

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2022

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: 001-32358



SPOK HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-1694797
(I.R.S. Employer
Identification No.)

5911 Kingstowne Village Pkwy, 6th Floor
Alexandria, Virginia
(Address of principal executive offices)

22315
(Zip Code)

(800) 611-8488
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	SPOK	NASDAQ

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

19,693,657 shares of the registrant's common stock (par value \$0.0001 per share) were outstanding as of July 22, 2022.



SPOK HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,437	\$ 44,583
Short-term investments	14,995	14,999
Accounts receivable, net	26,583	26,908
Prepaid expenses	7,187	6,641
Other current assets	788	922
Total current assets	<u>72,990</u>	<u>94,053</u>
Non-current assets:		
Property and equipment, net	6,487	6,746
Operating lease right-of-use assets	17,367	15,821
Goodwill	99,175	99,175
Deferred income tax assets, net	32,151	31,653
Other non-current assets	706	706
Total non-current assets	<u>155,886</u>	<u>154,101</u>
Total assets	<u>\$ 228,876</u>	<u>\$ 248,154</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,160	\$ 5,292
Accrued compensation and benefits	11,475	13,948
Deferred revenue	25,975	25,608
Operating lease liabilities	5,150	5,405
Other current liabilities	5,091	4,745
Total current liabilities	<u>51,851</u>	<u>54,998</u>
Non-current liabilities:		
Asset retirement obligations	6,490	6,355
Operating lease liabilities	13,575	11,883
Other non-current liabilities	766	1,227
Total non-current liabilities	<u>20,831</u>	<u>19,465</u>
Total liabilities	<u>72,682</u>	<u>74,463</u>
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock	\$ —	\$ —
Common stock	2	2
Additional paid-in capital	98,158	97,291
Accumulated other comprehensive loss	(1,792)	(1,588)
Retained earnings	59,826	77,986
Total stockholders' equity	<u>156,194</u>	<u>173,691</u>
Total liabilities and stockholders' equity	<u>\$ 228,876</u>	<u>\$ 248,154</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited and in thousands except share and per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Wireless revenue	\$ 18,700	\$ 19,859	\$ 37,547	\$ 39,979
Software revenue	15,010	15,864	29,988	31,780
Total revenue	33,710	35,723	67,535	71,759
Operating expenses:				
Cost of revenue (exclusive of items shown separately below)	6,980	7,859	14,784	15,840
Research and development	2,624	4,156	9,121	8,600
Technology operations	6,880	7,022	13,893	14,226
Selling and marketing	3,874	5,184	9,189	10,323
General and administrative	9,619	10,480	20,054	20,761
Depreciation, amortization and accretion	871	2,457	1,805	5,184
Severance and restructuring	450	174	4,945	174
Total operating expenses	31,298	37,332	73,791	75,108
Operating income (loss)	2,412	(1,609)	(6,256)	(3,349)
Interest income	170	61	237	122
Other income	25	29	12	2
Income (loss) before income taxes	2,607	(1,519)	(6,007)	(3,225)
(Provision for) benefit from income taxes	(683)	800	717	209
Net income (loss)	\$ 1,924	\$ (719)	\$ (5,290)	\$ (3,016)
Basic and diluted net income (loss) per common share	\$ 0.10	\$ (0.04)	\$ (0.27)	\$ (0.16)
Basic weighted average common shares outstanding	19,693,659	19,395,364	19,645,680	19,335,081
Diluted weighted average common shares outstanding	19,807,430	19,395,364	19,645,680	19,335,081
Cash dividends declared per common share	\$ 0.3125	\$ 0.1250	\$ 0.6250	\$ 0.2500

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited and in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 1,924	\$ (719)	\$ (5,290)	\$ (3,016)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(229)	3	(204)	17
Other comprehensive (loss) income	(229)	3	(204)	17
Comprehensive income (loss)	\$ 1,695	\$ (716)	\$ (5,494)	\$ (2,999)

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited and in thousands except share amounts)	Outstanding Common Shares	Common Stock	Additional Paid-In Capital & Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2021	19,384,192	\$ 2	\$ 90,328	\$ 110,283	\$ 200,613
Net loss	—	—	—	(2,297)	(2,297)
Purchase of common stock for tax withholding	(132,281)	—	(1,444)	—	(1,444)
Amortization of stock-based compensation	—	—	2,239	—	2,239
Cash dividends declared	—	—	—	(2,553)	(2,553)
Issuance of restricted stock under the Equity Plans and other	20,952	—	—	—	—
Issuance of common stock in lieu of cash compensation	50,741	—	—	—	—
Cumulative translation adjustment	—	—	14	—	14
Balance, March 31, 2021	<u>19,323,604</u>	<u>\$ 2</u>	<u>\$ 91,137</u>	<u>\$ 105,433</u>	<u>\$ 196,572</u>
Net loss	—	—	—	(719)	(719)
Purchase of common stock for tax withholding	(19,874)	—	(212)	—	(212)
Amortization of stock-based compensation	—	—	1,781	—	1,781
Cash dividends declared	—	—	—	(2,553)	(2,553)
Issuance of restricted stock under the 2020 Equity Plan and other	39,010	—	132	—	132
Issuance of common stock in lieu of cash compensation	58,430	—	—	—	—
Cumulative translation adjustment	—	—	3	—	3
Balance, June 30, 2021	<u>19,401,170</u>	<u>\$ 2</u>	<u>\$ 92,841</u>	<u>\$ 102,161</u>	<u>\$ 195,004</u>

