have been employed by the Company or a Subsidiary for less than three months on the first day of the Purchase Period, with the exception of a person previously eligible;

(2) Persons whose customary employment is less than twenty hours per week or five months or less per year; and

(3) Persons who are deemed for purposes of Section 423(b)(3) of the Code to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or a Subsidiary.

Except as otherwise provided in Section 12, for purposes of the Plan, the employment relationship shall be treated as continuing intact while an individual is on military leave or other leave of absence approved by the Company or a Subsidiary. Where the period of leave exceeds 90 days and the individual's right to re-

employment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

(j) "Exercise Date" shall mean the last day of a Purchase Period; provided, however, that if such date is not a business day, "Exercise Date" shall mean the immediately preceding business day.

(k) "Participant" shall mean an Eligible Employee who elects to participate in the Plan under Section 6 hereunder.

(l) "Plan" shall mean this Marchex, Inc. 2014 Employee Stock Purchase Plan.

(m) "Purchase Periods" shall mean the four purchase periods within each calendar year, the first commencing on January 1st of each calendar year and continuing through the March 31st of such calendar year, the second commencing on April 1st of each calendar year and continuing through June 30th of such calendar year, the third commencing on July 1st of each calendar year and continuing through the September 30th of such calendar year, and the fourth commencing on October 1st of each calendar year and continuing through December 31st of such calendar year.

(n) "Purchase Price" for each share purchased shall be 95% of the closing price of Common Stock on the Exercise Date. Such closing price shall be (a) the closing price on any national securities exchange on which the Common Stock is listed, (b) the closing price of the Common Stock on the Nasdaq Global Market, or (c) the average of the closing bid and asked prices in the over-the-counter-market, whichever is applicable, as published in The Wall Street Journal. If no sales of Common Stock were made on such a day, the price of the Common Stock for purposes of clauses (a) and (b) above shall be the reported price for the next preceding day on which sales were made.

(o) "Subsidiary" shall mean any present or future corporation which (i) would be a subsidiary corporation as defined in Section 424(f) of the Code, and (ii) is designated by the Board of Directors as a participating employer for purposes of this Plan.

3. Grant of Option to Purchase Shares.

Each Eligible Employee shall be granted an option ("Option") effective on the first day of each Purchase Period to purchase shares of Common Stock. The term of the Option shall be the length of the Purchase Period. The number of shares subject to each Option shall be the quotient of the aggregate payroll deductions in the Purchase Period authorized by each Participant in accordance with Section 6 divided by the Purchase Price, but in no event shall the number of shares subject to each Option be in excess of 1,000 shares per Purchase Period (subject to adjustment in accordance with Section 4), or such other number of shares as determined from time to time by the Board of Directors or the Committee. Notwithstanding the foregoing, no employee shall be granted an Option which permits his right to purchase shares under the Plan to accrue at a rate which exceeds in any one calendar year $25,000 (or such other amount as may be prescribed from time to time under Section 423 of the Code) of the fair market the value of the Common Stock as of the date the Option to purchase is granted. It is intended that all Participants granted Options shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code.

4. Shares.

Subject to adjustment upon changes in capitalization of the Company as provided this Section 4, the maximum number of shares of Common Stock which shall be made available for issuance to and purchase by Participants under this Plan shall be 225,000 shares. The shares of Common Stock subject to the Plan shall be either shares of authorized but unissued Common Stock or shares of Common Stock reacquired by the Company and held as treasury shares. Shares of Common Stock not purchased under an Option terminated pursuant to the provisions of the Plan may again be subject to Options granted under the Plan. The aggregate number of shares of Common Stock which may be purchased pursuant to Options granted hereunder, the number of shares of Common Stock covered by each outstanding Option, and the purchase price for each such Option shall be appropriately adjusted for any increase or decrease in the number of outstanding shares of Common Stock resulting from a stock split or other subdivision or consolidation of shares of Common Stock or for other capital adjustments, reorganizations or payments of stock dividends or distributions or other increases or decreases in the outstanding shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration."

Such adjustment shall be made by the Board of Directors whose determination in that respect shall be binding and conclusive.

If the total number of shares of Common Stock to be purchased pursuant to options on any particular date exceeds the number of shares then available for issuance under the Plan, then the Committee shall make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and any amounts credited to Participants' accounts, to the extent not used to purchase shares, shall be refunded to the Participants.

5. Administration.

The Plan shall be administered by the Board of Directors or a Committee (which may be the same committee as the Company's compensation committee) as may be appointed from time to time by the Board of Directors. Committee members shall be ineligible to participate under the Plan. All members of the Committee shall serve at the discretion of the Board. The Board of Directors or the Committee, if one has been appointed, is vested with full authority to interpret the terms of the Plan, to remedy any ambiguity, inconsistency, or omission, and to make, administer and interpret such equitable rules and regulations regarding the Plan as it may deem advisable. The Board of Directors or Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of foreign laws and procedures without amending the Plan. The Board of Directors', or the Committee's, if one has been appointed, determinations as to the interpretation and operation of the Plan shall be final, binding and conclusive. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under the Plan.

6. Election to Participate.

An Eligible Employee may elect to become a Participant in the Plan for a Purchase Period by completing a "Stock Purchase Agreement" form prior to the first day of the Purchase Period for which the election is made. Such Stock Purchase Agreement shall be in such form as shall be determined from time to time by the Board of Directors or the Committee. The election to participate shall be effective for the Purchase Period for which it is made. The Stock Purchase Agreement shall remain in effect for successive Purchase Periods unless modified as provided in Section 9 or terminated or suspended as provided in Sections 11 and 12. There is no limit on the number of Purchase Periods for which an Eligible Employee may elect to become a Participant in the Plan. In the Stock Purchase Agreement, the Eligible Employee shall authorize regular payroll deductions of any full percentage of his Compensation, but in no event less than one percent (1%) or more than fifteen percent (15%) of his Compensation. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3 herein, a Participant's payroll deductions may be decreased during any Purchase Period scheduled to end during the current calendar year to 0%. Payroll deductions shall re-commence at the rate provided in such Participant's Stock Purchase Agreement at the beginning of the first Purchase Period that is scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 9. Except as otherwise provided in Section 9, an Eligible Employee may not change his authorization during a Purchase Period to which the election applies. Options granted to Eligible Employees who have failed to execute a Stock Purchase Agreement within the time periods prescribed by the Plan will automatically lapse.

7. Employee Stock Purchase Account.

An Employee Stock Purchase Account will be established for each Participant in the Plan for bookkeeping purposes, and payroll deductions made under Section 6 will be credited to such Accounts. However, prior to the purchase of shares in accordance with Section 8 or withdrawal from or termination of the Plan in accordance with the provisions hereof, the Company may use for any valid corporate purpose all amounts deducted from a Participant's compensation under the Plan and credited for bookkeeping purposes to his account. The Company shall be under no obligation to pay interest on funds credited to a Participant's account, whether upon purchase of shares in accordance with Section 8 or upon distribution in the event of withdrawal from or termination of the Plan as herein provided.

8. Purchase of Shares.

Each Eligible Employee who is a Participant in the Plan automatically and without any act on his part will be deemed to have exercised his Option on each Exercise Date to the extent that the balance then in his Account under the Plan is sufficient to purchase at the Purchase Price whole shares of the Company's stock subject to his Option

and the limitations described in Section 3. Any balance remaining in the Participant's Account shall be refunded to the Participant in cash.

9. Withdrawal.

A Participant who has elected to authorize payroll deductions for the purchase of shares of Common Stock may cancel his election by written notice of cancellation ("Cancellation") delivered to the office or person designated by the Company to receive Stock Purchase Agreements, but any such Cancellation must be so delivered not later than ten (10) days before the relevant Exercise Date. A Participant will receive in cash, as soon as practicable after delivery of the Cancellation, the amount credited to his Account. Any Participant who so withdraws from the Plan may again become a Participant at the start of the next Purchase Period in accordance with Section 6.

10. Issuance of Stock Certificates.

The shares of Common Stock purchased by a Participant shall, for all purposes, be deemed to have been issued and sold at the close of business on the Exercise Date. Prior to that date none of the rights or privileges of a stockholder of the Company, including the right to vote or receive dividends, shall exist with respect to such shares.

Within a reasonable time after the Exercise Date, the Company shall issue and deliver a certificate for the number of shares of Common Stock purchased by a Participant for the Purchase Period, which certificate shall be registered either in the Participant's name, or jointly in the names of the Participant and his spouse, as the Participant shall designate in his Stock Purchase Agreement. Such designation may be changed at any time by filing notice thereof with the person designated by the Company to receive such notices. In the alternative, the Company may provide for uncertificated, book entry issuance of the shares of Common Stock purchased under the Plan.

11. Termination of Employment.

Upon a Participant's termination of employment for any reason, other than death, no payroll deduction may be made from any compensation due him and the entire balance credited to his Account shall be automatically refunded, and his rights under the Plan shall terminate. Upon the death of a Participant, no payroll deduction shall be made from any compensation due him at time of death, and the entire balance in the deceased Participant's Account shall be paid in cash to the Participant's designated beneficiary, if any, under a group insurance plan of the Company covering such employee, or otherwise to his estate, and his rights under the Plan shall terminate.

12. Temporary Layoff and Authorized Leave of Absence; Long Term Disability.

Except as otherwise provided by applicable law, payroll deductions shall cease during a period of absence from work due to a Participant's temporary layoff, authorized leave of absence without pay, or disability for which benefits are not payable from the Company. If such Participant shall return to active service prior to the Exercise Date for the current Purchase Period, payroll deductions shall be resumed. He shall not be entitled to make up the deficiency in his Account caused by his absence and, accordingly, the number of shares to be purchased shall be reduced. If the Participant shall not return to active service prior to the Exercise Date for the current Purchase Period, and the Participant was absent for more than fifty percent (50%) of the weeks in the Purchase Period, his Stock Purchase Agreement shall be terminated and the balance in his Account shall be refunded. All other Participants will have an option to cancel their election in accordance with Section 9.

13. Rights Not Transferable; Restrictions on Transfer.

The right to purchase shares of Common Stock under this Plan is exercisable only by the Participant during his lifetime and is not transferable by him. If a Participant attempts to transfer his right to purchase shares under the Plan, he shall be deemed to have requested withdrawal from the Plan and the provisions of Section 9 hereof shall apply with respect to such Participant.

14. No Guarantee of Continued Employment.

Granting of an Option under this Plan shall imply no right of continued employment with the Company or any Subsidiary for any Eligible Employee.

15. Notice.

Any notice which an Eligible Employee or Participant files pursuant to this Plan shall be in writing and shall be delivered personally or by mail addressed to the Company's General Counsel, c/o Marchex, Inc., 520 Pike Street,

Suite 2000, Seattle, Washington 98101. Any notice to a Participant or an Eligible Employee shall be conspicuously posted in the Company's principal office, delivered electronically, or mailed addressed to the Participant or Eligible Employee at the address designated in the Stock Purchase Agreement or in a subsequent writing.

16. Merger or Other Transactions.

(a) If the Company shall at any time merge or consolidate with another corporation and the holders of the capital stock of the Company immediately prior to such merger or consolidation continue to hold at least 80% by voting power of the capital stock of the surviving corporation ("Continuity of Control"), the holder of each Option then outstanding will thereafter be entitled to receive at the next Exercise Date upon the exercise of such Option for each share as to which such Option shall be exercised the securities or property which a holder of one share of the Common Stock was entitled to upon and at the time of such merger or consolidation, and the Board of Directors or the Committee shall take such steps in connection with such merger or consolidation as the Board of Directors or the Committee shall deem necessary to assure that the provisions of Section 4 shall thereafter be applicable, as nearly as reasonably may be, in relation to the said securities or property as to which such holder of such Option might thereafter be entitled to receive thereunder.

(b) In the event of a merger or consolidation of the Company with or into another corporation or other acquisition or change in control of the Company, which does not involve Continuity of Control, a sale of all or substantially all of the assets of the Company while unexercised Options remain outstanding under the Plan, or dissolution or liquidation of the Company, the Board of Directors or Committee, in its sole discretion, may provide that (i) after the effective date of such transaction, each holder of an outstanding Option shall be entitled, upon exercise of such Option, to receive in lieu of shares of Common Stock, shares of such stock or other securities as the holders of shares of Common Stock received pursuant to the terms of such transaction or such Options shall be otherwise assumed; or (ii) all outstanding Options shall be cancelled as of a date prior to the effective date of any such transaction and all payroll deductions shall be paid out to the participating employees; or (iii) the Exercise Date of the then current Purchase Period shall be accelerated to a date prior to the effective date of any such transaction. All Options not assumed, terminated, or exercised before the effective date of any such transaction shall terminate on the effective date of such transaction.

17. Application of Funds.

All funds deducted from a Participant's compensation in payment for shares purchased or to be purchased under this Plan may be used for any valid corporate purpose provided that the Participant's Account shall be credited with the amount of all payroll deductions as provided in Section 7.

18. Government Approvals or Consents.

This Plan and the Company's obligation to sell and deliver Common Stock under this Plan is subject to continued listing on a national stock exchange or quotation on the Nasdaq Global Market (to the extent the Common Stock is then so listed or quoted) and the approval of all governmental authorities required in connection therewith. Subject to the provisions of Section 19, the Board of Directors may make such changes in the Plan and include such terms in any offering under this Plan as may be necessary or desirable, in the opinion of counsel, to comply with the rules or regulations of any governmental authority, or to be eligible for tax benefits under the Code or the laws of any state, or in the opinion of the Company's auditors, to eliminate or reduce any unfavorable financial accounting consequences. An Option may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable laws or the requirements of any securities exchange.

19. Amendment of the Plan.

The Board of Directors may, without the consent of the Participants, amend the Plan at any time, provided that, except as otherwise provided in this Plan, no such action shall adversely affect Options theretofore granted hereunder and if the approval of any such amendment by the stockholders of the Company is required by Section 423 of the Code, such amendment will not be effected without such approval. For purposes of this Section 19, termination of the Plan by the Board of Directors pursuant to Section 20 shall not be deemed to be an action which adversely affects Options theretofore granted hereunder.

