

MARCHEX INC
Form DEF 14A
April 18, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement | <input type="checkbox"/> | Rule 14a-6(e)(2)) |
| <input type="checkbox"/> | Definitive Additional Materials | | |
| <input type="checkbox"/> | Soliciting Material Pursuant to Section 240.14a-12 | | |

MARCHEX, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: MARCHEX INC - Form DEF 14A

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

413 Pine Street, Suite 500

Seattle, Washington 98101

Dear holders of Class A common stock and Class B common stock of Marchex, Inc.:

You are cordially invited to attend the annual meeting of stockholders of Marchex, Inc. (*Marchex* or the *Company*) to be held at the Grand Hyatt, 721 Pine Street, Seattle, Washington 98101 on Thursday, May 19, 2005, at 10:00 a.m. pacific time. The annual meeting is being held for the following purposes:

- (1) To elect five individuals to serve on the Company's board of directors for the ensuing year and until their successors are elected;
- (2) To ratify the appointment of the independent registered public accounting firm KPMG LLP as the Company's independent accountants for the current fiscal year; and
- (3) To transact any other business that may properly come before the annual meeting and any adjournment or postponement thereof.

These items are fully discussed in the following pages, which are made part of this notice. Only holders of record of the Company's Class A common stock and Class B common stock on the books of the Company at the close of business on April 7, 2005, are entitled to vote at the annual meeting. A list of stockholders entitled to vote will be available for inspection by any stockholder for any purpose germane to the meeting at the offices of Marchex, 413 Pine Street, Suite 500, Seattle, Washington, during ordinary business hours for the 10 days prior to the annual meeting.

Whether or not you plan to attend, please promptly complete, sign, date and return your proxy card in the enclosed envelope, so that we may vote your shares in accordance with your wishes and so that enough shares are represented to allow us to conduct the business of the annual meeting. If you hold shares in *street name*, you may be able to vote over the internet or by telephone by following the instructions on your proxy card. Mailing your proxy(ies) or voting over the internet or by telephone does not affect your right to vote in person if you attend the annual meeting. If you attend the meeting and vote in person, the proxy will not be used.

By order of the board of directors,

Russell C. Horowitz

Chairman and Chief Executive Officer

April 18, 2005

**Your vote is very important. Even if you plan to attend the meeting,
PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY.**

PROXY STATEMENT
FOR THE
ANNUAL MEETING OF STOCKHOLDERS

413 Pine Street, Suite 500

Seattle, Washington 98101

INFORMATION ABOUT SOLICITATION AND VOTING

General

The enclosed proxy is solicited by the board of directors of Marchex for use in voting at the annual meeting of stockholders to be held at 10:00 a.m., local time, on Thursday, May 19, 2005, at the Grand Hyatt located at 721 Pine Street, Seattle Washington 98101, and any postponement or adjournment of that meeting. The Company's telephone number is (206) 331-3300. The purpose of the annual meeting is to consider and vote upon the proposals outlined in this proxy statement and the attached notice.

Marchex's Class B common stock and convertible exchangeable preferred stock are traded on the Nasdaq National Market.

These proxy solicitation materials were mailed on or about April 18, 2005, together with the Company's annual report, to all holders of Class A common stock and Class B common stock entitled to vote at the meeting. The holders of the Company's preferred stock are not entitled to vote at the meeting.

Record Date and Outstanding Shares

Only holders of record of shares of Class A common stock and Class B common stock on the books of the Company at the close of business on the record date, April 7, 2005, will be entitled to vote at the annual meeting. As of the close of business on the record date, there were 11,987,500 shares of Class A common stock outstanding and held of record by 5 stockholders and 23,161,811 shares of Class B common stock outstanding and held of record by approximately 128 stockholders.

Proxies

Edgar Filing: MARCHEX INC - Form DEF 14A

The board of directors has selected Michael A. Arends, CFO, and Ethan Caldwell, Secretary and General Counsel, as proxies for the annual meeting. By submitting your proxy, you will authorize Mr. Arends and Mr. Caldwell to represent you and vote your shares at the meeting in accordance with your instructions. They may also vote your shares to adjourn the meeting and will be authorized to vote your shares at any adjournments or postponements of the meeting.