(Unaudited and in thousands except share amounts)	Outstanding Common Shares	Common Stock	Additional Paid-In Capital & Accumulated Comprehensive Loss	Other	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2022	19,828,033	\$ 2	\$ 95,703		\$ 77,986	\$ 173,691
Net loss	—	—	—		(7,214)	(7,214)
Purchase of common stock for tax withholding and other	(134,354)	—	(1,209)		—	(1,209)
Amortization of stock-based compensation	—	—	1,115		—	1,115
Cash dividends declared	—	—	—		(6,513)	(6,513)
Cumulative translation adjustment	—	—	25		—	25
Balance, March 31, 2022	<u>19,693,679</u>	<u>\$ 2</u>	<u>\$ 95,634</u>		<u>\$ 64,259</u>	<u>\$ 159,895</u>
Net Income	—	—	—		1,924	1,924
Purchase of common stock for tax withholding and other	(22)	—	—		—	—
Amortization of stock-based compensation	—	—	961		—	961
Cash dividends declared	—	—	—		(6,357)	(6,357)
Cumulative translation adjustment	—	—	(229)		—	(229)
Balance, June 30, 2022	<u>19,693,657</u>	<u>\$ 2</u>	<u>\$ 96,366</u>		<u>\$ 59,826</u>	<u>\$ 156,194</u>

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

SPOK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)	For the Six Months Ended June 30,	
	2022	2021
Operating activities:		
Net loss	\$ (5,290)	\$ (3,016)
Adjustments to reconcile net loss to net cash net (used) provided by operating activities:		
Depreciation, amortization and accretion	1,805	5,184
Deferred income tax benefit	(495)	(291)
Stock-based compensation	2,076	4,020
Provisions for credit losses, service credits and other	861	657
Changes in assets and liabilities:		
Accounts receivable	(576)	1,775
Prepaid expenses and other assets	(416)	994
Net operating lease liabilities	(109)	563
Accounts payable, accrued liabilities and other	(3,582)	(3,538)
Deferred revenue	(169)	(2,482)
Net cash (used in) provided by operating activities	(5,895)	3,866
Investing activities:		
Purchases of property and equipment	(1,192)	(2,198)
Capitalized software development	—	(5,618)
Purchase of short-term investments	(14,967)	(29,993)
Maturity of short-term investments	15,000	30,000
Net cash used in investing activities	(1,159)	(7,809)
Financing activities:		
Cash distributions to stockholders	(12,679)	(5,152)
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	—	132
Purchase of common stock for tax withholding on vested equity awards	(1,209)	(1,656)
Net cash used in financing activities	(13,888)	(6,676)
Effect of exchange rate on cash and cash equivalents	(204)	17
Net decrease in cash and cash equivalents	(21,146)	(10,602)
Cash and cash equivalents, beginning of period	44,583	48,729
Cash and cash equivalents, end of period	\$ 23,437	\$ 38,127
Supplemental disclosure:		
Income taxes paid/(refunded)	\$ 185	\$ (42)

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

SPOK HOLDINGS, INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Spok Holdings, Inc. (NASDAQ: SPOK) ("Spok," "we," "our" or the "Company"), through its wholly owned subsidiary Spok, Inc., is proud to be the global leader in healthcare communications. We deliver clinical information to care teams when and where it matters most to improve patient outcomes. Top hospitals rely on Spok products and services to enhance workflows for clinicians, support administrative compliance, and provide a better experience for patients.

We offer a focused suite of unified clinical communication and collaboration solutions that include call center applications, clinical alerting and notifications, one-way and advanced two-way wireless messaging services, mobile communications and public safety solutions.

We provide one-way and advanced two-way wireless messaging services, including information services, throughout the United States. These services are offered on a local, regional and nationwide basis employing digital networks. One-way messaging consists of numeric and alphanumeric messaging services. Numeric messaging services enable subscribers to receive messages that are composed entirely of numbers, such as a phone number, while alphanumeric messages may include numbers and letters, which enable subscribers to receive text messages. Two-way messaging services enable subscribers to send and receive messages to and from other wireless messaging devices, including pagers, personal digital assistants and personal computers. We also offer voice mail, personalized greetings, message storage and retrieval, and equipment loss and/or maintenance protection to both one-way and two-way messaging subscribers. These services are commonly referred to as wireless messaging and information services.

We also develop, sell and support enterprise-wide systems for hospitals and other organizations needing to automate, centralize and standardize clinical communications. These solutions are used for contact centers, clinical alerting and notification, mobile communications and messaging and for public safety notifications. These areas of market focus complement the market focus of our wireless services outlined above.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements include our accounts and the accounts of our wholly owned direct and indirect subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). In management's opinion, the unaudited Condensed Consolidated Financial Statements include all adjustments and accruals that are necessary for the presentation of the results of all interim periods reported herein and all such adjustments are of a normal, recurring nature.