20. Term of the Plan.

The Plan shall become effective on the Effective Date. The Plan will terminate automatically on December 31, 2023; provided, however, that the Board of Directors shall have the right to terminate the Plan at any time. In the event of the expiration of the Plan or its termination, all Options then outstanding under the Plan shall automatically be canceled and the entire amount credited to the Account of each Participant hereunder shall be refunded to each such Participant without interest.

21. Notice to Company of Disqualifying Dispositions.

By electing to participate in the Plan, each Participant agrees to notify the Company in writing immediately after the Participant transfers Common Stock acquired under the Plan, if such transfer occurs within two years after the first business day of the Purchase Period in which such Common Stock was acquired. Each Participant further agrees to provide any information about such a transfer as may be requested by the Company or any Subsidiary in order to assist it in complying with any applicable tax laws.

22. Withholding of Taxes.

Each Participant must make adequate provision for the Company's federal, state or other tax withholding obligations, if any, which may arise upon the exercise of the Option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Participant.

23. General.

Whenever the context of this Plan permits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

24. Governing Law.

The internal substantive laws of the State of Delaware shall govern all matters relating to this Plan, without giving effect to conflicts of laws principles thereof.

Exhibit 10.15

MARCHEX, INC.
INCENTIVE STOCK OPTION NOTICE

Grant No.:

This Notice evidences the award of incentive stock options (each, an "***Option***" or collectively, the "***Options***") that have been granted to you, [NAME], subject to and conditioned upon your agreement to the terms of the attached Incentive Stock Option Agreement (the "***Agreement***"). The Options entitle you to purchase shares of Class B common stock, par value $0.01 per share ("***Common Stock***"), of Marchex, Inc., a Delaware corporation (the "***Company***"), under the Marchex, Inc. 2012 Stock Incentive Plan (the "***Plan***"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. ***You must return an executed copy of this Notice to the Company within 30 days of the date hereof. If you fail to do so, the Options may be rendered null and void in the Company's discretion.***

Grant Date: [GRANT DATE] (the ***"Grant Date"***).

Number of Options: [NUMBER] Options, each permitting the purchase of one Share.

Exercise Price: [PRICE] per share.

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

Exercisability Schedule:

[TIME BASED] Subject to the terms and conditions described in the Agreement, the Options become exercisable in accordance with the schedule below:

(a) 25% of the Options become exercisable on the first anniversary of the Grant Date (the ***"Initial Vesting Date"***), and

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

[EXECS ONLY - PERFORMANCE BASED] Subject to the terms and conditions described in the Agreement, one hundred percent (100%) of the Options shall become exercisable on the later of (a) the 12 (tranche a), 21 (tranche b) or 30 (tranche c) month anniversary of the Grant Date, and (b) the last day of the first 20 consecutive trading day period after the Grant Date during which the average closing price of the Shares over such period is equal to or greater than $[ ] (tranche a), $[ ] (tranche b) or $[ ] (tranche c).

Acceleration Events: The extent to which you may purchase shares under the Options may be accelerated in the following circumstances:

[CERTAIN EMPLOYEES] Fifty percent (50%) of the total shares not already vested as of the date of a Change in Control (as such term is defined in the Plan) shall become immediately vested upon such Change in Control.

[EXECS ONLY - TIME/PERFORMANCE BASED]

- One hundred percent (100%) of the Options not already exercisable will become immediately exercisable upon the occurrence of both (a) a Change in Control, (b) followed by the earliest to occur of (i) a termination of your Service without Cause by the Company or any successor thereto, (ii) a Diminution in Duties, or (iii) the 12 month anniversary of the occurrence of the Change in Control so long as your Service with the Company is continuous from the Grant Date through such date.

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

MARCHEX, INC.

By: _____

Date: _____

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

Enclosures: **Incentive Stock Option Agreement**
Prospectus
Exercise Form

OPTIONEE

_____

Date: _____

INCENTIVE STOCK OPTION AGREEMENT

UNDER THE

MARCHEX, INC. 2012 STOCK INCENTIVE PLAN

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

2. Exercise of Options.

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

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

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

(i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options;

(ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 2(d) of this Agreement; and

(iii) full payment of applicable withholding taxes pursuant to Section 7 of this Agreement.

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

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

(i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;

(ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;

(iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;

(iv) at the discretion of the Administrator, your delivery of a personal recourse note bearing interest at a fair market interest rate in accordance with applicable accounting practice for such note, or at 100% of the applicable Federal rate ("***AFR***") as defined in Code section 1274(d) if the AFR is greater than a fair market interest rate;

(v) any other method approved by the Administrator; or

(vi) any combination of the foregoing.

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

3. Termination of Service.

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

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

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

(ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;

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

(iv) the Expiration Date.

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

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-

competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

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

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

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

6. Qualified Nature of the Options.

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

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

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

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

7. Withholding of Taxes.

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

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

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

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

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

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

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

13. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse

effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

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

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

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

17. Attorney's Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals. Except as otherwise permitted by Section 409A of the Code, any reimbursement to which Optionee is entitled pursuant to this paragraph shall (a) be paid no later than the last day of Optionee's taxable year following the taxable year in which the expense was incurred, (b) not be affected by the amount of expenses eligible for reimbursement in any other taxable year, and (c) not be subject to liquidation or exchange for another benefit.

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

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

{*Glossary begins on next page*}

GLOSSARY

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

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

(c) [***Definition for general "cause"*** - "***Cause***" has the meaning ascribed to such term or words of similar import in your written employment or service contract with the Company as in effect at the time at issue and, in the absence of such agreement or definition, means your (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company, any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses) or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with your duties or willful failure to perform your responsibilities in the best interests of the Company; (v) illegal use or distribution of drugs; (vi) violation of any Company rule, regulation, procedure or policy; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by you for the benefit of the Company, all as determined by the Administrator, which determination will be conclusive.] **[Definition for double trigger CIC]** - "Cause" means that the Company's Board of Directors has reasonably determined in good faith that any one or more of the following has occurred: (i) you shall have been convicted of, or shall have pleaded guilty or nolo contendere to, any felony; (ii) you shall have willfully failed or refused to carry out the reasonable and lawful instructions of the Board (other than as a result of illness or disability) concerning duties or actions consistent with your then current position in a timely manner and otherwise in a manner reasonable acceptable to the Board and such failure or refusal shall have continued for a period of ten (10) days following written notice from the Board describing such failure or refusal in reasonable detail; (iii) you shall have breached any material provision of your confidentiality and assignment of inventions agreement; or (iv) you shall have committed any material fraud, embezzlement, misappropriation of funds, breach of fiduciary duty or other act of dishonesty against the Company.]

(d) "***Code***" means the Internal Revenue Code of 1986, as amended.

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

(f) "***Diminution in Duties***" means the occurrence of any of the following events without your express written consent: (i) a material diminution in the nature or scope of your duties, responsibilities, authority, powers or functions as compared to your duties, responsibilities, authority, powers or functions immediately prior to the Change in Control; (ii) you cease being (a) an executive officer of a publicly-traded company, or (b) a Section 16 reporting person under the Exchange Act; (iii) a material reduction in your annual base salary; or (iv) the relocation of the office at which you are to perform your duties and responsibilities to a location more than sixty (60) miles from Seattle, Washington.

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

(h) "***Shares***" mean the shares of Common Stock underlying the Options.

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

(j) "***Total and Permanent Disability***" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Administrator may require such proof of Total and Permanent Disability as the Administrator in its sole discretion

deems appropriate and the Administrator's good faith determination as to whether you are totally and permanently disabled will be final and binding on all parties concerned.

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

EXERCISE FORM

Administrator of 2012 Stock Incentive Plan
c/o Office of the Corporate Secretary
Marchex, Inc.

Gentlemen:

I hereby exercise the Options granted to me on , , by Marchex, Inc. (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Marchex, Inc. 2012 Stock Incentive Plan (the "Plan"), and notify you of my desire to purchase shares of Common Stock of the Company at a price of $ per share pursuant to the exercise of said Options.

Total Amount Enclosed: $

Date: _____

_____
(Optionee)

Received by MARCHEX, INC. on

_____, ____

By: _____

Exhibit 10.16

MARCHEX, INC. Grant No.:
NONSTATUTORY STOCK OPTION NOTICE

This Notice evidences the award of nonstatutory stock options (each, an "***Option***" or collectively, the "***Options***") that have been granted to you, [NAME], subject to and conditioned upon your agreement to the terms of the attached Nonstatutory Stock Option Agreement (the "***Agreement***"). The Options entitle you to purchase shares of Class B common stock, par value $0.01 per share ("***Common Stock***"), of Marchex, Inc., a Delaware corporation (the "***Company***"), under the Marchex, Inc. 2012 Stock Incentive Plan (the "***Plan***"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. ***You must return an executed copy of this Notice to the Company within 30 days of the date hereof. If you fail to do so, the Options may be rendered null and void in the Company's discretion.***

Grant Date: [GRANT DATE] (the "***Grant Date***").

Number of Options: [NUMBER] Options, each permitting the purchase of one Share.

Exercise Price: [PRICE] per share.

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

Exercisability Schedule:

[TIME BASED] Subject to the terms and conditions described in the Agreement, the Options become exercisable in accordance with the schedule below:

(a) 25% of the Options become exercisable on the first anniversary of the Grant Date (the "***Initial Vesting Date***"), and

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

[EXECS ONLY - PERFORMANCE BASED] Subject to the terms and conditions described in the Agreement, one hundred percent (100%) of the Options shall become exercisable on the later of (a) the 12 (tranche a), 21 (tranche b) or 30 (tranche c) month anniversary of the Grant Date, and (b) the last day of the first 20 consecutive trading day period after the Grant Date during which the average closing price of the Shares over such period is equal to or greater than $[ ] (tranche a), $[ ] (tranche b) or $[ ] (tranche c).

Acceleration Events: The extent to which you may purchase shares under the Options may be accelerated in the following circumstances:

[CERTAIN EMPLOYEES] Fifty percent (50%) of the total shares not already vested as of the date of a Change in Control (as such term is defined in the Plan) shall become immediately vested upon such Change in Control.

[EXECS ONLY - TIME/PERFORMANCE BASED]

- One hundred percent (100%) of the Options not already exercisable will become immediately exercisable upon the occurrence of both (a) a Change in Control, (b) followed by the earliest to occur of (i) a termination of your Service without Cause by the Company or any successor thereto, (ii) a Diminution in Duties, or (iii) the 12 month anniversary of the occurrence of the Change in Control so long as your Service with the Company is continuous from the Grant Date through such date.

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

MARCHEX, INC.

By: _____

Date: _____

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

Enclosures: **Nonstatutory Stock Option Agreement**
Prospectus
Exercise Form

OPTIONEE

_____

Date: _____

NONSTATUTORY STOCK OPTION AGREEMENT

UNDER THE

MARCHEX, INC. 2012 STOCK INCENTIVE PLAN

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

2. Exercise of Options.

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

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

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

(i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options;

(ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 2(d) of this Agreement; and

(iii) full payment of applicable withholding taxes pursuant to Section 7 of this Agreement.

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

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

(i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;

(ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;

(iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;

(iv) at the discretion of the Administrator, your delivery of a personal recourse note bearing interest at a fair market interest rate in accordance with applicable accounting practice for such note, or at 100% of the applicable Federal rate ("***AFR***") as defined in Code section 1274(d) if the AFR is greater than a fair market interest rate;

(v) any other method approved by the Administrator; or

(vi) any combination of the foregoing.

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

3. Termination of Service.

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

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

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

(ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;

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

(iv) the Expiration Date.

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

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

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

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

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

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

7. Withholding of Taxes.

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

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

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

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

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

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

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

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

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

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

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

17. Attorney's Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals. Except as otherwise permitted by Section 409A of the Code, any reimbursement to which Optionee is entitled pursuant to this paragraph shall (a) be paid no later than the last day of Optionee's taxable year following the taxable year in which the expense was incurred, (b) not be affected by the amount of expenses eligible for reimbursement in any other taxable year, and (c) not be subject to liquidation or exchange for another benefit.

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

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

{*Glossary begins on next page*}

GLOSSARY

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

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

(c) [***Definition for general "cause"*** - "***Cause***" has the meaning ascribed to such term or words of similar import in your written employment or service contract with the Company as in effect at the time at issue and, in the absence of such agreement or definition, means your (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company, any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses) or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with your duties or willful failure to perform your responsibilities in the best interests of the Company; (v) illegal use or distribution of drugs; (vi) violation of any Company rule, regulation, procedure or policy; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by you for the benefit of the Company, all as determined by the Administrator, which determination will be conclusive.] **[Definition for double trigger CIC]** - "Cause" means that the Company's Board of Directors has reasonably determined in good faith that any one or more of the following has occurred: (i) you shall have been convicted of, or shall have pleaded guilty or nolo contendere to, any felony; (ii) you shall have willfully failed or refused to carry out the reasonable and lawful instructions of the Board (other than as a result of illness or disability) concerning duties or actions consistent with your then current position in a timely manner and otherwise in a manner reasonable acceptable to the Board and such failure or refusal shall have continued for a period of ten (10) days following written notice from the Board describing such failure or refusal in reasonable detail; (iii) you shall have breached any material provision of your confidentiality and assignment of inventions agreement; or (iv) you shall have committed any material fraud, embezzlement, misappropriation of funds, breach of fiduciary duty or other act of dishonesty against the Company.]

(d) "***Code***" means the Internal Revenue Code of 1986, as amended.

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

(f) "***Diminution in Duties***" means the occurrence of any of the following events without your express written consent: (i) a material diminution in the nature or scope of your duties, responsibilities, authority, powers or functions as compared to your duties, responsibilities, authority, powers or functions immediately prior to the Change in Control; (ii) you cease being (a) an executive officer of a publicly-traded company, or (b) a Section 16 reporting person under the Exchange Act; (iii) a material reduction in your annual base salary; or (iv) the relocation of the office at which you are to perform your duties and responsibilities to a location more than sixty (60) miles from Seattle, Washington.

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

(h) "***Shares***" mean the shares of Common Stock underlying the Options.