Voting and Solicitation

Each such stockholder entitled to vote at the meeting may vote in person at the annual meeting or by proxy. If you are the record holder of your shares and attend the meeting in person, you may deliver your completed proxy card to us at the meeting. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or on the internet.

When proxies are properly dated, executed and returned, the shares they represent will be voted at the annual meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the

shares will be voted FOR the election of the nominees for directors set forth herein and FOR ratification of the appointment of accountants. In addition, if other matters come before the annual meeting, the persons named in the accompanying form of proxy will vote in accordance with their best judgment with respect to such matters. On all matters to be voted on, each share has one vote.

The Company is paying all costs of the solicitation of proxies, including the expenses of printing and mailing to its stockholders the proxy, this proxy statement and the accompanying notice of annual meeting of stockholders. The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses, in accordance with the regulations of the Securities and Exchange Commission (SEC), in sending proxies and proxy materials to the beneficial owners of the voting stock. Proxies may be solicited by the Company's officers, directors and regular employees, without compensation, personally or by telephone or facsimile.

Required Vote

Directors must be elected by a plurality of the votes cast. Accordingly, shares not voted in the election of directors (including shares covered by a proxy as to which authority is withheld to vote for all nominees) and shares not voted for any particular nominee (including shares covered by a proxy as to which authority is withheld to vote for only one or fewer than all of the identified nominees) will not prevent the election of any of the nominees for director. The ratification of the independent accountants for the Company for the current year will require the affirmative vote of a majority of the shares of the Company's Class A common stock and Class B common stock present or represented and entitled to vote at the annual meeting.

Revocability of Proxies

A proxy given pursuant to this solicitation may be revoked at any time before its use by delivering a written revocation to the Secretary of the Company, delivering a duly executed proxy bearing a later date or attending and voting in person at the annual meeting.

Quorum; Abstentions; Broker Non-Votes

A quorum is required for the transaction of business during the annual meeting. A quorum is present when a majority of stockholder votes are present in person or by proxy. Shares that are voted FOR , AGAINST or WITHHELD on a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as votes cast by the Class A common stock or Class B common stock present in person or represented by proxy at the annual meeting and entitled to vote on the subject matter.

The Company will count abstentions for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). As a result, abstentions will have the same effect as a vote against the proposal.

Broker non-votes (i.e., shares held of record by brokers as to which the beneficial owners have given no voting instructions) will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. Broker non-votes will not be counted for purposes of determining the number of votes cast with respect to the particular proposal. Thus, a broker non-vote will not have any effect on the outcome of the voting on a proposal.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT**

To the Company's knowledge, the following table sets forth information regarding the beneficial ownership of our common stock as of April 7, 2005:

each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of the outstanding shares of our common stock;

each of our directors and nominees for director who owns our common stock;

each of our executive officers listed in the Summary Compensation Table who owns our common stock; and

all of our directors, nominees for director and executive officers as a group.

Percentage of beneficial ownership is based on 35,149,311 shares of common stock outstanding as of April 7, 2005. This percentage excludes the shares of Class B common stock issuable upon conversion of the preferred stock. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of April 7, 2005, are deemed outstanding. These shares are not, however, deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as otherwise noted below, the address for each beneficial owner listed below is c/o Marchex, Inc., 413 Pine Street, Suite 500, Seattle, Washington 98101.

Name and, as appropriate, address of Beneficial Owner	Number of Shares Owned	Percentage of Beneficially Owned
FMR Corp. ⁽¹⁾ 82 Devonshire Street Boston, MA 02109	2,173,600	6.2%
Russell C. Horowitz ⁽²⁾	9,525,040	27.1%
Michael A. Arends ⁽³⁾	262,944	*
John Keister ⁽⁴⁾	2,695,160	7.7%
Rainwater River Authority, LLC ⁽⁵⁾	804,500	2.3%
Twin Oaks Plateau, LLC ⁽⁶⁾	500,000	1.4%
Dennis Cline ⁽⁷⁾	120,000	*
Jonathan Fram ⁽⁸⁾	35,000	*
Rick Thompson ⁽⁹⁾	1,243,333	3.5%
All directors and executive officers as a group (9 persons) ⁽¹⁰⁾	15,495,853	43.7%

Except as indicated in the footnotes below and except as subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

* Less than one percent of the outstanding shares of common stock.