Amounts shown in the Condensed Consolidated Statements of Operations within the operating expense categories of cost of revenue; research and development; technology operations; selling and marketing; and general and administrative are recorded exclusive of depreciation, amortization and accretion. These items are shown separately to the extent that they are considered material for the periods presented.

Certain prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the reported results of operations or the Condensed Consolidated Balance Sheets.

The financial information included herein, other than the Condensed Consolidated Balance Sheet as of December 31, 2021, is unaudited. The Condensed Consolidated Balance Sheet as of December 31, 2021, has been derived from, but does not include all, the disclosures contained in the audited Consolidated Financial Statements as of and for the year ended December 31, 2021.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report"). The Condensed Consolidated Statements of Operations for the interim periods presented are not necessarily indicative of the results that may be expected for a full year.

Use of Estimates

The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. On an ongoing basis, we evaluate estimates and assumptions, including, but not limited to, those related to the impairment of long-lived assets, goodwill, accounts receivable allowances, revenue recognition, determining the standalone selling price of performance obligations, variable consideration, restructuring related liabilities, depreciation expense, asset retirement obligations and income taxes. We base our estimates on historical experience and various other assumptions that are believed 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.

NOTE 2 - RISKS AND OTHER IMPORTANT FACTORS

See "Item 1A. Risk Factors" of Part II of this Quarterly Report on Form 10-Q ("Quarterly Report") and "Item 1A. Risk Factors" of Part I of the 2021 Annual Report, which describe key risks associated with our operations and industry.

NOTE 3 - RECENT ACCOUNTING STANDARDS

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). The Company has determined that all recent ASUs issued by the FASB are either not applicable or are expected to have minimal impact on the Company's Condensed Consolidated Financial Statements.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES UPDATE

Our significant accounting policies are detailed in Note 1, "Organization and Significant Accounting Policies" of the 2021 Annual Report.

NOTE 5 - RESTRUCTURING

In February 2022, the Company announced a new strategic business plan that includes a restructuring of its business to discontinue the integrated communications and collaboration platform, Spok Go®, eliminate all associated costs and optimize the Company's existing structure to drive continued cost improvement. As part of the restructuring program, the Company initially estimated elimination of approximately 175 positions, primarily in research and development, but also in professional services, selling and marketing, and back-office support functions. The Company currently expects total eliminations of approximately 150 positions, with the majority of positions having been terminated as of June 30, 2022. The following table provides a summary of our updated cost estimates by major type of expense associated with the strategic business plan. The restructuring activities associated with these changes are substantially complete, and we expect the remainder to be completed in the second half of 2022.

Strategic Business Plan Estimates	Total Estimated Amount to be Incurred (Dollars in millions)
Severance and personnel related costs	\$5.5 million to \$5.8 million
Contractual terminations	\$0.5 million to \$0.7 million
Total severance and restructuring related charges	\$6.0 million to \$6.5 million

SPOK HOLDINGS, INC.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the three and six months ended June 30, 2022, the Company incurred total severance and restructuring costs of \$0.5 million and \$4.9 million respectively, which is included within the Condensed Consolidated Statement of Operations. These costs are as follows:

(Dollars in thousands)	For the Three Months Ended June 30,	For the Six Months Ended June 30,
	2022	2022
Severance and personnel related costs	\$ 349	\$ 4,346
Contractual terminations	101	599
Total severance and restructuring costs	\$ 450	\$ 4,945

A summary of activity for the six months ended June 30, 2022, for restructuring-related liabilities associated with the strategic business plan, which is included within accrued compensation and benefits and other current liabilities within the Condensed Consolidated Balance Sheet, is as follows:

	(Dollars in thousands)
Balance at December 31, 2021	\$ —
Restructuring and other charges	4,495
Payments	(34)
Non-cash adjustment	(124)
Balance at March 31, 2022	\$ 4,337
Restructuring and other charges	\$ 525
Payments	(2,302)
Non-cash adjustment	(188)
Balance at June 30, 2022	\$ 2,372

NOTE 6 - REVENUE, DEFERRED REVENUE AND PREPAID COMMISSIONS

Wireless Revenue

Wireless revenue consists of two primary components: paging revenue and product and other revenue. Paging revenue consists primarily of recurring fees associated with the provision of messaging services and fees for paging devices and is net of a provision for service credits. Product and other revenue reflects system sales, the sale of devices and charges for paging devices that are not returned and are net of anticipated credits. Our core offering includes subscriptions to one-way or two-way messaging services for a periodic (monthly, quarterly, semiannual, or annual) service fee. This is generally based upon the type of service provided, the geographic area covered, the number of devices provided to the customer and the period of commitment. A subscriber to one-way messaging services may select coverage on a local, regional or nationwide basis to best meet their messaging needs. Two-way messaging is generally offered on a nationwide basis. (See Item 1. "Business," in the 2021 Annual Report for more details.)