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

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

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

EXERCISE FORM

Administrator of 2012 Stock Incentive Plan
c/o Office of the Corporate Secretary
Marchex, Inc.

Gentlemen:

I hereby exercise the Options granted to me on , , by Marchex, Inc. (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Marchex, Inc. 2012 Stock Incentive Plan (the "Plan"), and notify you of my desire to purchase shares of Common Stock of the Company at a price of $ per share pursuant to the exercise of said Options.

Total Amount Enclosed: $

Date: _____

_____
(Optionee)

Received by MARCHEX, INC. on

_____, _____

By: _____

Exhibit 10.17

RESTRICTED STOCK AGREEMENT
UNDER THE
MARCHEX, INC.
2012 STOCK INCENTIVE PLAN

GRANTEE:

NO. OF SHARES:

This Agreement (the "***Agreement***") evidences the award of restricted shares (each, an "***Award Share***," and collectively, the "***Award Shares***") of the Class B Common Stock of Marchex, Inc., a Delaware corporation (the "***Company***"), granted to you, , effective as of (the "***Grant Date***"), pursuant to the Marchex, Inc. 2012 Stock Incentive Plan (the "***Plan***") and conditioned upon your agreement to the terms described below. All of the provisions of the Plan are expressly incorporated into this Agreement.

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

2. Vesting.

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

(b) [***OFFICERS/EXECUTIVE OFFICERS/EMPLOYEES:*** So long as your Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, 25% of the Award Shares will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the Award Shares will be vested and nonforfeitable on the fourth anniversary of the Grant Date.] [***DIRECTORS:*** So long as your Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, 100% of the Award Shares will vest and become nonforfeitable on the earlier of the first anniversary of the Grant Date or the date of the next Annual Meeting of Stockholders of the Company].

(c) [**OFFICERS:** Fifty percent (50%) of the total Award Shares not already vested as of the date of a Change in Control (as such term is defined in the Plan) will become vested and nonforfeitable upon the occurrence of a Change in Control] [**EXECUTIVE OFFICERS**: One hundred percent (100%) of the Award Shares will become vested and nonforfeitable upon the occurrence of both (x) a Change in Control, (y) followed by the earliest to occur of (i) a termination of your Service without Cause by the Company or any successor thereto, (ii) a Diminution in Duties, or (iii) the 12 month anniversary of the occurrence of the Change in Control so long as your Service with the Company is continuous from the Grant Date through such date.] [***DIRECTORS:*** One hundred percent (100%) of the Award Shares will become vested and nonforfeitable as of immediately before and contingent upon the occurrence of a Change in Control, so long as your Service with the Company is continuous from the Grant Date through the date of the Change in Control.]

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

3. Termination of Employment or Service.

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

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

4. Restrictions on Transfer.

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

(b) Any attempt to dispose of any such Award Shares in contravention of the restrictions set forth in Section 4(a) shall be null and void and without effect. The Company shall not be required to (i) transfer on its books any Award Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Award Shares, or otherwise accord voting, dividend or liquidation rights to, any transferee to whom Award Shares have been transferred in contravention of this Agreement.

5. Stock Certificates.

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

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

6. Tax Election and Tax Withholding.

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

(b) The Company may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Award Shares either by electing to have the Company withhold from the shares to be released upon vesting that number of shares, or by electing to deliver to the Company already-owned shares, in either case having a fair market value equal to no more than the amount necessary to satisfy the statutory minimum withholding amount due. Subject to your compliance with the Company's policy on insider trading (as in effect from time to time), you may elect to pay the Company your obligations for the payment of such taxes through a special sale and remittance procedure commonly referred to as a "sell to cover" transaction pursuant to which you will concurrently provide irrevocable written instructions: (i) to the Company's designated stock plan administrator to effect the immediate sale of a sufficient number of the Award Shares upon the vesting of the Award Shares to enable the Company's designated stock plan administrator to remit, out of the sales proceeds available upon the settlement date, sufficient funds to the Company to cover all applicable federal, state and local income and employment taxes required to be withheld by the Company by reason of such vesting and/or sale; and (ii) to the Company to deliver any certificate(s) or other evidence of ownership for such sold Award Shares directly to the Company's designated stock plan administrator in order to complete the sale transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Attorney's Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals. Except as otherwise permitted by the requirements of Section 409A of the Code, and the Treasury Regulations issued thereunder, any reimbursement to which you are entitled pursuant to this Section 19 will (a) be paid no later than the last day of your taxable year following the taxable year in which the expense was incurred, (b) not be affected by the amount of expenses eligible for reimbursement in any other taxable year, and (c) not be subject to liquidation or exchange for another benefit.

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

GLOSSARY

(a) "***Administrator***" means the Board of Directors of Marchex, Inc. or such committee or committees appointed by the Board to administer the Plan.

(b) "***Affiliate***" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Marchex, Inc. (including but not limited to joint ventures, limited liability companies and partnerships). For this purpose, "control" means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.

(c) ***EXECUTIVE OFFICERS ONLY:*** "***Cause***" means that the Company's Board of Directors has reasonably determined in good faith that any one or more of the following has occurred: (i) you shall have been convicted of, or shall have pleaded guilty or nolo contendere to, any felony; (ii) you shall have willfully failed or refused to carry out the reasonable and lawful instructions of the Board (other than as a result of illness or disability) concerning duties or actions consistent with your then current position in a timely manner and otherwise in a manner reasonable acceptable to the Board and such failure or refusal shall have continued for a period of ten (10) days following written notice from the Board describing such failure or refusal in reasonable detail; (iii) you shall have breached any material provision of your confidentiality and assignment of inventions agreement; or (iv) you shall have committed any material fraud, embezzlement, misappropriation of funds, breach of fiduciary duty or other act of dishonesty against the Company.

(d) "***Common Stock***" means the Class B common stock, $0.01 par value per share, of Marchex, Inc.

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

(f) ***EXECUTIVE OFFICERS ONLY:*** "***Diminution in Duties***" means the occurrence of any of the following events without your express written consent: (i) a material diminution in the nature or scope of your duties, responsibilities, authority, powers or functions as compared to your duties, responsibilities, authority, powers or functions immediately prior to the Change in Control; (ii) you cease being (a) an executive officer of a publicly-traded company, or (b) a Section 16 reporting person under the Exchange Act; (iii) a material reduction in your annual base salary; or (iv) the relocation of the office at which you are to perform your duties and responsibilities to a location more than sixty (60) miles from Seattle, Washington.

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

(h) "***You***"; "***Your***". You means the recipient of the Award Shares as reflected in the first paragraph of this Agreement. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the Award Shares may be transferred by will or by the laws of descent and distribution, the words "you" and "your" shall be deemed to include such person.

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

MARCHEX, INC.

By: _____

Date: _____

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

WITNESS: _____

GRANTEE _____

Date: _____

Enclosure: Prospectus for the Marchex, Inc. 2012 Stock Incentive Plan

{This Stock Power should be signed in blank and deposited with the Company if share certificates are issued and/or delivered to the Grantee for Award Shares that are nonvested and forfeitable.}

STOCK POWER

FOR VALUE RECEIVED, the undersigned, , hereby sells, assigns and transfers unto Marchex, Inc., a Delaware corporation (the "Company"), or its successor, shares of Class B common stock, par value $0.01 per share, of the Company standing in my name on the books of the Company, represented by Certificate No. , or an appropriate book entry notation, and hereby irrevocably constitutes and appoints as my attorney-in-fact to transfer the said stock on the books of the Company with full power of substitution in the premises.

WITNESS:

Dated:

Exhibit 10.18

MARCHEX, INC.

RESTRICTED STOCK UNITS NOTICE
UNDER THE
MARCHEX, INC. 2012 STOCK INCENTIVE PLAN

Name of Grantee:

This Notice evidences the award of restricted stock units (each, an "***RSU***," and collectively, the "***RSUs***") of Marchex, Inc., a Delaware corporation (the "***Company***"), that have been granted to you pursuant to the Marchex, Inc. 2012 Stock Incentive Plan (the "***Plan***") and conditioned upon your agreement to the terms of the attached Restricted Stock Units Agreement (the "***Agreement***"). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each RSU is equivalent in value to one share of the Company's Common Stock and represents the Company's commitment to issue one share of the Company's Common Stock at a future date, subject to the terms of the Agreement and the Plan.

Grant Date:

Number of RSUs:

Vesting Schedule: All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service (as defined in the Agreement) is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur

- [***OFFICERS/EMPLOYEES:*** twenty five percent (25%) of the RSUs will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the RSUs will be vested and nonforfeitable on the fourth anniversary of the Grant Date.]
- [**OFFICERS:** Fifty percent (50%) of the total RSUs not already vested as of the date of a Change in Control will become vested and nonforfeitable upon the occurrence of a Change in Control (as such term is defined in the Plan)]

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

Marchex, Inc. Date

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

Signature of Grantee Date

MARCHEX, INC.

RESTRICTED STOCK UNITS AGREEMENT
UNDER THE
MARCHEX, INC. 2012 STOCK INCENTIVE PLAN

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

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

3. Termination of Employment or Service. Unless otherwise provided in the Notice, if your Service with the Company ceases for any reason, all RSUs that are not then vested and nonforfeitable will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration therefor and you will have no further right, title or interest in or to such RSUs or the underlying shares of Common Stock.

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

5. Settlement of RSUs.

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

(b) Timing of Settlement. Your RSUs will be settled by the Company, via the issuance of Common Stock as described herein, on the date that the RSUs become vested and nonforfeitable. However, if a scheduled issuance date falls on a Saturday, Sunday or federal holiday, such issuance date shall instead fall on the next following day that the principal executive offices of the Company are open for business. Notwithstanding the foregoing, in the event that you are subject to the Company's policy permitting officers and directors to sell shares only during certain "window" periods, in effect from time to time or you are otherwise prohibited from selling shares of the Company's Common Stock in the public market and any shares covered by your RSUs are scheduled to be issued on a day (the "***Original Distribution Date***") that does not occur during an open "window period" applicable to you, as determined by the Company in accordance with such policy, or does not occur on a date when you are otherwise permitted to sell shares of the Company's Common Stock in the open market then such shares shall not be issued and delivered on such Original Distribution Date and shall instead be issued and delivered on the first business day of the next occurring open "window period" applicable to you pursuant to such policy (regardless of whether you are still providing continuous services at such time) or the next business day when you are not prohibited from selling shares of the Company's Common Stock in the open market, but in no event later than the fifteenth day of the third calendar month of the calendar year following the calendar year in which the Original Distribution Date occurs. In all cases, the issuance and delivery of shares under this Agreement is intended to comply with Treasury Regulation 1.409A-1(b)(4) and shall be construed and administered in such a manner.

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

7. Adjustments for Corporate Transactions and Other Events.

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

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

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

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

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

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

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

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

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

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

issuance of the shares is necessary to avoid the imposition of additional taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Section 409A of the Code and Treasury Regulation Section 1.409A-2(b)(2).

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

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

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

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

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

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

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

23. Attorney's Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals. Except as otherwise permitted by the requirements of Section 409A of the Code, any reimbursement to which you are entitled hereby shall (a) be paid no later than the last day of your taxable year following the taxable year in which the expense was incurred, (b) not be affected by the amount of expenses eligible for reimbursement in any other taxable year, and (c) not be subject to liquidation or exchange for another benefit.

{*Glossary begins on next page*}

GLOSSARY

(a) "***Administrator***" means the Board of Directors of Marchex, Inc. or such committee or committees appointed by the Board to administer the Plan.

(b) "***Affiliate***" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Marchex, Inc. (including but not limited to joint ventures, limited liability companies, and partnerships). For this purpose, "control" means ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.

(c) "***Agreement***" means this document, as amended from time to time, together with the Plan which is incorporated herein by reference.

(d) "***Code***" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations and other guidance promulgated thereunder.

(f) "***Common Stock***" means the Class B common stock, $0.01 par value per share, of Marchex, Inc.

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

(h) "***Grant Date***" means the effective date of a grant of RSUs made to you as set forth in the relevant Notice.

(j) "***Notice***" means the statement, letter or other written notification provided to you by the Company setting forth the terms of a grant of RSUs made to you.

(k) "***Plan***" means the Marchex, Inc. 2012 Stock Incentive Plan, as amended from time to time.

(l) "***RSU***" means the Company's commitment to issue one share of Common Stock at a future date, subject to the terms of the Agreement and the Plan.

(m) "***Service***" means your employment, service as a non-executive director, or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger, or other corporate transaction, the trade, business, or entity with which you are employed or otherwise have a service relationship is not Marchex, Inc. or its successor or an Affiliate of Marchex, Inc. or its successor.

(n) "***You***" or "***Your***" means the recipient of the RSUs as reflected on the applicable Notice. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the RSUs may be transferred by will or by the laws of descent and distribution, the words "you" and "your" shall be deemed to include such person.

Exhibit 10.19

AMENDMENT NO. 2 TO
MASTER SERVICES AND LICENSE AGREEMENT

This Amendment No. 2 ("**Amendment**"), effective as of July 1, 2013 (the "**Amendment Effective Date**"), is being entered into by and between Marchex Sales LLC, a Delaware limited liability company and successor in interest to Marchex Sales, Inc., which is a wholly-owned subsidiary of Marchex, Inc. ("**Marchex**"), and YellowPages.com LLC, a Delaware limited liability company formerly doing business as AT&T Interactive or ATTi ("**YPC**"), to amend the Master Services and License Agreement entered between YPC and Marchex effective as of October 1, 2007 (as amended by all prior amendments, Change Rule Sheets, and Project Addenda, as amended, thereto, and including all attachments, collectively the "**Agreement**"). YPC and Marchex may hereinafter be referred to individually as "**Party**" and collectively as "**Parties**." Capitalized terms used herein but not defined shall have the respective meanings ascribed to them in the Agreement.

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

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

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

1. **Section 1 (a) (***) of Exhibit B:** The subsection 1(a) shall be deleted in its entirety and replaced as follows:

   "***"

2. **Party References.** Any references to ATTi or AT&T Interactive in the Agreement shall be replaced with or deemed to refer to YPC.