Edgar Filing: MARCHEX INC - Form DEF 14A

- (1) Based on a Schedule 13G filed with the SEC on March 10, 2005 filed by FMR Corp. on its own behalf and on behalf of Edward C. Johnson 3d, Abigail P. Johnson and Fidelity Management & Research Company, each with an address of 82 Devonshire Street, Boston, MA 02109. Pursuant to such Schedule 13G, the filing parties have sole voting power as to 247,200 shares of our Class B common stock and sole dispositive power as to 2,173,600 shares of our Class B common stock.
- (2) Includes: (1) 8,026,707 shares of our Class A common stock held by MARRCH Investments, LLC; (2) 1,400,000 shares of our Class B common stock held by MARRCH Investments, LLC; and (3) 83,333 shares of our Class B common stock held by Pemrose, LLC. Mr. Horowitz is the managing member of these entities and, as such, may be deemed to exercise voting and investment power over the shares held by all of these entities. It also includes 5,000 shares of our Class B common stock held in an Individual Retirement Account for the benefit of Mr. Horowitz and 10,000 shares of our Class B common stock.

- (3) Includes: (1) 219,444 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 7, 2005; (2) 11,500 shares of our Class B common stock; (3) 10,500 shares of our Class B common stock held by the Nicole Marie Arends 2003 Trust for the benefit of Nicole Marie Arends, the daughter of Mr. Arends, for which shares Mr. Arends disclaims beneficial ownership; (4) 15,000 shares of Class B common stock held in an Individual Retirement Account for the benefit of Mr. Arends; and (5) 6,500 shares of Class B common stock held in an Individual Retirement Account for the benefit of Diana Arends, Mr. Arends' s wife.
- (4) Includes: (1) 2,000,167 shares of our Class A common stock; (2) 6,160 shares of our Class B common stock held in an Individual Retirement Account for the benefit of Mr. Keister; (3) 58,657 shares of our Class B common stock held in a Grantor Retained Annuity Trust, of which Mr. Keister is the grantor; and (5) 630,176 shares of our Class B common stock.
- (5) Hippo Beach Trust is the sole member of Rainwater River Authority, LLC. The beneficial owner of the shares held by such trust is Mr. David M. Horowitz. The address for Rainwater River Authority, LLC is: 10900 NE 8th Street, Suite 900, Bellevue, Washington 98004.
- (6) Triangled Eights Trust is the sole member of Twin Oaks Plateau, LLC. The beneficial owner of the shares held by such trust is Mr. David M. Horowitz. The address for Twin Oaks Plateau, LLC is: 10900 NE 8th Street, Suite 900, Bellevue, Washington 98004.
- (7) Consists of 100,000 shares held by DMC Investments, LLC, a limited liability company of which Mr. Cline is the managing member and 20,000 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 7, 2005.
- (8) Includes (1) 15,000 shares held by the Jonathan and Leslie Fram Trust for the benefit of Mr. Fram and Leslie Fram, Stanford Fram, Timothy Fram and Sarah Fram, Mr. Fram' s wife and children; (2) 10,000 shares of our Class B common stock; and (3) 10,000 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 7, 2005.
- (9) Includes: (1) 1,158,333 shares of our Class B common stock; (2) 40,000 shares of our Class B common stock held by the Daniel Thompson Trust for the benefit of Daniel Thompson, Mr. Thompson' s son; (3) 25,000 shares of our Class B common stock held by the Ellen Thompson Trust for the benefit of Ellen Thompson, Mr. Thompson' s daughter; and (4) 20,000 shares of Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 7, 2005. Mr. Thompson disclaims beneficial ownership for the shares in this section (2) and (3).
- (10) Includes an aggregate of: (1) 11,537,500 shares of our Class A common stock; (2) 3,635,159 shares of our Class B common stock (including 75,500 shares for which beneficial ownership has been disclaimed); and (3) 323,194 shares of our Class B common stock subject to options that are currently exercisable or exercisable within 60 days of April 7, 2005.