Software Revenue

Software revenue consists of two primary components: operations revenue and maintenance revenue. Operations revenue consists primarily of license revenues for our healthcare communications solutions, revenue from the sale of equipment that facilitates the use of our software solutions, and professional services revenue related to the implementation of our solutions. Maintenance revenue is for ongoing support of our software solutions or related equipment and access to when-and-if available software updates. Maintenance is generally purchased and renewed on an annual basis.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

SPOK HOLDINGS, INC.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our software licenses and hardware are generally recognized at a point in time when we have transferred control to the customer. For software licenses, revenue is not recognized until the related license(s) has been made available to the customer and the customer can begin to benefit from its right to use the license(s). Our software licenses represent a right to use Spok's intellectual property ("IP") as it exists at a point in time at which the license is granted. Many of our software licenses have significant standalone functionality due to their ability to process a transaction or perform a function or task, and we do not need to maintain those products, once provided to the customer, for value to exist. While the functionality of the IP that we license may substantively change during the license period, customers are not contractually or practically required to update their license as a result of those changes.

Our wireless, professional, and maintenance services are generally recognized over time due to a customer's simultaneous receipt and consumption of the benefit as we perform the work. As we transfer control over time, we recognize revenue based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires significant judgment and is based on the nature of the products or services to be provided. Generally, we use the time-elapsed measure of progress for performance obligations that include wireless or maintenance services. We believe this method best depicts the simultaneous transfer and consumption of the benefit based on our performance as these services are generally considered standby services. For professional services, we leverage an input methodology based on the number of hours worked on a project versus the total expected hours necessary to complete the project. Revenues are recognized proportionally as hours are incurred.

The following table presents our revenues disaggregated by revenue type:

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Paging revenue	\$ 18,141	\$ 19,135	\$ 36,454	\$ 38,488
Product and other revenue	559	724	1,093	1,491
Wireless revenue	\$ 18,700	\$ 19,859	\$ 37,547	\$ 39,979
License	\$ 1,962	\$ 908	\$ 3,786	\$ 2,460
Professional services	3,331	4,865	6,667	9,219
Hardware	507	482	1,096	1,098
Operations revenue	5,800	6,255	11,549	12,777
Maintenance	9,210	9,609	18,439	19,003
Software revenue	\$ 15,010	\$ 15,864	\$ 29,988	\$ 31,780
Total revenue	\$ 33,710	\$ 35,723	\$ 67,535	\$ 71,759

The U.S. was the only country that accounted for more than 10% of the Company's total revenue for the three and six months ended June 30, 2022, and 2021. Revenue generated in the U.S. and internationally consisted of the following for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
United States	\$ 32,553	\$ 34,799	\$ 65,325	\$ 69,973
International	1,157	924	2,210	1,786
Total revenue	\$ 33,710	\$ 35,723	\$ 67,535	\$ 71,759

Deferred Revenues

Our deferred revenues represent payments made by, or due from, customers in advance of our performance. Changes in the balance of total deferred revenue during the six months ended June 30, 2022, are as follows:

(Dollars in thousands)	December 31, 2021	Additions	Revenue Recognized	June 30, 2022
Deferred Revenue	\$ 26,406	\$ (30,206)	\$ 30,037	\$ 26,237

SPOK HOLDINGS, INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the six months ended June 30, 2022, the Company recognized \$17.0 million related to amounts deferred as of December 31, 2021.

Prepaid Commissions

Our prepaid commissions represent payments made to employees in advance of our performance on the related underlying contracts. These costs have been incurred directly in relation to obtaining a contract. As such, these costs are amortized over the estimated period of benefit. Changes in the balance of total prepaid commissions during the six months ended June 30, 2022 are as follows:

(Dollars in thousands)	December 31, 2021	Additions	Commissions Recognized	June 30, 2022
Prepaid Commissions	\$ 1,821	\$ 2,039	\$ (2,071)	\$ 1,789

Prepaid commissions are included within prepaid expenses in the Condensed Consolidated Balance Sheets and commissions expense is included within selling and marketing in the Condensed Consolidated Statements of Operations.

Remaining Performance Obligations

The balance of remaining performance obligations at June 30, 2022, was \$44.5 million. We expect to recognize approximately \$33.5 million of our remaining performance obligations over the next 12 months, with the remaining balance recognized thereafter.

NOTE 7 - LEASES

We have operating lease arrangements for corporate offices, cellular towers, storage units and small building space. The building space is used to house infrastructure, such as transmitters, antennae and other various equipment for the Company's wireless paging services. For leases with a term of 12 months or less, renewal terms are generally of an evergreen nature (either month-to-month or year-to-year). For leases with a term greater than 12 months, renewal terms are generally explicit and provide for one to five optional renewals consistent with the initial term. Many of our leases, with the exception of those for our corporate offices, include options to terminate the lease within one year. Variable lease payments, residual value guarantees or purchase options are not generally present in these leases.

In May 2022, we extended twenty-three site leases on a Master License Agreement which included a term of 10 years with an option to terminate within 45 days of notification of termination. At that time, we recorded \$2.9 million in a right-of-use asset and corresponding operating lease liability for these leases.