3. **Email Addresses.** All email addresses for YPC in the agreement that specify the domain name "@attinteractive.com" shall be changed to the domain name "@yp.com".

4. **Other Terms of the Agreement.** All other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

5. **Authority.** Each person signing this Amendment hereby represents and warrants that he or she has full authority to execute this Amendment for the Party on whose behalf he or she is signing.

6. **Counterparts**. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. A signature received electronically via facsimile or email shall be as legally binding for all purposes as an original signature.

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

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 to Master Services and License Agreement effective as of the Amendment Effective Date.

YELLOWPAGES.COM LLC

BY: /s/ Mark W. Smith
Name: Mark W. Smith
Title: Chief Financial Officer

MARCHEX SALES LLC

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

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

Exhibit 10.20

FORM OF INDEMNITY AGREEMENT

This Indemnity Agreement, dated as of May __, 2013, is made by and between Marchex, Inc., a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS

A. The Company recognizes that competent and experienced persons are increasingly reluctant to serve or to continue to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance or indemnification, or both, due to increased exposure to litigation costs and risks resulting from their service to such corporations;

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors and officers with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take;

C. The Company and the Indemnitee recognize that plaintiffs often seek damages in such large amounts and the costs of litigation may be so great (whether or not the case is meritorious), that the defense and/or settlement of such litigation is often beyond the personal resources of directors and officers;

D. The Company desires to attract and retain talented and experienced individuals, such as the Indemnitee, to serve as directors, officers, employees and agents of the Company and its subsidiaries and wishes to indemnify its directors, officers, employees and other agents to the maximum extent permitted by law;

E. Section 145 of the General Corporation Law of Delaware, under which the Company is organized ("Section 145"), empowers the Company to indemnify its directors, officers, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive; and

F. In order to induce the Indemnitee to serve or continue to serve as a director, officer, employee or agent of the Company and/or one or more subsidiaries of the Company, free from undue concern for claims for damages arising out of or related to such services to the Company and/or one or more subsidiaries of the Company, the Company has determined and agreed to enter into this Agreement with the Indemnitee.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Indemnitee and the Company hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) "Agent" means any person who is or was a director, officer, employee or agent of the Company or a subsidiary of the Company; or is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Company or a subsidiary of the Company, or was serving as a director, officer, employee or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) "Board" means the Board of Directors of the Company.

(c) "Expenses" shall include all out-of-pocket costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements), actually and reasonably incurred by the Indemnitee in connection with either the investigation, defense or appeal of a Proceeding or establishing or enforcing a right to indemnification under this Agreement, Section 145 or otherwise; provided, however, that "Expenses" shall not include any judgments, fines, ERISA excise taxes or penalties, or amounts paid in settlement of a Proceeding.

(d) "Independent Counsel" means a law firm, or a member of such a law firm, that is experienced in matters of corporation law and neither currently is, nor within the past five years has been, retained to represent: (i) the Company or the Indemnitee in any matter material to either such party or (ii) any other party to or witness in the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement.

(e) "Proceeding" means any threatened, pending or completed action, suit or other proceeding, whether civil, criminal, administrative, or investigative.

(f) "Subsidiary" means any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and one or more other subsidiaries, or by one or more other subsidiaries.

2. Agreement to Serve. The Indemnitee agrees to serve and/or continue to serve as an Agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity the Indemnitee currently serves as an Agent of the Company, so long as the Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or any subsidiary of the Company or until such time as the Indemnitee tenders his or her resignation in writing; provided, however, that nothing contained in this Agreement is intended to create any right to continued employment by the Indemnitee.

3. Liability Insurance.

(a) Maintenance of D&O Insurance. The Company hereby covenants and agrees that, so long as the Indemnitee shall continue to serve as an Agent of the Company and thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was an Agent of the Company, the Company, subject to Section 3(c), shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance") in reasonable amounts from established and reputable insurers, as more fully described below.

(b) Rights and Benefits. In all policies of D&O Insurance, the Indemnitee shall qualify as an insured in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's independent directors (as defined by the insurer) if the Indemnitee is such an independent director; of the Company's non-independent directors if the Indemnitee is not an independent director; of the Company's officers if the Indemnitee is an officer of the Company; or of the Company's key employees, if the Indemnitee is not a director or officer but is a key employee.

(c) Limitation on Required Maintenance of D&O Insurance. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Company determines in good faith that: such insurance is not reasonably available; the premium costs for such insurance are disproportionate to the amount of coverage provided; the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit; the Indemnitee is covered by similar insurance maintained by a subsidiary of the Company; the Company is to be acquired and a tail policy of reasonable terms and duration is purchased for pre-closing acts or omissions by the Indemnitee; or the Company is to be acquired and D&O Insurance will be maintained by the acquirer that covers pre-closing acts and omissions by the Indemnitee.

4. Mandatory Indemnification. Subject to the terms of this Agreement:

(a) Third Party Actions. If the Indemnitee was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of the fact that the Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by the Indemnitee in such capacity, the Company shall indemnify the Indemnitee against all Expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with the investigation, defense, settlement or appeal of such Proceeding, provided the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or Proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(b) Derivative Actions. If the Indemnitee was or is a party or is threatened to be made a party to any Proceeding brought by or in the right of the Company by reason of the fact that the Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by the Indemnitee in such capacity, the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by the Indemnitee**,** or on the Indemnitee's behalf, in connection with the investigation, defense, settlement or appeal of such Proceeding, provided the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification under this Section 4(b) shall be made in respect to any claim, issue or matter as to which the Indemnitee shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction unless and only to the extent that the Court of Chancery of the State of Delaware (the "Delaware Court") or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such amounts which the Delaware Court or such other court shall deem proper.

(c) Actions where Indemnitee is Deceased. If the Indemnitee was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that the Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by the Indemnitee in such capacity, and if, prior to, during the pendency of or after completion of such Proceeding the Indemnitee is deceased, the Company shall indemnify the Indemnitee's heirs, executors and administrators against all Expenses and liabilities of any type whatsoever to the extent the Indemnitee would have been entitled to indemnification pursuant to this Agreement were the Indemnitee still alive.

(d) Certain Terminations. The termination of any Proceeding or of any claim, issue, or matter therein by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or Proceeding, that the Indemnitee had reasonable cause to believe that the Indemnitee's conduct was unlawful.

(e) Limitations. Notwithstanding the foregoing, the Company shall not be obligated to indemnify the Indemnitee for Expenses or liabilities of any type whatsoever for which payment is actually made to or on behalf of the Indemnitee under an insurance policy, or under a valid and enforceable indemnity clause, bylaw or agreement.

(f) Witness. In the event that Indemnitee is not a party or threatened to be made a party to a Proceeding, but is subpoenaed (or given a written request to be interviewed by a government authority) in such a Proceeding by reason of the fact that the Indemnitee is or was an Agent of the Company, or by reason of anything witnessed or allegedly witnessed by the Indemnitee in that capacity, the Company shall indemnify the Indemnitee against all actually and reasonably incurred out-of-pocket costs (including without limitation legal fees) incurred by the Indemnitee in responding to such subpoena or written request for an interview. As a condition to this right, Indemnitee must provide notice of such subpoena or request to the Company within 14 days of Indemnitee's receipt thereof (this notice condition shall control over Section 7(a), which shall not apply to this section 4(f)).

5. Indemnification for Expenses in a Proceeding in Which the Indemnitee is Wholly or Partly Successful.

(a) Successful Defense. Notwithstanding any other provisions of this Agreement, to the extent that the Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding (including, without limitation, an action by or in the right of the Company) in which the Indemnitee was a party by reason of the fact that the Indemnitee is or was an Agent of the Company at any time, the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection with the investigation, defense or appeal of such Proceeding.

(b) Partially Successful Defense. Notwithstanding any other provisions of this Agreement, to the extent that the Indemnitee is a party to or a participant in any Proceeding (including, without limitation, an action by or in the right of the Company) in which the Indemnitee was a party by reason of the fact that the Indemnitee is or was an Agent of the Company at any time and is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection with each successfully resolved claim, issue or matter.

(c) Dismissal. For purposes of this section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6. Mandatory Advancement of Expenses. Subject to the terms of this Agreement and following notice pursuant to Section 7(a) below, the Company shall advance all Expenses reasonably incurred by or on behalf of the Indemnitee in connection with the investigation, defense, settlement or appeal of any Proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an Agent of the Company (unless there has been a final determination that the Indemnitee is not entitled to indemnification for such Expenses) upon receipt of (a) an undertaking by or on behalf of the Indemnitee to repay the amount advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to indemnification by the Company and (b) satisfactory documentation supporting such Expenses. Such advances are intended to be an obligation of the Company to the Indemnitee hereunder and shall in no event be deemed to be a personal loan. The advances to be made hereunder shall be paid by the Company to the Indemnitee within twenty (20) days following delivery of a written request therefor by the Indemnitee to the Company. In the event that the Company fails to pay Expenses incurred by the Indemnitee as required by this Section 6, the Indemnitee may seek mandatory injunctive relief from any court having jurisdiction to require the Company to pay Expenses as set forth in this Section 6 . If the Indemnitee seeks mandatory injunctive relief pursuant to this Section 6, it shall not be a defense to enforcement of the Company's obligations set forth in this Section 6 that the Indemnitee has an adequate remedy at law for damages.

7. Notice/Cooperation by Indemnitee.

(a) Notice by Indemnitee. Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any Proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company in writing of the commencement or threat of commencement thereof; provided, however, that failure of the Indemnitee to provide such notice will not relieve the Company of its liability hereunder if the Company receives notice of such Proceeding from any other source. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(b) Insurance. If the Company receives notice pursuant to Section 7(a) hereof of the commencement of a Proceeding that may be covered under D&O Insurance then in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) Defense. In the event the Company shall be obligated to pay the reasonable Expenses of any Proceeding against the Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel selected by the Company and approved by the Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to the Indemnitee of written notice of its election so to do. After delivery of such notice, and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same Proceeding, provided that (i) the Indemnitee shall have the right to employ his or her own counsel in any such Proceeding at the Indemnitee's expense; and (ii) the Indemnitee shall have the right to employ his or her own counsel in any such Proceeding at the Company's expense if (A) the Company has authorized the employment of counsel by the Indemnitee at the expense of the Company, (B) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such Proceeding.

8. Right to Indemnification.

(a) Right to Indemnification. In the event that Section 5(a) is inapplicable, the Company shall indemnify the Indemnitee pursuant to this Agreement unless, and except to the extent that, it shall have been determined by one of the methods listed in Section 8(b) that the Indemnitee has not met the applicable standard of conduct required to entitle the Indemnitee to such indemnification.

(b) Determination of Right to Indemnification. A determination of the Indemnitee's right to indemnification hereunder shall be made at the election of the Board by (i) a majority vote of directors who are not parties to the Proceeding for which indemnification is being sought, even though less than a quorum, or by a committee consisting of directors who are not parties to the Proceeding for which indemnification is being sought, who, even though less than a quorum, have been designated by a majority vote of the disinterested directors, or (ii) if there are no such disinterested directors or if the disinterested directors so direct, by an Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee.

(c) Submission for Decision. As soon as practicable, and in no event later than thirty (30) days after the Indemnitee's written request for indemnification, the Board shall select the method for determining the Indemnitee's right to indemnification. The Indemnitee shall cooperate with the person or persons or entity making such determination with respect to the Indemnitee's right to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement.

(d) Application to Court. If (i) the Indemnitee's claim for indemnification or advancement of Expenses is denied, in whole or in part, (ii) no disposition of such claim is made by the Company within ninety (90) days after the request therefor, (iii) the advancement of Expenses is not timely made pursuant to Section 6 of this Agreement or (iv) payment of indemnification is not made pursuant to Section 5 of this Agreement, the Indemnitee shall have the right to apply to the Delaware Court, the court in which the Proceeding is or was pending or any other court of competent jurisdiction, for the purpose of enforcing the Indemnitee's right to indemnification (including the advancement of Expenses) pursuant to this Agreement.

(e) Expenses Related to the Enforcement or Interpretation of this Agreement. The Company shall indemnify the Indemnitee against all reasonable Expenses incurred by the Indemnitee in connection with any hearing or proceeding under this Section 8 to determine the Indemnitee's right to indemnification and against all reasonable Expenses incurred by the Indemnitee to bring or defend any other proceeding between the Company and the Indemnitee involving the interpretation or enforcement of the rights of the Indemnitee under this Agreement, but only if and to the extent the Indemnitee is successful in the foregoing.

9. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated:

(a) Claims Initiated by Indemnitee. To indemnify or advance Expenses to the Indemnitee with respect to Proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, with a reasonable allocation where appropriate, unless (i) such indemnification is expressly required to be made by law, (ii) the Proceeding was authorized by the Board, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the General Corporation Law of Delaware or (iv) the Proceeding is brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 in advance of a final determination;

(b) Lack of Good Faith. To indemnify the Indemnitee for any Expenses incurred by the Indemnitee with respect to any Proceeding instituted by the Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such Proceeding was not made in good faith or was frivolous;

(c) Unauthorized Settlements. To indemnify the Indemnitee under this Agreement for any amounts paid in settlement of a Proceeding or claim unless the Company consents to such settlement, which consent shall not be unreasonably withheld;

(d) Claims Under Section 16(b). To indemnify the Indemnitee for Expenses and the payment of profits made from the purchase and sale (or sale and purchase) by the Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(e) Payments Contrary to Law. To indemnify or advance Expenses to the Indemnitee for which payment is prohibited by applicable law.

10. Non-Exclusivity. The provisions for indemnification and advancement of Expenses set forth in this Agreement shall not be deemed exclusive of any other rights which the Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to action in the Indemnitee's official capacity and as to action in another capacity while occupying the Indemnitee's position as an Agent of the Company, except that this Agreement shall supercede any prior indemnity agreements between the parties.