PROPOSAL ONE ELECTION OF DIRECTORS**(Item 1 on Proxy Card)**

The board of directors currently consists of five (5) individuals, all of whom have been nominated for election at the annual meeting. Directors are to be elected to hold office until the next Annual Meeting of Stockholders or until their respective successors have been elected and qualified. The names and ages of the five (5) nominees are set forth below:

Name	Age	Position(s)	Director Since
Russell C. Horowitz	38	Chairman of the Board of Directors, Chief Executive Officer and Treasurer	January 2003
John Keister	38	President, Chief Operating Officer and Director	January 2003
Dennis Cline ⁽¹⁾⁽²⁾⁽³⁾	44	Director	May 2003
Jonathan Fram ⁽¹⁾⁽²⁾⁽³⁾	48	Director	May 2003
Rick Thompson ⁽¹⁾⁽²⁾⁽³⁾	45	Director	May 2003

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Nominating and Governance Committee.

⁽³⁾ Member of the Compensation Committee.

Russell C. Horowitz. Mr. Horowitz is a founding executive officer and has served as the Chairman of our board of directors, Chief Executive Officer and Treasurer since our inception in January 2003. From January 2001 to December 2002, Mr. Horowitz and our other founding executive officers jointly reviewed new business opportunities in the retail, media, finance and technology industries. Mr. Horowitz was previously a founder of Go2Net, a provider of online services to merchants and consumers, including online payment authorization technology, Web search and directory services and merchant Web hosting, and served as its Chairman and Chief Executive Officer from its inception in February 1996 until its merger into InfoSpace, a provider of online services focused on Web search, online payment solutions for merchants, mobile infrastructure applications and content for wireless carriers, in October 2000, at which time Mr. Horowitz served as the Vice Chairman and President of the combined company through the merger integration process until January 2001. Additionally, Mr. Horowitz served as the Chief Financial Officer of Go2Net from its inception until May 2000. Prior to Go2Net, Mr. Horowitz served as the Chief Executive Officer and a director of Xanthus Management, LLC, the general partner of Xanthus Capital, a merchant bank focused on investments in early-stage companies, and was a founder and Chief Financial Officer of Active Apparel Group, now Everlast Worldwide. Mr. Horowitz received a B.A. in Economics from Columbia College of Columbia University.

John Keister. Mr. Keister is a founding executive officer and has served as our Chief Operating Officer and as a member of our board of directors since our inception in January 2003, and as our President since December 2003. From February 2001 to December 2002, Mr. Keister reviewed, together with our other founding executive officers, new business opportunities in the retail, media, finance and technology industries. Mr. Keister was previously a founder of Go2Net and served as its President from 1999 until its merger into InfoSpace in October 2000, at which time he served as Executive Vice President of the Consumer Division of the combined company through the merger integration process until January 2001. He also served as a member of the board of directors of Go2Net and as its Chief Operating Officer from 1996 to 1999. Mr. Keister received B.A. degrees in Philosophy and in Diplomacy & World Affairs from Occidental College.

Dennis Cline. Mr. Cline has served as a member of our board of directors since May 2003. Mr. Cline is currently the managing partner of DMC Investments, a firm he founded in 2000, which provides capital and consulting services to technology companies. From 1998 to 2000, Mr. Cline was the Chief Executive Officer of DirectWeb, a provider of a bundled solution of computer hardware and Internet access for consumers. Prior to DirectWeb Mr. Cline was a senior executive at Network Associates, a provider of computer security solutions. Mr. Cline received his J.D. from Rutgers School of Law and his B.A. from Rutgers University.

Jonathan Fram. Mr. Fram has served as a member of our board of directors since May 2003. Mr. Fram currently serves as a consultant to companies that provide media and voice services over the Internet. From May 2002 through December 2003, Mr. Fram was the CEO for Envivio, a privately-held company, where he remains a member of the board of directors, a provider of MPEG-4 broadcast and streaming solutions. From October 2001 to May 2002, Mr. Fram was the Acting CEO of Envivio while he was a consultant to France Telecom, Envivio's majority shareholder at that time. From August 2000 to July 2001, Mr. Fram was the President and CEO of eVoice, an online voicemail and unified messaging provider, until its sale to America Online in July 2001. Prior to eVoice from July 1999 to August 2000, Mr. Fram was the President of Net2Phone, a provider of voice services over IP networks, until AT&T acquired a controlling interest in the company. Prior to Net2Phone, from 1991 to 1999, Mr. Fram was a General Manager at Bloomberg, responsible for the Television, Internet and Radio divisions. Mr. Fram received a B.S. degree in Electrical Engineering and Computer Science from Princeton University.