Lease costs are included in technology operations and general and administrative expenses in the Condensed Consolidated Statements of Operations. The following table presents lease costs disaggregated by type:

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 1,379	\$ 1,491	\$ 2,861	\$ 2,961
Short-term lease cost	2,448	2,642	5,081	5,383
Total lease cost	\$ 3,827	\$ 4,133	\$ 7,942	\$ 8,344

The following table presents supplemental cash flow information:

(Dollars in thousands)	For the Six Months Ended June 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities - operating leases	\$ 2,945	\$ 2,641

The following table presents the weighted average remaining lease term and discount rate:

SPOK HOLDINGS, INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Dollars in thousands)	June 30,	
	2022	2021
Weighted-average remaining lease term - operating leases (in years)	4.80	4.97
Weighted-average discount rate - operating leases	4.37%	4.60%

Maturities of lease liabilities as of June 30, 2022, were as follows:

For the Year Ended December 31,	(Dollars in thousands)	
2022 (remaining six months)	\$	2,656
2023		4,790
2024		3,894
2025		2,926
2026		2,559
Thereafter		4,192
Total future lease payments		21,017
Imputed interest		(2,292)
Total	\$	18,725

NOTE 8 - CONSOLIDATED FINANCIAL STATEMENT COMPONENTS

Depreciation, Amortization and Accretion

Depreciation, amortization and accretion expenses consisted of the following for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Depreciation				
Leasehold improvements	\$ 16	\$ 18	\$ 35	\$ 34
Asset retirement costs	(175)	(22)	(350)	(44)
Paging and computer equipment	800	982	1,650	2,052
Furniture, fixtures and vehicles	60	62	130	120
Total depreciation	701	1,040	1,465	2,162
Amortization				
Intangible assets	—	—	—	417
Capitalized software development costs	—	1,263	—	2,297
Total amortization	—	1,263	—	2,714
Accretion				
	170	154	340	308
Total depreciation, amortization and accretion expense	\$ 871	\$ 2,457	\$ 1,805	\$ 5,184

Accounts Receivable, Net

Accounts receivable was recorded net of an allowance of \$1.4 million at both June 30, 2022, and December 31, 2021, respectively. Accounts receivable, net includes \$7.8 million and \$7.1 million of unbilled receivables at June 30, 2022, and December 31, 2021, respectively. Unbilled receivables are defined as the Company's right to consideration in exchange for goods or services that we have transferred to the customer but have not yet billed for, generally as a result of contractual billing terms.

SPOK HOLDINGS, INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property and Equipment, Net

Property and equipment, net consisted of the following as of the dates stated:

(Dollars in thousands)	Useful Life (In Years)	June 30, 2022	December 31, 2021
	shorter of useful life or lease term		
Leasehold improvements		\$ 2,613	\$ 3,307
Asset retirement costs	1-5	2,307	2,307
Paging and computer equipment	1-5	87,745	89,844
Furniture, fixtures and vehicles	3-5	3,322	3,668
Total property and equipment		95,987	99,126
Accumulated depreciation		(89,500)	(92,380)
Total property and equipment, net		\$ 6,487	\$ 6,746

NOTE 9 - GOODWILL

During the three months ended June 30, 2022, we performed a qualitative assessment of goodwill and determined that a triggering event had not occurred. While an impairment assessment is performed annually in the fourth quarter, the Company monitors its business environment for potential triggering events on a quarterly basis. There is potential for further impairment charges being recognized in future periods based on these ongoing assessments.

NOTE 10 - ASSET RETIREMENT OBLIGATIONS

The components of the changes in the asset retirement obligation liabilities were:

(Dollars in thousands)	Short-Term Portion	Long-Term Portion	Total
Balance at December 31, 2021	\$ 130	\$ 6,355	\$ 6,485
Accretion	69	271	340
Amounts paid	(186)	—	(186)
Reclassifications	136	(136)	—
Balance at June 30, 2022	\$ 149	\$ 6,490	\$ 6,639

The short-term portion of the balance above is included within other current liabilities in the Condensed Consolidated Balance Sheets at June 30, 2022, and December 31, 2021.

The cost associated with the estimated removal costs and timing refinements due to ongoing network rationalization activities is expected to accrete to a total liability of \$7.8 million. The total estimated liability is based on the transmitter locations remaining after we have consolidated the number of networks we operate and assume the underlying leases continue to be renewed to that future date. Accretion expense related solely to asset retirement obligations and was recorded based on the interest method.

NOTE 11 - STOCKHOLDERS' EQUITY

General

Our authorized capital stock consists of 75 million shares of common stock, par value \$0.0001 per share, and 25 million shares of preferred stock, par value \$0.0001 per share.

At June 30, 2022, and December 31, 2021, we had no stock options outstanding.

At June 30, 2022, and December 31, 2021, there were 19,693,657 and 19,828,033 shares of common stock outstanding, respectively, and no shares of preferred stock outstanding.

Rights Plan

On September 2, 2021, the Company entered into a Rights Agreement (as amended from time to time, the "Rights Agreement") between the Company and Computershare Trust Company, N.A., as Rights Agent (the "Rights Agent"), that was approved by our Board of Directors. In connection with the Rights Agreement, a dividend was declared of one preferred stock purchase right (individually, a "Right" and collectively, the "Rights") for each share of our common stock outstanding at the close of business on September 17, 2021. Each Right entitled the registered holder thereof, upon the Rights becoming exercisable, to purchase from the Company one one-tenth of a share of Series A Junior Participating Preferred Stock, par value \$0.00001 per share (the "Series A Preferred"), of the Company at a price of \$50.95 per one one-tenth of a share of Series A Preferred.