11. Permitted Defenses. It shall be a defense to any action for which a claim for indemnification is made under this Agreement (other than an action brought to enforce a claim for Expenses pursuant to Section 6 hereof, provided that the required undertaking has been tendered to the Company) that the Indemnitee is not entitled to indemnification because of the limitations set forth in Sections 4 and 9 hereof. Neither the failure of the Company (including its Board) or an Independent Counsel to have made a determination prior to the commencement of such enforcement action that indemnification of the Indemnitee is proper in the circumstances, nor an actual determination by the Company (including its Board) or an Independent Counsel that such indemnification is improper, shall be a defense to the action or create a presumption that the Indemnitee is not entitled to indemnification under this Agreement or otherwise.

12. Subrogation. In the event the Company is obligated to make a payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery under an insurance policy or any other indemnity agreement covering the Indemnitee, who shall execute all documents required and take all action that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights (provided that the Company pays the Indemnitee's costs and expenses of doing so), including without limitation by assigning all such rights to the extent of such indemnification or advancement of Expenses.

13. Survival of Rights.

(a) Survival. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is an Agent of the Company and shall continue thereafter so long as the Indemnitee shall be subject to any possible claim or threatened, pending or completed Proceeding by reason of the fact that the Indemnitee was serving in the capacity referred to herein. The Indemnitee's rights hereunder shall continue after the Indemnitee has ceased acting as an Agent of the Company and shall inure to the benefit of the heirs, executors and administrators of the Indemnitee.

(b) Successor to the Company. The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

14. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to the Indemnitee to the fullest extent permitted by law, including those circumstances in which indemnification would otherwise be discretionary.

15. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 14 hereof.

16. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless it is in a writing signed by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed to be or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall any such waiver constitute a continuing waiver.

17. Notice. All notices, requests, demands and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given (a) upon delivery if delivered by hand to the party to whom such notice or other communication shall have been directed, (b) if mailed by certified or registered mail with postage prepaid, return receipt requested, on the third business day after the date on which it is so mailed, (c) one business day after the business day of deposit with a nationally recognized overnight delivery service, specifying next day delivery, with written verification of receipt, or (d) on the same day as delivered by confirmed facsimile transmission if delivered during business hours or on the next successive business day if delivered by confirmed facsimile transmission after business hours. Addresses for notice to either party shall be as shown on the signature page of this Agreement, or to such other address as may have been furnished by either party in the manner set forth above.

18. Governing Law and Consent to Jurisdiction. This Agreement shall be governed exclusively by and construed and enforced in accordance with the laws of the State of Delaware as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware. This Agreement is intended to be an agreement of the type contemplated by Section 145 (f) of the General Corporation Law of Delaware. The Company and the Indemnitee hereby irrevocably and unconditionally (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court, and not in any other state or federal court in the United States of America or any court in any other country, (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (c) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably the Corporation Trust Company as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (d) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (e) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforcement is sought needs to be produced to evidence the existence of this Agreement. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

The parties hereto have entered into this Indemnity Agreement effective as of the date first above written.

Indemnitee:

_____
Name of Indemnitee

Address: _____

_____

Company:

MARCHEX, INC.

By: _____

Title: _____

AMENDMENT NO. 6 TO
MASTER SERVICES AND LICENSE AGREEMENT

This Amendment No. 6 ("**Amendment No. 6**"), effective as of December 31, 2018 (the "**Amendment 6 Effective Date**"), is being entered into by and between Marchex Sales LLC, a Delaware limited liability company formerly known as Marchex Sales, Inc., which is a wholly-owned subsidiary of Marchex, Inc. ("**Marchex**"), and Dex Media, Inc, successor in interest to YellowPages.com LLC formerly doing business as AT&T Interactive or ATTi, ("**DexYP**"), to amend the Master Services and License Agreement entered between DexYP and Marchex effective as of October 1, 2007 (as amended by all prior amendments, Change Rule Sheets, and Project Addenda, as amended, thereto, and including all attachments, collectively the "**Agreement**"). DexYP and Marchex may hereinafter be referred to individually as "**Party**" and collectively as "**Parties**." Capitalized terms used herein but not defined shall have the respective meanings ascribed to them in the Agreement.

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

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

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

1. **Section 12.1 – Renewal Term.** In accordance with the provisions of Section 12.1 (Term) of the Agreement, the parties hereby agree to renew the Agreement for an additional one-year term, beginning January 1, 2019. Thus, the Term of this Agreement shall continue in full force and effect through December 31, 2019, unless earlier terminated as provided in the Agreement.

2. **Other Terms of the Agreement.** All other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

5. **Authority.** Each person signing this Amendment hereby represents and warrants that he or she has full authority to execute this Amendment for the Party on whose behalf he or she is signing.

6. **Counterparts**. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. A signature received electronically via facsimile or email shall be as legally binding for all purposes as an original signature.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 6 effective as of the Amendment 6 Effective Date.

DEX MEDIA, INC.	**MARCHEX SALES LLC**
BY: /s/John Gregory Paterniti	By: /s/Michelle
Name: John Gregory Paterniti	Name:
Title: Vice President	Title: President

AMENDMENT NO. 4 TO
PAY-FOR-CALL DISTRIBUTION AGREEMENT

This Amendment No. 4 **("Amendment No. 4"),** effective as of December 31, 2018 (the **"Amendment 4 Effective Date"),** is being entered into by and between Marchex Sales LLC, a Delaware limited liability company formerly known as Marchex Sales, Inc., which is a wholly-owned subsidiary of Marchex, Inc. **("Marchex"),** and Dex Media, Inc, successor in interest to YellowPages.com LLC formerly doing business as AT&T Interactive or ATTi (**"DexYP"**), to amend the Pay-For-Call Distribution Agreement entered between DexYP and Marchex effective as of January 1, 2011, as amended by Amendment 1 effective December 31, 2012, Amendment 2 effective June 25, 2015, and Amendment 3 effective December 15, 2016 (together, the **"Agreement").** DexYP and Marchex may hereinafter be referred to individually as "**Party**" and collectively as "**Parties.**" Capitalized terms used herein but not defined shall have the respective meanings ascribed to them in the Agreement.

WHEREAS, Marchex provides certain pay-for-call advertising services to DexYP pursuant to the terms of the Agreement; and

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

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

1. **Term - Section 7.1.** In accordance with the language in **Section 7.1** of the Agreement, the Parties hereby agree to renew the Agreement through and including December 31, 2019. Thus, unless otherwise terminated in accordance with the terms of the Agreement, the Agreement shall continue in full force and effect through and including December 31, 2019.

2. **Party References**. Any reference to ATTi or YP in the Agreement shall be replaced with or deemed to refer to DexYP.

3. **Other Terms of Agreement Unchanged.** Except as set forth herein, all other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

4. **Authority.** Each person signing this Amendment hereby represents and warrants that he or she has full authority to execute this Amendment for the Party on whose behalf he or she is signing.

5. **Counterparts**. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. A signature received electronically via facsimile or email shall be as legally binding for all purposes as an original signature.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 4 effective as of the Amendment 4 Effective Date.

DEX MEDIA, INC.

BY: /s/John Gregory Paterniti

Name: John Gregory

Title: Vice President

MARCHEX SALES LLC

BY: /s/Michelle

Name: Michelle Paterniti

Title: President

Research Services Agreement

This Agreement ("Agreement") is for services as described in Exhibit A, "Statement of Work", attached hereto (the "**Research Services**") and is made and entered into effective December 1, 2017 (the "**Effective Date**") by and between TELMETRICS Inc., with its principal place of business located at 2680 Skymark Avenue, Suite 900, Mississauga, Ontario Canada L4W5L6 ("**TELMETRICS**"), and Dex Media, Inc. ("**PUBLISHER**"), a Delaware corporation, whose principal offices are located at 2200 West Airfield Drive, P.O. Box 619810, DFW Airport, Texas 75261, on behalf of itself and all of its subsidiaries.

WHEREAS TELMETRICS and Dex Media, Inc., successor in interest to Dex One Service Inc. and SuperMedia LLC, entered into that certain Research Services Agreement dated October 1, 2013 (the "**Dex Agreement**"), and

WHEREAS YP LLC ("**YP**") is now a subsidiary of Dex Media, Inc. as of June 30, 2017, and

WHEREAS TELMETRICS and YP, as successor in interest to YP Shared Services LLC, assignee of AT&T Services, Inc., entered into that certain Services Agreement 20081023.015.C dated April 2, 2009, as subsequently amended (the "**YP Agreement**").

WHEREAS, in consideration of the mutual covenants contained in this Agreement, TELMETRICS and PUBLISHER agree as follows:

1. **Termination of Prior Agreements:**
Upon execution of this Agreement, (i) as of the Effective Date, the Dex Agreement and the YP Agreement (together, the "**Prior Agreements**") are hereby terminated, and (ii) all Call Measurement Numbers and services provided under the Prior Agreements will be governed by this Agreement. This Agreement shall serve as written notice of termination of the YP Agreement, per its section 4.5(b). For clarity, the parties agree that, based on the termination of the Prior Agreements, any minimum commitments and/or minimum payments specified in the Prior Agreements shall be voided and shall not be enforceable as of the Effective Date.

2. **Description of Research Services:**
A. TELMETRICS shall provide the PUBLISHER with Call Measurement Numbers (as defined in the Statement of Work) to be used in PUBLISHER'S advertising products and services, in order to provide PUBLISHER's advertisers ("**Advertisers**") with Call Measurement Programs (as defined in the Statement of Work) , or for PUBLISHER'S internal purposes. TELMETRICS shall utilize its proprietary network to monitor the Call Measurement Number and provide the PUBLISHER and Advertiser with access to Call Measurement Data (as defined in the Statement of Work).

B. TELMETRICS agrees to provide the Research Services ***.

3. **Ownership of Call Measurement Number:**
The Call Measurement Number shall at all times remain the property of TELMETRICS; provided however, at the conclusion of a Call Measurement Program, an Advertiser may initiate a number porting request via its telco provider to allow the Advertiser to take ownership of a Call Measurement Number***. If the Advertiser does not initiate a number porting request at the conclusion of a Call Measurement Program, and if the Advertiser does not renew its services with PUBLISHER, the Advertiser may continue to use the Call Measurement

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

Number by providing Telmetrics with a valid credit card number and an agreement to pay the appropriate monthly fee ("Call Continuance") to TELMETRICS.

4. Support:

The PUBLISHER will be set up with multiple Administrator accounts to access CallTelligence, TELMETRICS' online application. This access will allow the PUBLISHER to set up and manage its Call Measurement Numbers, Advertisers and Call Measurement Programs and to view and print both consolidated and individual reports. Should the PUBLISHER require assistance in connection with a Call Measurement Program or a Call Measurement Number, it may contact TELMETRICS between the hours of 8:00 AM and 6:00 PM eastern time with service-affecting emergency support available 24 hours per day, 7 days per week. The PUBLISHER shall provide TELMETRICS with the names of one or more of its representatives whom TELMETRICS may contact directly in the event of any failure of a Call Measurement Number. The PUBLISHER shall be responsible for ensuring that its representatives' contact information is kept up to date with TELMETRICS and that its representative is available at all applicable times. TELMETRICS shall maintain PUBLISHER's access to TELMETRICS' Perspectica application which was provided pursuant to the Prior Agreements, to allow PUBLISHER access to historical data until such time such data becomes available in CallTelligence.

5. Storage of Call Measurement Data:

TELMETRICS shall make such arrangements and undertake such procedures to adequately backup and protect the Call Measurement Data. As part of its procedures, TELMETRICS has a disaster recovery plan in place, whereby the PUBLISHER has access to the Call Measurement Data in the event that TELMETRICS is unable to provide the Research Services hereunder for any reason whatsoever. TELMETRICS shall make the Call Measurement Data available either on its website for a period of *** or to its API for a period of *** (Call Record files will be available for a maximum of ***) from the date of the incoming call which generated the data, after which the Call Measurement Data shall be (i) transferred to TELMETRICS' data warehouse for storage; and, (ii) transferred to the PUBLISHER if requested. ***

6. Billing, Rates and Fees:

Fees for the Research Services shall be charged to the PUBLISHER in accordance with the provisions of Schedule A. For monthly billing option, Call Measurement Number and feature charges will be billed monthly in advance beginning on the date the Call Measurement Program is ordered. For single billing option, the monthly fee is multiplied by the term of the Call Measurement Program and this amount is billed in full on the date the Call Measurement Program is ordered. For the purpose of calculating the amount included in the single billing, the following are included: ***. Flat fee will be billed on the date the Call Measurement Program is ordered. For all billing options, usage charges are billed monthly in arrears. The Call Measurement Program term begins on the date the Call Measurement Number is assigned by TELMETRICS to the PUBLISHER and ends on the day the Call Measurement Number is made inactive or the last day of the Referral Period (as defined in the Statement of Work), whichever is the latter.

7. Payment:

Invoices are due and payable in full by the PUBLISHER within *** of invoice date. TELMETRICS will provide PUBLISHER with a written reminder notice sent via email *** from the invoice date. If an invoice remains unpaid after *** from the invoice date, TELMETRICS will provide PUBLISHER written notice of the

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delinquency ("Past Due Notice"). A monthly charge of *** may be applied to the PUBLISHER's account should a non-disputed invoice remain unpaid after *** from the invoice date. If an undisputed invoice remains unpaid after *** and TELMETRICS has provided PUBLISHER with the Past Due Notice, TELMETRICS may in its sole discretion, cease providing any or all of the Research Services, which may include termination of the Call Measurement Number and/or cessation of Call Measurement Data collection. The PUBLISHER shall remain liable for all charges incurred to the date of such cessation of Research Services and may be charged additional fees for the recommencement of the Research Services. The PUBLISHER shall be responsible for all applicable taxes, which shall be billed on each invoice as separate items. All charges are quoted in U.S. currency.

8. **Representations and Warranties:**

Each of TELMETRICS and the PUBLISHER represent that; (i) it has all requisite power and authority to enter into this Agreement; and (ii) the carrying out of its obligations under this Agreement will not result in a material breach of or interference with any other agreement to which it is a party; and (iii) it will not enter into any other agreement which could reasonably be expected to result in a material breach of or interference with its obligations under this Agreement. TELMETRICS warrants that it is the owner or licensee of the software, hardware or other equipment necessary to provide the Research Services.