Rick Thompson. Mr. Thompson has served as a member of our board of directors since May 2003. Mr. Thompson has been the Vice President for the Extended Windows Platform Group at Microsoft since December 2002. From February 2001 to November 2002, Mr. Thompson was a business consultant to retail automotive, packaged goods and health and fitness companies, with a particular focus on providing product and market analysis services and management consulting. Mr. Thompson was the CFO and EVP for Product Development for Go2Net from May 2000 until its merger into InfoSpace in October 2000, at which time he served as Executive Vice President of Product Development of the combined company through the merger integration process until January 2001. Prior to Go2Net, from October 1987 to June 1999, Mr. Thompson was the Vice President of Hardware for Microsoft and from July 1999 to May 2000, Mr. Thompson was the Vice President of Xbox for Microsoft. Mr. Thompson received B.A. degrees in Economics and in French from Bates College.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES LISTED ABOVE TO THE BOARD OF DIRECTORS.

Board Committees

In December of 2003 the board of directors established the audit committee, in February of 2004 the board of directors established the nominating and governance committee and in March of 2004 the board of directors established the compensation committee. Prior to that time, the functions of these three committees were performed by the entire board of directors. In 2004, the board of directors held five regular meetings and took action by written consent on four occasions. Each of the directors attended 75% or more of the aggregate of (i) the total number of meetings of the board of directors and (ii) the total number of meetings held by all committees of the board of directors on which he or she served (during the periods he or she served). The Company has a policy of encouraging board members' attendance at annual stockholder meetings.

Audit Committee

The audit committee of the board of directors is comprised of Messrs. Cline, Fram and Thompson, each of whom is an independent director. The audit committee acts pursuant to a formal charter adopted by the board, which is attached as *Appendix A* hereto. The audit committee reviews, with the Company's independent accountants, the scope and timing of the independent accountants' services, the independent accountants' report on the Company's consolidated financial statements following completion of the Company's audits, and the Company's internal accounting and financial control policies and procedures. In addition, the audit committee makes annual recommendations to the board of directors for the appointment of independent accountants for the ensuing year. The board has determined that each of the members of the audit committee qualifies as an audit committee financial expert as that term is defined in accordance with the Securities and Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002 and that each also satisfies related Nasdaq finance or accounting experience requirements. Mr. Thompson currently serves as the chairman of the audit committee. In 2004, the audit committee held five regular meetings.

Compensation Committee

The compensation committee of the Company's board of directors is comprised of Messrs. Cline, Fram and Thompson, each of whom is an independent director. The compensation committee acts pursuant to a formal charter adopted by the board, which is available on the Company's Web site at www.marchex.com. The compensation committee reviews and evaluates the compensation and benefits of all of the Company's officers, including the compensation of the Company's CEO, reviews general policy matters relating to compensation and employee benefits, and makes recommendations concerning these matters to the board of directors. The compensation committee also administers our stock incentive plan and our employee stock purchase plan. Mr. Cline currently serves as the chairman of the compensation committee. Since the date of formation in March of 2004, the compensation committee held one regular meeting and took action by written consent on three occasions in 2004.

Nominating and Governance Committee

The nominating and governance committee of the Company's board of directors is comprised of Messrs. Cline, Fram and Thompson, each of whom is an independent director. The nominating and governance committee acts pursuant to a formal charter adopted by the board, which is available on the Company's Web site at www.marchex.com. The nominating and governance committee identifies individuals qualified to become board members, recommends to the board those persons to be nominated by the board of directors as directors at the annual meeting of stockholders, develops and recommends to the board a set of corporate governance principles applicable to the Company and oversees the evaluation of the board and management. Mr. Fram currently serves as the chairman of the nominating and governance committee. Since the date of formation in February of 2004, the nominating and governance committee held two regular meetings in 2004.

Nomination of Directors

The nominating and governance committee may use third party executive search firms to help identify prospective director nominees. In evaluating the suitability of each candidate, the nominating and governance committee will consider issues of character, judgment, independence, age, expertise, diversity of experience, length of service, other commitments and the like. While there are no specific minimum qualifications for director nominees, the ideal candidate should exhibit (i) independence, (ii) integrity, (iii) qualifications that will increase overall board effectiveness and (iv) meet other requirements as may be required by applicable rules, such as financial literacy or expertise for audit committee members. The nominating and governance committee uses the same process for evaluating all nominees, regardless of the original source of the nomination.