The Rights would have become exercisable upon the earlier to occur of (i) the close of business on the tenth business day following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 10% (20% in the case of a passive institutional investor) or more of our common stock (an "Acquiring Person") or (ii) the close of business on the tenth business day (or such later date as may be determined by action of our Board of Directors prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person) following the commencement or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in a person or group becoming an Acquiring Person.

On June 15, 2022, the Company and the Rights Agent entered into an amendment to the Rights Agreement (the "Rights Agreement Amendment") that accelerated the expiration of the Rights by amending the "Final Expiration Date" under the Rights Agreement to "June 15, 2022". Accordingly, the Rights expired as of the close of business on June 15, 2022, upon the expiration of the Rights Agreement no person has any remaining rights pursuant to the Rights Agreement or the Rights.

Dividends

Cash distributions to stockholders, as disclosed in the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022, and 2021, include previously declared cash dividends on shares of vested restricted common stock ("restricted stock") issued to our non-executive directors and dividends related to vested restricted stock units ("RSUs") issued to eligible employees. Cash dividends on RSUs and restricted stock have been accrued and are paid when the applicable vesting conditions are met. Accrued cash dividends on forfeited restricted stock and RSUs are also forfeited. The following table details our cash dividends declared and paid in 2022 through the date hereof:

Declaration Date	Record Date	Payment Date	Per Share Amount	(Dollars in thousands) Total Declared ⁽¹⁾
February 16, 2022	March 16, 2022	March 30, 2022	\$ 0.3125	\$ 6,513
April 27, 2022	May 25, 2022	June 24, 2022	0.3125	6,357
Total			\$ 0.6250	\$ 12,870

⁽¹⁾ The total declared reflects the cash dividends declared in relation to common stock, deferred stock units ("DSUs") and unvested RSUs.

On July 27, 2022, our Board of Directors declared a regular quarterly cash dividend of \$0.3125 per share of common stock with a record date of August 17, 2022, and a payment date of September 9, 2022. Cash dividends related to common stock of approximately \$6.2 million will be paid from available cash on hand.

Common Stock Repurchase Program

On February 16, 2022, our Board of Directors authorized a share repurchase program for up to \$10 million of the Company's common stock. Under the repurchase program, repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or otherwise, all in accordance with the rules of the SEC and other applicable legal requirements. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, legal requirements and other considerations. The repurchase program does not obligate the Company to acquire any particular amount of common stock, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. For the six months ended June 30, 2022, we did not repurchased any common stock.

SPOK HOLDINGS, INC.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net Loss per Common Share

Basic net loss per common share is computed on the basis of the weighted average common shares outstanding. Diluted net loss per common share is computed on the basis of the weighted average common shares outstanding plus the effect of all potentially dilutive common shares, including outstanding restricted stock and RSUs, which are treated as contingently issuable shares, using the “treasury stock” method.

The components of basic and diluted net (loss) per common share were as follows for the periods stated:

(in thousands, except for share and per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss)	\$ 1,924	\$ (719)	\$ (5,290)	\$ (3,016)
Denominator:				
Basic weighted average common shares outstanding	19,693,659	19,395,364	19,645,680	19,335,081
Diluted weighted average common shares outstanding	19,807,430	19,395,364	19,645,680	19,335,081
Basic and diluted net income (loss) per common share	\$ 0.10	\$ (0.04)	\$ (0.27)	\$ (0.16)

For the three and six months ended June 30, 2022, and 2021 the following securities were excluded from the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Restricted stock units	—	181,592	277,381	318,248

Stock-Based Compensation Plans

On March 23, 2012, our Board of Directors adopted the Spok Holdings, Inc. 2012 Equity Incentive Award Plan (the “2012 Equity Plan”) that our stockholders subsequently approved on May 16, 2012. A total of 2,194,986 shares of common stock were reserved for issuance under this plan.

On April 29, 2020, our Board of Directors adopted the Spok Holdings, Inc. 2020 Equity Incentive Award Plan (the “2020 Equity Plan” and, together with the 2012 Equity Plan, the “Equity Plans”) that our stockholders subsequently approved on July 28, 2020. At July 28, 2020, a total of 1,699,950 shares of common stock had been reserved for issuance under the Equity Plans, including 1,600,000 shares available under the 2020 Equity Plan and 99,950 shares which, as of the stockholders approval date, remained available for issuance under the 2012 Equity Plan. No further grants will be made under the 2012 Equity Plan, although, the 2012 Equity Plan continues to govern all outstanding awards thereunder.

Awards under the 2020 Equity Plan may be in the form of stock options, restricted common stock, RSUs, performance awards, dividend equivalents, stock payment awards, deferred stock, DSUs, stock appreciation rights or other stock or cash-based awards.

Restricted stock awards generally vest one year from the date of grant. Related dividends accumulate during the vesting period and are paid at the time of vesting.