TELMETRICS further represents and warrants that (a) the Research Services will be provided in accordance with the description set forth in this Agreement; (b) it has the authority and right to provide the Research Services to PUBLISHER and PUBLISHER's use of the Research Services, including any software provided by TELMETRICS, as permitted under this Agreement, will not in any way constitute an infringement or other violation of any copyright, patent, trade secret, trademark or any other intellectual property right of any third party or violate any laws, rules or regulations applicable to the Research Services; (c) it is the owner, lessee or licensee of the software, hardware, or other equipment necessary to provide the Research Services; (d) TELMETRICS' performance of the Research Services will represent its best efforts and be of the highest professional standards; and (e) TELMETRICS will comply with all laws related to the Research Services, including without limitation laws related to the recording of telephone conversations and the collection and use of telephone caller information.

9. **Liability:**

EXCEPT AS PROVIDED EXPLICITY HEREIN NEITHER PARTY TO THIS AGREEMENT SHALL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE, OR SPECIAL DAMAGES, INCLUDING COMMERCIAL LOSS AND/OR LOST PROFITS, HOWEVER CAUSED AND REGARDLESS OF LEGAL THEORY OR FORESEE ABILITY, DIRECTLY OR INDIRECTLY ARISING UNDER THIS AGREEMENT AND EACH PARTY'S MAXIMUM LIABILITY UNDER THIS AGREEMENT SHALL BE THE AMOUNT PAID BY THE PUBLISHER FOR THE RESEARCH SERVICES. THE FOREGOING SENTENCE WILL NOT APPLY TO (I) BREACHES OF CONFIDENTIALITY OBLIGATIONS UNDER THIS AGREEMENT, (II) A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS AGREEMENT, AND (III) A PARTY'S GROSS NEGLIGENCE AND WILLFUL MISCONDUCT.

10. **Force Majeure:**

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TELMETRICS shall not be liable for any failure to provide the Research Services where such failure is the result of circumstances beyond its control, including failure of any part of the public telecommunications network beyond TELMETRICS' network access points.

11. Indemnities:

A. Each of the PUBLISHER and TELMETRICS shall indemnify, defend, and save harmless the other, including their shareholders, directors, officers, employees, agents and representatives from and against all claims, demands, actions and expenses, including reasonable legal fees, due to third party claims that ***. The PUBLISHER shall indemnify, defend, and save harmless TELMETRICS with respect to any claim related to the PUBLISHER's misuse of the Call Measurement Data including breach of any privacy laws or regulations. TELMETRICS shall specifically indemnify, defend, and hold the PUBLISHER harmless for any claim, lawsuit, investigation, inquiry or demand that is asserted by any third party that is related to or arises from any security breach or other compromise of TELMETRICS' databases, software or systems.

This indemnity shall survive the delivery of, inspection of, acceptance of, and payment for, the services provided hereunder as well as the expiration or termination of this Agreement.

B. The indemnifying party shall promptly provide notice of any Claim; provided however, that any delay in notice shall not relieve the indemnifying party's indemnification obligations, unless, and only to the extent that, such delay materially impairs the indemnifying party's ability to defend against such Claim. Promptly after receipt of written notice of any claim, demand, suit, or legal proceeding for which the indemnifying party may be responsible under this indemnity obligation (collectively, "Claims"), the indemnifying party shall assume, at its expense, the defense of the Claim. The indemnifying party shall maintain control of the defense of Claims, except to the extent that settlement of a Claim or consent to entry of a judgment would adversely affect the indemnified party, in which case the indemnifying party must obtain the indemnified party's written consent prior to any settlement or consent to entry of a judgment.

C. The indemnifying party shall pay the full amount of any judgment, award, or settlement with respect to any Claim and all other expenses related to resolution of such Claim, including costs, interest and the attorneys' fees it incurred relating to the Claim.

12. Property Ownership:

All hardware, software, methods, processes, telephone numbers, training material, reports, reporting formats and report layouts used in providing the Research Services shall be the exclusive property of TELMETRICS and all rights, title and interest therein, including, but not limited to, copyrights, trade secrets, and other proprietary rights, shall belong solely to TELMETRICS, except for any PUBLISHER property contained therein. ***

13. Confidentiality:

A. "Confidential Information" means (i) the existence and terms of this Agreement, and (ii) any information that a party (the "Disclosing Party") discloses to the other party (the "Receiving Party") about the Disclosing Party's business activities that is, or is considered by the Disclosing Party to be, proprietary or confidential, and includes, without limitation, any and all business, financial, technical, and other information relating to the

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Disclosing Party, its clients, customers, suppliers, and/or affiliates which is provided by the Disclosing Party to the Receiving Party, and which is marked or designated as "confidential" or "proprietary", or which is otherwise known by the Receiving Party to be confidential or proprietary, or which the Receiving Party should otherwise recognize as being confidential or proprietary due to the nature of the information and/or the circumstances surrounding the disclosure. Confidential Information also includes data, information, and documents generated under this Agreement. Confidential Information does not include information which (i) is in, or enters the public domain without breach of this Agreement, (ii) the Receiving Party lawfully receives from a third party without restriction on disclosure and without breach of a nondisclosure obligation, or (iii) was lawfully in the Receiving Party 's possession, without restriction as to disclosure, prior to the Disclosing Party 's disclosure of the same, or (iv) is developed independently by the Receiving Party without reference to any of the Disclosing Party's Confidential Information or other information that the Disclosing Party disclosed in confidence to a third party.

B. Covenant Not to Disclose. The Receiving Party shall (i) not disclose Confidential Information to any third party without the prior written consent of the Disclosing Party and binding such third party to a confidentiality agreement with terms no less restrictive than the terms contained herein, (ii) use Confidential Information only for the purposes of this Agreement, (iii) use the same degree of care that it uses to protect the confidentiality of its own confidential information of like kind (but in no event less than reasonable care), and (iv) restrict access to Confidential Information to employees on a need-to-know basis, and only in order to perform any Services or analysis necessary to fulfill the Receiving Party's obligations hereunder. Notwithstanding the foregoing, the Receiving Party may disclose Confidential Information as required by government or judicial order, provided that the Receiving Party gives the Disclosing Party prompt notice of such order and complies with any protective order (or equivalent) imposed on such disclosure. In the event of inadvertent disclosure of Confidential Information, the Receiving Party will promptly notify the Disclosing Party and will take necessary steps to prevent further inadvertent disclosure. Supplier will permit Buyer to review Supplier's procedures and methods for protecting Confidential Information and comply with all of Buyer's requirements for security resulting from such review.

C. The parties acknowledge and agree that a violation of any of the provisions of this Section will cause irreparable and imminent harm and injury to the Disclosing Party for which monetary damages would be difficult/impossible to ascertain or an inadequate remedy and that the Disclosing Party, therefore, shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to seek injunctive relief (without the requirement of posting a bond or proving injury as a condition for relief) enjoining and restraining the Receiving Party from doing or continuing to do any such act and any other violations or threatened violations of this Section.

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

E. All copies of Confidential Information shall be returned to the Disclosing Party or destroyed, at the Disclosing Party's option, upon the earlier of (i) the Disclosing Party's request, or (ii) the termination,

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cancellation or expiration of this Agreement. If the Disclosing Party requests that copies of its Confidential Information be destroyed, the Receiving Party shall certify to the Disclosing Party that all copies of such Confidential Information have, in fact, been destroyed.

14. Term, Renewals and Termination:

A. TELMETRICS will provide the Research Services for each Call Measurement Number for the life of each Call Measurement Program as described in Schedule A. TELMETRICS will continue to provide the Research Services to the PUBLISHER until the earlier of; (i) the end of the Call Measurement Program, including any renewal periods or; (ii) the failure by TELMETRICS to receive payment for any invoice issued by it regarding the Research Services within *** of the invoice date after providing PUBLISHER with notice as required in this Agreement. This Agreement shall be in effect until *** and will automatically renew *** unless either party gives the other notice of non-renewal within *** of the expiration of the then-current term of the Agreement.

B. ***

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

16. Attorneys' Fees:
If either party commences an action against the other relating to this Agreement including, but not limited to, for failure to abide by any of the terms of this Agreement, the prevailing party in such action will be entitled to recover all costs including, but not limited to, reasonable attorneys' fees associated with the action. Such relief is in addition to any other relief which may be awarded to the prevailing party.

17. Entire Agreement:
This Agreement, including Schedule A, Schedule B, and the Statement of Work, constitutes the entire agreement between the parties and may not be amended except in writing signed by both parties. Neither party shall be bound by any terms, conditions or representations not contained herein or by any oral agreements, warranties or special arrangements contrary to or in addition to the terms of this Agreement.

18. Amendments:

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

This Agreement may not be amended or modified except by a change made in writing and executed by each of the parties hereto.

19. **Severability:**
If any provision of this Agreement shall be found to be prohibited by or unenforceable pursuant to the laws of any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such unenforceability or prohibition without invalidating or affecting the remaining terms and provisions hereof.

20. **Waiver:**
The waiver by any party of a breach of this Agreement shall not constitute a waiver of other breaches or rights under this Agreement.

21. **Headings:**
Headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

22. **Assignment:**
Each of PUBLISHER or TELMETRICS may fully assign its rights under this Agreement to its parent, subsidiaries and affiliates upon written notice to TELMETRICS and/or PUBLISHER respectively. No other assignment is permitted without consent of the other party.

23. ***

24. **Independent Contractors:**
TELMETRICS AND PUBLISHER are not partners or joint venturers with each other nor is either the agent of the other and nothing herein shall be construed so as to make them partners, joint venturers or principal and agent, or to impose any liability as such on either of them. TELMETRICS, its employees and agents are independent contractors for all purposes and at all times. TELMETRICS will have responsibility for payment of any applicable wages, salaries, fringe benefits and other compensation of its employees, and is responsible for all payroll taxes, including without limitation the withholding and payment of all applicable federal, state and local income taxes, FICA, unemployment taxes and all other payroll taxes, as well as compliance with workers' compensation laws.

25. **Insurance:**
TELMETRICS will obtain and keep in force during the term of this Agreement not less than the following insurance:

a. Commercial General Liability insurance, including bodily injury, property damage, personal and advertising injury liability, and contractual liability covering operations, independent contractor and products/completed operations hazards, with limits of not less than ***;

b. Umbrella/Excess Liability insurance with limits of not less than *** combined single limit in excess of the above-referenced Commercial General Liability; and

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c. Errors and Omissions Liability insurance to include contractual liability for claims arising out of negligent acts, errors or omissions with a limit of liability not less than ***.

All required insurance policies must be taken out with financially reputable insurers reasonably acceptable to PUBLISHER and licensed to do business in all jurisdictions where Research Services are provided under this Agreement. TELMETRICS will provide PUBLISHER with a certificate of insurance, satisfactory in form and content to PUBLISHER, evidencing that all the required coverages are in force and have been endorsed to provide that no policy will be canceled or materially altered without first giving PUBLISHER 30 days' prior notice. TELMETRICS shall ensure that (i) the insurance policies listed above contain a waiver of subrogation against Dex Media, Inc. and its subsidiaries, and (ii) the Commercial General Liability and Umbrella Liability policies shall name Dex Media, Inc. and its subsidiaries as additional insureds. Such certificates of insurance (or notices of renewal) *** shall be mailed to PUBLISHER's Contract Management department listed in Section 27, Notices. Any notices of cancellation, modification and such other documentation shall be mailed in accordance with Section 27, Notices. Nothing contained in this Section limits TELMETRICS liability to PUBLISHER to the limits of insurance certified or carried.

26. **Notices**:
All notices, requests, demands and other communications relating to this Agreement must be in writing and sent via (i) United States Mail, postage prepaid, return receipt requested; or (ii) by FedEx, UPS, or other nationally recognized commercial carrier, delivery confirmation requested. Communications for invoicing may be sent via email.

All such notices, requests, demands and other communications must be sent to the parties, their successors in interest, or their assigns at the addresses set forth below (or at such other addresses as will be given in writing by either party to the other):

If to PUBLISHER: With a copy to:
Attn: Contract Management Attn: Executive Vice President – General Counsel
DexYP (at same address)
2200 West Airfield Drive
P.O. Box 619810
DFW Airport, Texas 75261-9810

If to TELMETRICS:

Attn: President
Telmetrics, Inc.
2645 Skymark Avenue
Suite 202
Mississauga, Ontario Canada L4W5L6

27. **Enurement:**
This Agreement will enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

28. **Intellectual Property Rights:**

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

A. **PUBLISHER Marks**. PUBLISHER retains all rights, title, and interests in the trademarks, service marks, label designs, product identifications, artwork, trade names, logos, and other symbols, marks, and intellectual property owned or licensed by PUBLISHER or associated with PUBLISHER's products or services (the "PUBLISHER Marks"). All uses of the PUBLISHER Marks inure to the benefit of PUBLISHER.

B. **TELMETRICS Marks**. TELMETRICS retains all rights, title, and interests in the trademarks, service marks, label designs, product identifications, artwork, trade names, logos, and other symbols, marks, and intellectual property owned or licensed by TELMETRICS or associated with TELMETRICS products or services (the "TELMETRICS Marks"). All uses of the TELMETRICS Marks inure to the benefit of TELMETRICS.

C. **Branding of Research Services**. PUBLISHER, in its sole discretion, may brand any Report (as defined in the Statement of Work) or other Research Service with one or more PUBLISHER Marks. If agreed upon by PUBLISHER and TELMETRICS, PUBLISHER may co-brand any Report or other Research Service with the PUBLISHER Marks and the TELMETRICS Marks, subject to the reasonable branding guidelines of each party. Any branding of any Report or other Research Service with the PUBLISHER Marks and/or TELMETRICS Marks requires the prior written approval of PUBLISHER. If PUBLISHER elects to brand a Report or other Research Service with one or more PUBLISHER Marks, then PUBLISHER grants TELMETRICS a non exclusive, royalty-free, non-assignable, non-transferable license to such PUBLISHER Marks for the limited purpose of branding the Report or other Research Service.