Marchex stockholders may recommend individuals to the nominating and governance committee for consideration as potential director candidates by submitting their names and appropriate supporting background and biographical information to: Marchex Nominating and Governance Committee, 413 Pine Street, Suite 500, Seattle, WA 98101, Attention: General Counsel. The recommendation must include any relevant information, including the candidate's name, home and business contact information, detailed biographical data and qualifications, and information regarding any relationships between the candidate and the Company within the last three years.

Code of Conduct and Code of Ethics

The Company has adopted a code of conduct applicable to each of the Company's officers, directors and employees, and a code of ethics applicable to the Company's Chief Executive Officer and the Company's senior financial officers, as contemplated by Section 406 of the Sarbanes-Oxley Act of 2002 and both codes are available on the Company's Web site at www.marchex.com. The Company will disclose any

Edgar Filing: MARCHEX INC - Form DEF 14A

amendments to, or waivers from, any provisions of either the Company's code of conduct or code of ethics on a Form 8-K filed with the Securities and Exchange Commission and on the Company's Web site by posting such information within five days after such amendment or waiver.

Corporate Governance Guidelines

The board of directors has adopted corporate governance guidelines to ensure effective corporate governance which are available on the Company's Web site at www.marchex.com. These guidelines provide that the Company's independent directors shall meet regularly (not less than two times per year) in executive session at which only the Company's independent directors shall be present. In 2004, the independent directors met in executive session four times.

Compensation of Directors

The Company's directors currently do not receive cash compensation for their services as members of the board of directors. Directors are, however, reimbursed for the reasonable out-of-pocket expenses they incur in attending meetings of the board of directors or board of director committees. In May of 2003, the Company granted each of Messrs. Cline, Fram and Thompson a non-qualified stock option pursuant to the Company's 2003 amended and restated stock incentive plan to purchase 40,000 shares of the Company's Class B common stock, at an exercise price of \$3.00 per share and with vesting in equal annual increments on the first, second, third and fourth anniversaries of their respective dates of board service.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between any member of the compensation committee and any member of any other company's board of directors or compensation committee. Members of the compensation committee will not receive additional compensation other than the compensation noted above that they received pursuant to becoming members of the board of directors. See "Security Ownership of Certain Beneficial Owners and Management" and "Certain Relationships and Related Transactions" for a summary of the holdings, rights and transactions of these members with respect to shares of the Company's Class B common stock.

Communications to the Board

The board of directors provides a process for Marchex stockholders to send communications to the board of directors. Any stockholder who desires to contact the board of directors may do so by writing to: Marchex, Inc. 413 Pine Street, Suite 500, Seattle, WA 98101, Attention: Ethan Caldwell, Secretary. Communications received by mail will be screened by the Secretary for appropriateness before either forwarding to or notifying the members of the board of directors of receipt of a communication.

Board Independence

The board of directors has a majority of independent directors (Dennis Cline, Jonathan Fram and Rick Thompson), as defined in SEC regulations and the NASD listing standards.

PROPOSAL TWO RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

(Item 2 on Proxy Card)

The board of directors has reappointed the firm of KPMG LLP, an independent registered public accounting firm, as independent accountants of Marchex for the current fiscal year. Stockholder ratification of the selection of KPMG LLP as Marchex's independent accountants is not required by Marchex's bylaws, Delaware corporate law or otherwise. The board of directors has elected to seek such ratification as a matter of good corporate practice. Should the stockholders fail to ratify the selection of KPMG LLP as independent accountants, the board of directors will consider whether to retain that firm for the year ending December 31, 2005 and will consider the appointment of other certified public accountants. KPMG LLP audited the financial statements of Marchex and its subsidiaries for the fiscal year ended December 31, 2004. Representatives of KPMG LLP are expected to be present at the annual meeting, will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP

The board of directors has reappointed KPMG LLP (KPMG) to examine the financial statements of Marchex for fiscal year 2005. In addition to audit services, KPMG also provided certain non-audit services to Marchex in 2004.

Audit Fees

During fiscal years 2004 and 2003, we retained KPMG to provide services in the following categories and amounts:

Fee Category	2004	2003
Audit Fees	\$ 842,907	\$ 200,000
Audit Related Fees	\$ 102,920	\$ 89,514
Tax Fees	\$ 42,000	\$ 4,390
All Other Fees	\$ None	\$ None
Total All Fees	\$ 987,827	\$ 293,904

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category includes fees for due diligence for acquisitions, accounting consultation matters, audits of acquired companies and related correspondence with regulatory agencies.