Contingent RSUs generally vest over a three-year performance period upon successful completion of the performance objectives. Non-contingent RSUs generally vest in thirds, annually, over a three-year period. Dividend equivalent rights generally accompany each RSU award and those rights accumulate and vest along with the underlying RSU.

SPOK HOLDINGS, INC.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dividend equivalent rights generally accompany each DSU award and are paid to participants in cash on the Company's applicable dividend payment date whether the DSU is vested or unvested. The dividend equivalent right associated with a DSU continues until delivery of the underlying shares of common stock is made.

Payment of the underlying shares of common stock occurs at the earliest of a participant's separation from service, disability, death, or a change in control. Any shares subject to an award under the 2012 Equity Plan that are forfeited or expire will be available for the future grant of awards under the 2020 Equity Plan. As of June 30, 2022, there was an aggregate of 247,467 unvested RSUs under the 2012 Equity Plan.

The following table summarizes the activities under the Equity Plans from January 1, 2022, through June 30, 2022:

	Activity
Total equity securities available at January 1, 2022	990,129
RSU, DSU, and restricted stock awarded to eligible employees, net of forfeitures	(319,418)
Total equity securities available at June 30, 2022	670,711

The following table details activities with respect to outstanding RSUs, DSUs, and restricted stock under the Equity Plans for the six months ended June 30, 2022:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2022	771,171	\$ 11.24
Granted	454,429	8.65
Vested	(26,850)	10.80
Forfeited	(135,011)	11.27
Unvested at June 30, 2022	1,063,739	\$ 10.14

Of the 1,063,739 unvested RSUs, DSUs and restricted stock outstanding at June 30, 2022, 542,227 RSUs include contingent performance requirements for vesting purposes. At June 30, 2022, there was \$4.5 million of unrecognized net compensation cost related to RSUs and restricted stock, which is expected to be recognized over a weighted average period of 1.9 years.

For the first three quarters of 2021, qualified employees received a portion of their compensation in the form of shares of the Company's common stock in lieu of cash. These awards were made in advance on a quarterly basis and vested immediately. For the six months ended June 30, 2021, 109,171 shares of common stock were issued, with a weighted average grant date fair value of \$11.35.

Employee Stock Purchase Plan

In 2016, our Board of Directors adopted the Spok Holdings, Inc. Employee Stock Purchase Plan (the "ESPP") that our stockholders subsequently approved on July 25, 2016. A total of 250,000 shares of common stock were reserved for issuance under this plan.

The ESPP allows employees to purchase shares of common stock at a discounted rate, subject to plan limitations. Under the ESPP, eligible participants can voluntarily elect to have contributions withheld from their pay for the duration of an offering period, subject to the ESPP limits. At the end of an offering period, contributions will be used to purchase the Company's common stock at a discount to the market price based on the first or last day of the offering period, whichever is lower.

Participants are required to hold common stock for a minimum period of two years from the grant date. Participants will begin earning dividends on shares after the purchase date. Each offering period will generally last for no longer than six months. Once an offering period begins, participants cannot adjust their withholding amount. If a participant chooses to withdraw, any previously withheld funds will be returned to the participant, with no stock purchased, and that participant will be eligible to participate in the ESPP during the next offering period. If the participant terminates employment with the Company during the offering period, all contributions will be returned to the employee and no stock will be purchased.

The Company uses the Black-Scholes model to calculate the fair value of the common stock to be purchased during each offering period on the offer date. The Black-Scholes model requires the use of estimates for the expected term, the

SPOK HOLDINGS, INC.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

expected volatility of the underlying common stock over the expected term, the risk-free interest rate and the expected dividend payment.

For the six months ended June 30, 2022, and 2021, no shares of the Company's stock were purchased. The following table summarizes the activities under the ESPP from January 1, 2022, through June 30, 2022:

	Activity
Total ESPP equity securities available at January 1, 2022	133,184
ESPP common stock purchased by eligible employees	—
Total ESPP securities available at June 30, 2022	133,184

Amounts withheld from participants will be classified as Accrued compensation and benefits in the Condensed Consolidated Balance Sheets until funds are used to purchase shares. This liability amount is immaterial to the Condensed Consolidated Financial Statements.

Stock-Based Compensation Expense

We record all stock-based compensation, which consist of RSUs, DSUs, restricted stock, equity in lieu of salary, and the option to purchase common stock under the ESPP, at fair value as of the grant date. Stock-based compensation expense is recognized based on a straight-line amortization basis over the respective service period. Forfeitures and withdrawals are accounted for as incurred.

The following table reflects the items for stock-based compensation expense in the Condensed Consolidated Statements of Operations for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Performance-based RSUs	\$ 383	\$ 182	\$ 843	\$ 755
Time-based RSUs, DSUs and restricted stock	578	958	1,233	1,981
Equity in lieu of salary	—	618	—	1,240
ESPP	—	23	—	44
Total stock-based compensation	\$ 961	\$ 1,781	\$ 2,076	\$ 4,020

NOTE 12 - INCOME TAXES

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law on March 27, 2020, to provide stimulus and relief in response to the coronavirus disease 2019 ("COVID-19") pandemic and resulting economic collapse. The CARES Act allows for the deferral of payment on the Company's share of the 6.2% Social Security tax on wages paid beginning on March 27, 2020 and ending on December 31, 2020. Deferred amounts are payable in two installments, with 50% of such taxes due on December 31, 2021, and the remainder due on December 31, 2022. This resulted in a total deferral of approximately \$2.1 million of payroll taxes under this provision, of which \$1.0 million remains due by December 31, 2022, and is included within current liabilities in the Condensed Consolidated Balance Sheet.