D. **Communications with Third Parties**. Any Report or other communication by TELMETRICS with a PUBLISHER customer or other third party requires the prior written approval of PUBLISHER, which shall not be unreasonably withheld.

The parties, intending to be legally bound, have caused this Agreement to be executed by their authorized representatives on the dates set forth below.

DEX MEDIA, INC.	**TELMETRICS Inc.**
By:	By:
/s/ Gordon Henry	/s/ Andrew Osmak
Gordon Henry Executive Vice President – CMO	Andrew Osmak Chief Executive Officer
Date: 12/6/2017	Date: 12/06/2017

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EXHIBIT A

Statement of Work to Research Services Agreement

This Statement of Work (this "SOW") is incorporated into and governed by the provisions of the Research Services Agreement (the "Agreement") dated December _, 2017 between PUBLISHER and TELMETRICS. All capitalized terms have the same meaning as in the Agreement unless otherwise defined in this SOW.

This SOW between PUBLISHER and TELMETRICS further describes the Research Services to be provided pursuant to the Agreement and is agreed to with the signatures on, and as of the Effective Date of, the Agreement.

1. **Definitions:**

   a. **Call Block:** ***

   b. **Ad Alert:** ***

   c. **Call Challenge**: ***

   d. **Call Measurement Data:** Call Measurement Data consists of the following information for calls placed to each Call Measurement Number: (i) the number of calls during a month or other applicable period; (ii) the date, time, and length of each call; (iii) the name, address, and telephone number of each caller (if available); (iv) the time that each call was placed; (v) the time that a call was answered; (vi) the answer supervision, which indicates how the call was handled; and (vii) other related information reasonably requested by PUBLISHER.

   e. **Call Measurement Number:** A Call Measurement Number (CMN) is a ten (10)-digit telephone number *** provided by TELMETRICS to PUBLISHER for each Call Measurement Program. Call Measurement Numbers include Market A, Market C, and Toll-free.

   f. **Call Measurement Program:** A Call Measurement Program is a program to measure and report the effectiveness of a PUBLISHER product or products through a Call Measurement Number and the associated Call Measurement Data and Reports.

   g. **Call Record:** In selecting the Call Record feature set to be activated on a Call Measurement Program, PUBLISHER has asked TELMETRICS on its behalf and on behalf of the Advertiser as part of Research Services to record incoming telephone calls for quality assurance and training purposes using TELMETRICS' proprietary Call Record feature ("Call Record"). Call Record allows TELMETRICS to record telephone calls between call center representatives and respondents to advertisements placed in publications that contain a Call Measurement Number.

   h. **Call Rescue:** Call Rescue is a feature that ***.

   i. **Call Scores/PCI/Transcripts Delivery Response Times:** Machine transcription requests are asynchronous, and some files take significantly longer than others to process depending on their

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length, quality, content. For audio files of *** in length TELMETRICS will use commercially reasonable efforts to deliver the transcript, scoring and redaction results within the following window:

- Average processing time is ***. SLA is *** of all requests complete in ***.

j. **Current Practices:** Current Practices are practices and procedures that are substantially similar to the practices and procedures undertaken by TELMETRICS and/or PUBLISHER as of the Effective Date of the Agreement.

k. **Custom Vocabularies:** Custom Vocabularies is a feature that allows for the customization of speech recognition involved in the generation of Transcriptions and Call Scoring of Call Record audio files. The feature allows for a set of up to *** to be specified per CTN, that will be applied to the Transcriptions and Call Scoring for all calls to that number.

l. **Directory:** A Directory is a print telephone directory, or comparable print classified directory, published by PUBLISHER.

m. **Inventory Management Period:** The Inventory Management Period is the period during which a Call Measurement Number is held by TELMETRICS prior to assigning the Call Measurement Number to PUBLISHER. During the Inventory Management Period, TELMETRICS monitors the Call Measurement Number for *** and otherwise determines whether the Call Measurement Number is Clean (as defined below).

n. **Keyword Spotting:** Keyword Spotting is a feature that allows for the automatic identification of words and phrases of interest within call Transcriptions. Users of the TELMETRICS' UI and API will be able to specify a set of up to *** per CTN, that will be searched for and automatically identified and highlighted within the Transcriptions report in both the UI and API.

o. **Market A**: A local Call Measurement Number carried in TELMETRICS' standard inventory and available for auto-assignment in CallTelligence or through the TELMETRICS API. ***

p. **Market C**: All other Call Measurement Numbers not included in Market A or Toll Free (including requests for a specific area code and/or exchange or a request to match a specific area code and/or exchange).

)

Order Period: The Order Period begins on the *** of the calendar month in which PUBLISHER orders a Call Measurement Number and ends at the beginning of the Program Period. ***

r. ***Redaction:** *** Redaction is a feature that allows for the redaction of *** from Call Record files and Transcriptions prior to being made available or accessed in the TELMETRICS' UI or API. When enabled for a CTN, all Call Record files for that number will be processed for ***, and when found the audio will be removed and any resulting Transcriptions will have the corresponding text obfuscated.

s. **Program Period:** The Program Period for a Call Measurement Number is the period, as determined by PUBLISHER, of the Call Measurement Program during which the Call Measurement Number appears in one or more of PUBLISHER's products until PUBLISHER notifies TELMETRICS of cancelation of the Program Period.

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

t. **Referral Period**: The Referral Period is the period following the Program Period during which TELMETRICS provides callers to the Call Measurement Number a message that refers callers to the Termination Number. During the Referral Period, TELMETRICS continues to count the number of calls to the Call Measurement Number. The Referral Period for Call Measurement Numbers is in PUBLISHER's reasonable discretion. PUBLISHER may extend the Referral Period as provided in this SOW.

u. **Report(s)**: compilations of Call Measurement Data to be provided periodically by TELMETRICS to PUBLISHER and/or Advertisers, as applicable, as further specified in Section 4 and elsewhere herein.

v. **Report Website**: The Report Website is a secure website that PUBLISHER and Advertisers use, as of the Effective Date, to access Reports and Call Measurement Data.

w. **Termination Number:** The regular telephone number of an Advertiser to which calls to the Call Measurement Number are referred by TELMETRICS. PUBLISHER or Advertiser may update the Termination Number from time to time during the term of the Call Measurement Program.

x. **Toll-free:** A toll-free Call Measurement Number carried in TELMETRICS' standard inventory and available for auto-assignment in CallTelligence or through the TELMETRICS API.

y. **Transcriptions:** The machine generated, time aligned text representation of a Call Record file. Transcriptions are provided in the TELMETRICS' UI and API, with the caller and agent portions of the conversation identified. ***

z. **Voice Links:** Voice Links allows a PUBLISHER to access Call Record files using a direct link from a URL. The service is only available through the TELMETRICS API. The URL link may then be provided to PUBLISHER's Advertisers who wish to listen to a specific Call Recording file. ***

aa. **Call Scoring (VoiceTrends 2.0) :** Call Scoring is a feature that uses machine learning algorithms to analyze Call Record files, recorded in dual channels, to identify call characteristics against pre-defined statistical models (dispositions). When enabled for a CTN, the Call Record file is analyzed in *** against the configured models. The four dispositions available are: ***. Results are retuned as a Yes or No indicating a match for each of the dispositions and results are available in the TELMETRICS' UI and API.

bb. **VoiceTrends 2.0 Custom Dispositions:** Custom Dispositions are enhancements to the Call Scoring feature that can be created as needed and applied to a Call Scoring program for all required CTN's. Characteristics for the Custom Disposition will be defined by the Advertiser, and TELMETRICS will then derive the required training set by identifying and validating call data, working with partners to create a proprietary model and integrating with the Call Scoring feature set. The two Custom Dispositions available are: ***.

cc. **W2Tel Dynamic Number Insertion:** W2Tel Dynamic Number Insertion (the "DNI Service") allows an online advertiser (the "User") to track a referral from another web page ("Referral Source") when a

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

consumer has followed a link from the Referral Source to the User's website and chooses to respond to the advertisement by placing a telephone call to the User. Using a Call Measurement Number that has been configured by the User to a particular Referral Source (e.g., Google, Yahoo, Bing or other local search provider) and/or to a particular keyword or group of key words, the DNI Service will dynamically replace the User's actual telephone number (the "Termination Number") found on the User's web page (the "Object Page") that has been linked to the Referral Source with the chosen Call Measurement Number. When a consumer is served the Object Page, they are presented with the Dynamic Number Insertion ("DNI") Call Measurement Number. All available details of each telephone call placed to the particular DNI Call Measurement Number are made available to the User as part of the Call Measurement Data. Users may track as many Referral Sources as they wish by assigning a different DNI Call Measurement Number to each Referral Source or to each unique visitor by using session/pooled based tracking.

2. **Scope of Research Services:** TELMETRICS shall assist PUBLISHER in undertaking Call Measurement Programs by providing PUBLISHER the following Research Services:

   a. TELMETRICS shall provide *** Call Measurement Numbers for each Call Measurement Program and Advertiser ***. According to the provisions of this SOW, should the Advertiser wish to continue with the Call Measurement Program at the end of the Program Term, the Advertiser may order Call Continuance directly from TELMETRICS.

   b. During the Program Period of each Call Measurement Program, TELMETRICS shall forward all calls from the Call Measurement Number to the Termination Number.

   c. During the Program Period of each Call Measurement Program, TELMETRICS shall collect Call Measurement Data for each Call Measurement Number.

   d. During the Referral Period for each call Measurement Program, TELMETRICS shall (i) provide callers to the Call Measurement Number a message that refers callers to the Termination Number; and (ii) count the number of calls to the Call Measurement Number.

   e. During the Program Period of each Call Measurement Program, TELMETRICS shall provide the Reports to the PUBLISHER and/or Advertiser according to the provisions of this SOW.

   f. During the Program and Referral Periods of each Call Measurement Program, TELMETRICS shall provide the Reports to PUBLISHER according to the provisions of this SOW.

   g. In a manner that is consistent with current practices and the requirements of this SOW, TELMETRICS shall maintain the Report Website and publish Reports and Call Measurement Data on the Reports Website.

   h. TELMETRICS and PUBLISHER shall work in a reasonable manner to deploy the API. TELMETRICS shall provide the technical and business support that is reasonably necessary for PUBLISHER to use the API to order and provision Call Measurement Numbers and to access Call Measurement Data and Reports.

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

i. TELMETRICS shall provide secure and private access for PUBLISHER *** to TELMETRICS' CallTelligence Website, the API, the Report Website, and all other methods that are reasonably necessary for TELMETRICS to provide Call Measurement Numbers, Reports and other Research Services to PUBLISHER. *** By mutual agreement of the Parties, TELMETRICS shall provide additional tools on the Report Website for PUBLISHER and Advertisers to analyze and report on Call Measurement Data.

j. TELMETRICS shall provide call features listed in Schedule A for each Call Measurement Number as reasonably requested by PUBLISHER.

k. In addition to any other requirements in this SOW or the Agreement, ***.

l. TELMETRICS shall provide all other services that are reasonably required to provide the Research Services listed above or to fulfill TELMETRICS obligations under this SOW, including without limitation ***.

m. TELMETRICS shall provide the Research Services according to the Service Level Objectives described in this SOW.

n. ***

3. **Ordering and Managing Call Measurement Numbers:**

a. ***

b. ***

4. **Reports:**

a. **Scope of Reports:** TELMETRICS shall provide all *** PUBLISHER Reports to PUBLISHER ***.

b. **Delivery of Reports**: TELMETRICS shall send the Reports to PUBLISHER and Advertisers, as applicable, on or about the *** of the calendar month at the frequency agreed to by TELMETRICS and PUBLISHER. Notwithstanding any other provision of the Agreement, if TELMETRICS fails to provide a Report to PUBLISHER and Advertisers, as applicable, by the *** calendar day of the month, then TELMETRICS will provide a credit to PUBLISHER in the amount of *** of the *** of all Call Measurement Numbers included in the delinquent Report.

c. **Combining Measurement Data**: Upon request by PUBLISHER, TELMETRICS shall combine the Reports for various PUBLISHER media and measurement tools for ***. The combined Reports shall be in the format and contain the fields reasonably requested by PUBLISHER and shall be at a cost agreed upon by PUBLISHER and TELMETRICS.

d. **API:** TELMETRICS and PUBLISHER will use their reasonable efforts to allow PUBLISHER to access Call Measurement Data and any similar data through the API.

5. **Term of the Call Measurement Program:**

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

a. **Initial Program Term**: The initial term for a Call Measurement Program consists of *** (the "Initial Program Term").

6. **Inventory management**:

a. **Call Measurement Number inventory:** ***

b. **Inventory manager**: TELMETRICS shall provide PUBLISHER with reasonable access to an inventory manager for Call Measurement Numbers.

c. **Time frame for providing Call Measurement Numbers**: TELMETRICS shall provide Clean Call Measurement Numbers to PUBLISHER according to the following timeframes: (A) TELMETRICS shall provide*** Call Measurement Numbers ***; and (B) TELMETRICS shall provide *** Call Measurement Numbers to PUBLISHER within *** of PUBLISHER's request or as soon as reasonably possible. Notwithstanding any other provision of the Agreement, in the event that TELMETRICS does not provide a Clean Call Measurement Number within the timeframes specified in this Section, TELMETRICS will provide a credit to PUBLISHER in the amount of *** of the *** of the Call Measurement Number ***.

7. **Call Record**.

a. Description of Service: Call Record functionality resides on TELMETRICS' computer server and, for a Call Measurement Number with Call Record enabled, when activated by an incoming call to a Call Measurement Number, plays a pre-recorded message that notifies the calling party that their call may be recorded and the purpose for which it may be recorded and any other provisions required by law. At the conclusion of the call, a digital voice file (the "Voice File") is produced and archived. The archived Voice File is then made available to PUBLISHER via TELMETRICS' secure web site, and may be downloaded by PUBLISHER, and a copy of the Voice File is stored in TELMETRICS' database.

b. Use of Service: PUBLISHER acknowledges that PUBLISHER will only use the Voice File for the purpose(s) as outlined in this Agreement and in accordance with PUBLISHER's privacy policy. Any other use of the Voice File is strictly prohibited.

c. Indemnity: PUBLISHER agrees to indemnify and hold TELMETRICS, its employees and agents harmless from any and all claims with respect to the Call Record service, including without limitation; i) a claim that consent to record a call was not received from one or both of the parties to the call; or ii) a claim that the Voice Files contain private information contrary to the express consent of one or both of the parties to the call; unless the claim is based on TELMETRICS' negligence in the storage or sharing of the Voice Files ***.