Tax fees consist of fees for professional services for tax return preparation and consultation on matters related to acquisitions and tax credits.

Edgar Filing: MARCHEX INC - Form DEF 14A

The audit committee has considered whether the provision of non-audit services is compatible with maintaining the independence of KPMG and has concluded that it is.

The audit committee approved 100% of the 2004 and 100% of the 2003 KPMG fees above.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Accountants

The policy of the audit committee is to pre-approve all audit and permissible non-audit services to be performed by the independent accountants during the fiscal year. The audit committee pre-approves services by authorizing specific projects within the categories outlined above, subject to the budget for each category. The audit committee's charter delegates to its chairman the authority to address any requests for pre-approval of services between audit committee meetings, and the chairman must report any pre-approval decisions to the audit committee at its next scheduled meeting.

REPORT OF THE AUDIT COMMITTEE

The audit committee is comprised of directors Cline, Fram and Thompson. The role of the audit committee is to assist the board of directors in its oversight of the Marchex's financial reporting process. The audit committee performs the duties set forth in its current charter which is included as *Appendix A* to this proxy statement.

As noted in the audit committee's charter, Marchex's management is responsible for preparing the company's financial statements. The company's independent accountants are responsible for auditing the financial statements. The activities of the audit committee are in no way designed to supercede or alter those traditional responsibilities. The audit committee's role does not provide any special assurances with regard to Marchex's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent accountants.

Each member of the audit committee meets the independence criteria prescribed by applicable law and the rules of the SEC for audit committee membership and is an independent director within the meaning of the Nasdaq listing standards. In addition, the board of directors has determined that each of the members of the audit committee qualifies as an audit committee financial expert, as defined by SEC rules.

The audit committee has reviewed and discussed with Marchex's independent accountants, KPMG LLP (KPMG) matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended. We have received from KPMG a formal written statement consistent with Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). We have discussed with KPMG matters relating to its independence, including a review of both audit and non-audit fees, and considered the compatibility of non-audit services with the accountants' independence.

The audit committee has reviewed and discussed with management and KPMG the audited financial statements for the fiscal year ended December 31, 2004. The audit committee met with KPMG, with and without management present, to discuss results of its examinations, its evaluation of Marchex's internal controls, and the overall quality of Marchex's financial reporting.

Based on the reports, discussions and reviews referred to above, in reliance on management and the independent accountant and subject to the limitations on our role and responsibilities in the charter, the audit committee recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 10-KSB for the year ended December 31, 2004, for filing with the SEC.

The preceding Audit Committee Report is not considered proxy solicitation materials, is not deemed filed with the Securities and Exchange Commission, and is not deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

Following a review of the independent accountant's performance and qualifications, including consideration of management's recommendation, the audit committee approved the reappointment of KPMG LLP as Marchex's independent accountants for the fiscal year ended December 31, 2005.

Respectfully submitted,

AUDIT COMMITTEE

Dennis Cline

Jonathan Fram

Rick Thompson, Chair

ADDITIONAL INFORMATION RELATING TO OUR DIRECTORS AND EXECUTIVE OFFICERS
Executive Officers

Our executive officers, and their respective ages as of April 18, 2005, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Russell C. Horowitz	38	Chief Executive Officer and Treasurer
Michael A. Arends	34	Chief Financial Officer
Ethan A. Caldwell	36	Chief Administrative Officer, General Counsel and Secretary
Peter Christothoulou	33	Chief Strategy Officer
John Keister	38	President and Chief Operating Officer
Walter Korman	31	Senior Vice President of Engineering

Biographical information for our executive officers who also serve as directors is set forth above (See Proposal One Election of Directors). Biographical information for all other executive officers is set forth below.

Michael A. Arends. Mr. Arends has served as our Chief Financial Officer since May 2003. Prior to joining Marchex, Mr. Arends held various positions at KPMG since 1995, most recently as a Partner in KPMG's Pacific Northwest Information, Communications and Entertainment assurance practice. Mr. Arends is a Certified Public Accountant and a Chartered Accountant and received a Bachelor of Commerce from the University of Alberta.