8. **VoiceLinks**: ***

9. **Call Continuance:** Where a Call Measurement Program that has been funded by PUBLISHER and the Call Measurement Program has ended, an Advertiser is able to maintain a Call Measurement Number through a direct billing arrangement with TELMETRICS. The Call Measurement Number will continue to ring through to the Termination Number provided by the Advertiser for the duration of the Call Continuance period. ***

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

10. **Application Programming Interface ("TELMETRICS Connect API"):** Use of the TELMETRICS Connect API is subject to all of the terms and conditions found in the document entitled "TELMETRICS Connect API Terms of Use" ("API Terms of Use"), as amended from time to time***. Prior to being granted access to TELMETRICS' systems, the PUBLISHER will be required to accept the API Terms of Use set out in the above-noted document. If, at any time, TELMETRICS determines that the PUBLISHER is using the TELMETRICS Connect API in a way that is contrary to its intent or that compromises the integrity of TELMETRICS' systems or the use of TELMETRICS' systems by other authorized users, TELMETRICS will provide written notice to the PUBLISHER with particulars of the misuse. The PUBLISHER will have *** to either correct the cause of the misuse or to cease using the TELMETRICS Connect API until the cause of the misuse is corrected. Upon the expiry of the notice period, if the PUBLISHER has neither corrected the misuse nor ceased using the TELMETRICS Connect API, TELMETRICS reserves the right to terminate the PUBLISHER's access to the TELMETRICS Connect API and associated systems. By accepting the terms of this Agreement, the PUBLISHER acknowledges that it has read and agrees with the API Terms of Use set out in the above noted document as of the Effective Date.

11. **Dynamic Number Insertion**:

    a. Forecast**:** Programs that are anticipated to have excessive website traffic require the PUBLISHER to provide advance notice to TELMETRICS and TELMETRICS reserves the right to limit such usage of the W2Tel Dynamic Number Insertion solution.

    b. Use of W2Tel Dynamic Number Insertion is subject to all of the terms and conditions found in the document entitled "Dynamic Number Insertion Terms of Use" (herein, "DNI Terms of Use"), as made available to PUBLISHER and as amended from time to time***. Prior to being granted access to W2Tel Dynamic Number Insertion, the PUBLISHER will be required to accept the DNI Terms of Use set out in the above noted document. If, at any time, TELMETRICS determines that the PUBLISHER or its Advertisers are using W2Tel Dynamic Number Insertion in a way that is contrary to its intent or that compromises the integrity of TELMETRICS' systems or the use of TELMETRICS' systems by other authorized users, TELMETRICS will provide written notice to the PUBLISHER with particulars of the misuse. The PUBLISHER will have *** to either correct the cause of the misuse or to cease using W2Tel Dynamic Number Insertion until the cause of the misuse is corrected. Upon the expiry of the notice period, if the PUBLISHER has neither corrected the misuse nor ceased using W2Tel Dynamic Number Insertion, TELMETRICS reserves the right to terminate the PUBLISHER's access to W2Tel Dynamic Number Insertion and associated systems. By accepting the terms of this Agreement, the PUBLISHER acknowledges that it has read and agrees with the DNI Terms of Use set out in the above noted document as of the Effective Date.

    c. TELMETRICS reserves the right to amend the W2Tel Dynamic Number Insertion Terms of Use upon *** notice to the PUBLISHER. The most recent version of the TELMETRICS W2Tel Dynamic Number Insertion Terms of Use may be found at https://telmetrics.com/wp-content/uploads/2017/11/Telmetrics_DNI_Terms_Use.pdf. If after having received reasonable prior notice that the TELMETRICS W2Tel Dynamic Number Insertion Terms of Use has been amended the PUBLISHER continues to use it, the PUBLISHER shall be deemed to have accepted the amended terms.

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

12. **Quality of Call Measurement Numbers**: ***

    a. **Clean Call Measurement Numbers:** *** "Clean" or a "Clean Call Measurement Number" refers to a Call Measurement Number that is ***. Without limiting the foregoing, in no event shall a Call Measurement Number be considered Clean if it receives *** during any *** period of the Inventory Management Period.

    b. **Commercially reasonable and customary performance**: "Commercially reasonable and customary," as used in this Section, includes without limitation (A) *** and (B) in the case of a Call Measurement Number provided through voice over Internet protocol ("VoIP"), performance that is not appreciably lower than the performance ***.

    c. **Telmetrics Automated Persistent Monitoring**. Telmetrics Automated Persistent Monitoring is defined as follows: Telmetrics shall monitor the network that manages each Call Measurement Number to ensure that it is performing in a manner that is commercially reasonable and customary. ***

    d. **Remedies:** If at any time PUBLISHER reasonably believes that a Call Measurement Number is not Clean or is not performing in a manner that is commercially reasonable and customary, PUBLISHER may request that TELMETRICS undertake one or more of the following remedies: (A) ***; (B) ***; (C) ***; and/or (D) ***. TELMETRICS shall undertake the requested remedy *** of a request by PUBLISHER. Notwithstanding any other provision of the Agreement, if TELMETRICS fails to complete a requested remedy within *** of PUBLISHER's request, then TELMETRICS will provide a credit to PUBLISHER in the amount of *** of the price of the Call Measurement Number ***.

13. **Data Security:** When TELMETRICS has access to PUBLISHER data (including but not limited to Advertiser data) or PUBLISHER's systems, TELMETRICS shall take, at minimum, the following precautions with regards to (i) TELMETRICS own information technology environment, (ii) PUBLISHER's data and Advertiser data in TELMETRICS possession, and (iii) TELMETRICS connectivity to or interaction with PUBLISHER's computer and communications environment:

    a. **Information Security Management:** TELMETRICS shall have a security policy that provides guidance to its personnel to ensure the confidentiality, integrity and availability of information and systems accessed, maintained or processed by TELMETRICS and shall provide: ***.

    b. **Security and Processing Controls:** TELMETRICS shall maintain standards and procedures commensurate with industry standards to address the configuration, operation and management of systems, networks, services and PUBLISHER and end-user data, including: ***.

    c. **Notification Obligations:** TELMETRICS shall notify PUBLISHER as soon as practicable after the following events:

        i. Suspected breaches or compromises of PUBLISHER or end-user data or TELMETRICS' systems or networks that directly or indirectly support PUBLISHER or end-user data or claims or threats thereof made by any Personnel or third party.

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ii. If permitted by law, any law enforcement or administrative investigation or inquiry into suspected misuse of TELMETRICS' systems or network.

d. **Remedial Action.** In the event of identification of any material security-related risk to PUBLISHER data by TELMETRICS or PUBLISHER, TELMETRICS shall take remedial action based on industry best practices and the results of such assessment, audit or risk identification. ***

e. **External Connections:** With regard to all external connections into TELMETRICS network, TELMETRICS shall maintain technology controls including***.

f. **Termination Rights:** ***

g. **Statement of Compliance:** Upon request, TELMETRICS shall provide to PUBLISHER an annual written statement certified by a TELMETRICS officer that it has complied with all of the requirements of this Agreement.

h. ***

i. ***

14. **Invoices by footprint:** ***.

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

Schedule A: Fees

1. Call Measurement Program Features:
A Call Measurement Program includes the following features:
1.1. ***
1.2. ***
1.3. ***

2. Rates:
Usage charges during the active period will be invoiced to the PUBLISHER monthly in arrears.
Please note: all Prices are in $USD.

2.1 Local and Toll- Free Number Pricing:

TABLE 1

Billing Option	MBO*		
Line Charge Per Month			
Market A	***		
Market C	***		
Toll-free	***		
Usage Per Minute			
Local - Market A	***		
Local - Market C	***		
Toll-free	***		

*MBO means monthly billing.

2.2 Additional Line Features and Services: The following features and services may be added to a Call Measurement Program and will be billed as part of the Monthly Billing:

***

3. **Annual Commitment:**
***

4. Refund Policies:

4.1. **For Monthly Billing Option (MBO):**

4.1.1. MBO *** Measurement Numbers:

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- Call Measurement Programs cancelled within the same month that they are ordered will be ***, less any applicable usage charges.
- All other Call Measurement Programs are subject to a *** duration charge plus any applicable usage charges.

4.1.2. MBO ***Numbers:

- Call Measurement Programs cancelled prior to the assignment of a number ***.
- All other Call Measurement Programs are subject to *** duration charge plus any applicable usage charges.

5. ***

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

Telmetrics Inc. RESEARCH SERVICES AGREEMENT - SCHEDULE B

Schedule B: Service Level Agreement (SLA)

TELMETRICS agrees to make the Research Services available to Publisher ***, for the term of this Agreement.

1. TELMETRICS, in delivering the Research Services pursuant to this Agreement, will ensure that it will meet the following performance levels ("Service Levels") in the event of any malfunction of the CMS (Telmetrics proprietary Call Measurement System). A "malfunction" occurs when ***.

a. TELMETRICS shall notify the appropriate PUBLISHER managers of the Call Measurement program within *** of becoming aware of the malfunction. A malfunction up to *** and *** thereafter is referred to as a "Severity 1 Event."

b. TELMETRICS shall restore the ability to connect to correctly dialed merchant Call Measurement Numbers within *** of the occurrence of the malfunction.

c. TELMETRICS shall recommence that capture of PUBLISHER Call Measurement Data within *** of the occurrence of the malfunction.

2. If TELMETRICS does not meet the above Service Levels ***, for every hour the Research Service is non-functional above the limits set in this Schedule B, TELMETRICS shall *** the amounts described below.

a. For each hour beyond the *** of the occurrence and malfunction of Call Measurement Numbers which are not delivered to PUBLISHER, TELMETRICS shall *** the cost of *** for each Call Measurement Number that malfunctioned to PUBLISHER at the monthly charge indicated, not to exceed ***.

b. If TELMETRICS is able to connect to correctly dialed merchant Call Measurement Numbers but not capture PUBLISHER Measured Data, then for every *** beyond *** of the occurrence of the malfunction that TELMETRICS cannot recommence the capture of PUBLISHER Measured Data, TELMETRICS shall ***.

c. ***

3. The requirements of this section do not include commercially reasonable and routine CMS maintenance performed ***, as well as reasonable extensions of this period that may be required for maintenance that exceeds the standard ***.

4. Support. Telmetrics shall provide technical support to PUBLISHER to ensure that the API and CallTelligence allows PUBLISHER in a commercially reasonable manner to order and provision Call Measurement Numbers and to pull Call Measurement Data from Telmetrics' computing systems. In the event that the API does not allow for Telmetrics' and PUBLISHERs' computer systems to interface or that CallTelligence does not function in a commercially reasonable manner, Telmetrics shall make available technical support personnel within*** of PUBLISHERs request to resolve any problems. Telmetrics shall communicate to PUBLISHER in a timely manner any updates or changes to the API and the CallTelligence. Telmetrics shall reasonably address PUBLISHER's needs with the API and CallTelligence by supporting the operational automation of PUBLISHER's business procedures

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

relative to Call Measurement Numbers and Measured Data. The provisions of this section apply in addition to any requirements in the Agreement.

5. Websites/online communication. Telmetrics shall develop and maintain the CallTelligence website, and the API in a commercially reasonable manner such that Telmetrics can provide the Research Services and otherwise fulfill its obligations pursuant to this Agreement. Without limiting the forgoing, the CallTelligence website, and the API shall be accessible to PUBLISHER and shall perform in a commercially reasonable manner for a minimum of *** of the time during each month of the Agreement term. The requirements of this section do not include commercially reasonable and routine web site and API maintenance performed Saturdays between ***, as well as reasonable extensions of this period that may be required for maintenance that exceeds the standard*** period.

If Telmetrics fails to comply with the requirements of this Section in any given month of the Agreement, then PUBLISHER shall receive a credit of ***.

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

Exhibit 21.1

List of Subsidiaries of the Registrant

	Name	Jurisdiction
1.	Marchex Paymaster, LLC	Delaware
2.	goClick.com, Inc.	Delaware
3.	Marchex, LLC	Delaware
4.	Marchex Sales, LLC	Delaware
5.	Marchex CAH, Inc.	Delaware
6.	Telmetrics Corporation (formerly, Telmetrics Inc.)	Nova Scotia
7.	Marchex International, Ltd.	Ireland
8.	Marchex Voice Services, Inc.	Pennsylvania
9.	Marchex Europe Limited	United Kingdom
10.	Jingle Networks, Inc.	Delaware
11.	MX Services Europe Ltd.	United Kingdom
12.	Callcap, LLC (formerly, SITA Laboratories, Inc.)	Delaware
13.	DCCI Support Service, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-223898, 333-216935, 333-210367, 333-202868, 333-194509, 333-194508, 333-187469, 333-116867, 333-123753, 333-132957, 333-141797, 333-149790, 333-158394, 333-165536, 333-172967, 333-180212, and 333-181327) of Marchex, Inc. of our reports dated March 18, 2019, relating to the consolidated financial statements of Marchex, Inc. and the effectiveness of internal control over financial reporting of Marchex, Inc. as of December 31, 2018, appearing in this Annual Report on Form 10-K for the year ended December 31, 2018.

/s/ Moss Adams LLP

Seattle, Washington
March 18, 2019

Exhibit 31(i)

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

I, Michael A. Arends, certify that:

1. I have reviewed this Annual Report on Form 10-K of Marchex, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2019

/s/ Michael A. Arends

Michael A. Arends
Chief Financial Officer and member of the Office of the CEO (Principal Executive Officer for SEC reporting purposes and Principal Financial Officer)

Exhibit 32

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

In connection with the Annual Report on Form 10-K of Marchex, Inc. (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael A. Arends, as Principal Executive Officer and as Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

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

Dated: March 18, 2019

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