Ethan A. Caldwell. Mr. Caldwell is a founding executive officer and has served as our Chief Administrative Officer, General Counsel and Secretary since our inception in January 2003. From January 2001 to December 2002, Mr. Caldwell reviewed, together with our other founding executive officers, new business opportunities in the retail, media, finance and technology industries. Mr. Caldwell was previously Senior Vice President, General Counsel and Corporate Secretary of Go2Net, from November 1996, until its merger with InfoSpace in October 2000. Mr. Caldwell assisted in the integration of Go2Net with InfoSpace through December 2000. Mr. Caldwell received his J.D. from the University of Maryland and his B.A. in Political Science from Occidental College.

Peter Christothoulou. Mr. Christothoulou is a founding executive officer and has served as our Chief Strategy Officer since our inception in January 2003. From January 2001 to December 2002, Mr. Christothoulou reviewed, together with our other founding executive officers, new business opportunities in the retail, media, finance and technology industries. Mr. Christothoulou was previously the Senior Vice President of Strategic Initiatives for Go2Net, focused on strategic acquisitions and investments, from January 2000 until its merger with InfoSpace in October 2000, at which time he served as the Senior Vice President of Corporate Strategy and Development of the combined company through the merger integration process until January 2001. Prior to Go2Net, Mr. Christothoulou was a Vice President in the Investment Banking Group of U.S. Bancorp Piper Jaffray, focused primarily on merger and acquisition advisory services for technology companies, and was with the investment banking firm from 1996 until January 2000. Mr. Christothoulou received a B.A. in Economics from the University of Washington.

Walter Korman. Mr. Korman has been an executive in our technology organization since March 2003, and currently serves as Senior Vice President of Engineering. Mr. Korman was previously Director of Technology Mergers and Acquisitions at Go2Net from 1999 until its merger with InfoSpace in October 2000, after which he served as the combined company's Senior Director of Operations Integration until June 2001. From 2001 to February 2003, he was a Software Engineer with Three Rings Design, an Internet games development company. Mr. Korman

received a B.A. and M.S. in Computer Science from the University of California, San Diego.

Executive Compensation

The following table sets forth the compensation earned by our Chief Executive Officer and our Chief Financial Officer for services rendered in all capacities during the period from our inception, January 17, 2003, to

December 31, 2004. No other executive officer's total annual salary and bonus for 2003 and 2004 exceeded \$100,000. The persons listed below are referred to throughout this proxy statement as the named executive officers.

Summary Compensation Table

Name	Principal Position	Year	Annual Compensation			Long-term
			Salary	Bonus	All Other Compensation	Compensation Securities Underlying Options
Russell C. Horowitz ⁽¹⁾	Chief Executive Officer	2004	\$ 50,000	\$ 0	*	0
		2003	\$ 39,712	\$ 0	*	0
Michael A. Arends ⁽²⁾	Chief Financial Officer	2004	\$ 140,250	\$ 0	*	0
		2003	\$ 104,000	\$ 0	*	450,000

⁽¹⁾ Mr. Horowitz was not paid a salary for the period from January 17, 2003 (inception) through March 16, 2003, and his salary compensation commenced as of March 17, 2003.

⁽²⁾ Mr. Arends joined Marchex as of May 1, 2003, and his salary compensation commenced as of that date. Mr. Arends' initial annual base salary of \$156,000 was adjusted to \$135,000 upon the closing of our initial public offering in April of 2004 in accordance with his employment agreement.

* No other compensation in excess of the lesser of either \$50,000 or 10% of total annual salary and bonus.

The following table sets forth information with respect to stock options granted to our named executive officers during the fiscal year ended December 31, 2004.

Option Grants in Fiscal Year 2004

Name	Number of Securities underlying options granted	Percentage of Total Options Granted to Employees	Exercise Price Per Share	Expiration Date
Russell C. Horowitz	0	0%	N/A	N/A
Michael A. Arends	0	0%	N/A	N/A

The following table sets forth information regarding unexercised options held as of December 31, 2004, by our named executive officers.

Edgar Filing: MARCHEX INC - Form DEF 14A

Aggregate Option Exercises/Option Values During 2004 and Fiscal Year-End Option Values

Name	Number of Shares Acquired on Exercise	Number of Securities Underlying Unexercised Options At December 31, 2004	Value
			of Unexercised In-the- Money Options At December 31, 2004
	Exercised		
	Value		