Spok files a consolidated U.S. federal income tax return and income tax returns in various state, local and foreign jurisdictions as required.

Our quarterly tax provision and our quarterly estimate of our annual effective tax rate are subject to significant variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, changes in how we do business, changes in our stock price, foreign currency gains (losses), tax law developments (including changes in statutes, regulations, case law, and administrative practices), and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

For 2022, the anticipated effective income tax rate is expected to continue to differ from the federal statutory rate of 21%, primarily due to the effect of state income taxes, permanent differences between book and taxable income, and certain discrete items.

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We had total net deferred income tax assets ("DTAs") of \$32.2 million and \$31.7 million as of June 30, 2022, and December 31, 2021, respectively. We had a valuation allowance of \$26.2 million and \$24.2 million as of June 30, 2022, and December 31, 2021, respectively.

We assess the recoverability of our deferred income tax assets, which represent the tax benefits of future tax deductions, based on available positive and negative evidence and by considering the adequacy of future taxable income from all sources, including prudent and feasible tax planning strategies. This assessment is required to determine whether, based on all available evidence, it is "more likely than not" (meaning a probability of greater than 50%) that all or some portion of the deferred income tax assets will be realized in future periods. During the fourth quarter of each year, we update our multi-year forecast of taxable income for our operations, which assists in analyzing the recoverability of our DTAs.

Deferred income tax assets which are not currently covered by a valuation allowance are those that are indefinite-lived, or whose temporary differences would reverse in the future and may result in the creation of an indefinite-lived deferred income tax asset, which we consider to be realized through future taxable income despite near-term uncertainties. The amount of deferred income tax assets considered realizable, however, could be adjusted in the future if objective negative evidence in the form of cumulative losses is no longer present, additional weight is given to subjective evidence such as our projections for future profitability and growth, or other relevant factors arise.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

There have been no material changes during the six months ended June 30, 2022, to the commitments and contingencies previously reported in the 2021 Annual Report.

NOTE 14 - RELATED PARTIES

A member of our Board of Directors, who was appointed at the beginning of 2020, serves as Chief Information Officer for an entity that is also a customer of the Company. For the three months ended June 30, 2022, and 2021, we recognized revenues of \$0.2 million respectively, related to contracts from the entity at which the individual is employed. For the six months ended June 30, 2022, and 2021, we recognized revenues of \$0.3 million and \$0.4 million, respectively related to the contracts from the entity at which the individual is employed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Forward-Looking Statements**

This Quarterly Report on Form 10-Q ("Quarterly Report") contains forward-looking statements and information relating to Spok Holdings, Inc. and its subsidiaries (collectively, "we," "us," "Spok," "our" or the "Company") that set forth anticipated results based on management's current plans, known trends and assumptions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "anticipate," "believe," "estimate," "expect," "intend," "will," "target," "forecast" and similar expressions, as they relate to Spok are forward-looking statements.

Although these statements are based upon current plans, known trends and assumptions that management considers reasonable, they are subject to certain risks, uncertainties and assumptions, including, but not limited to, those discussed in this section and "Risk Factors" below and under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")," and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report"). Should known or unknown risks or uncertainties materialize, known trends change, or underlying assumptions prove inaccurate, actual results or outcomes may differ materially from past results and those described herein as anticipated, believed, estimated, expected, intended, targeted or forecasted. Investors are cautioned not to place undue reliance on these forward-looking statements.

The Company undertakes no obligation to update forward-looking statements. Investors are advised to consult all further disclosures the Company makes in its subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that it will file with the SEC. Also note that, in the 2021 Annual Report, the Company provides a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to its business. These are factors that, individually or in the aggregate, could cause the Company's actual results to differ materially from past results as well as those results that may be anticipated, believed, estimated, expected, intended, targeted or forecasted. It is not possible to predict or identify all such risk factors. Consequently, investors should not consider the risk factor discussion to be a complete discussion of all of the potential risks or uncertainties that could affect Spok's business, statement of operations or financial condition, subsequent to the filing of this Quarterly Report.

Overview

The following MD&A is intended to help the reader understand the results of operations and financial condition of Spok. This MD&A is provided as a supplement to, and should be read in conjunction with, our 2021 Annual Report and our unaudited Condensed Consolidated Financial Statements and accompanying notes. A reference to a "Note" in this section refers to the accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

Spok, acting through its indirect wholly owned operating subsidiary, Spok, Inc., delivers smart, reliable clinical communication and collaboration solutions to organizations, primarily in the U.S. healthcare industry, to help protect the health, well-being and safety of individuals. Organizations rely on Spok for workflow improvement, secure messaging, paging services, contact center optimization and public safety response.

Business

See Note 1, "Organization and Significant Accounting Policies" in Item 1 of Part I of this Quarterly Report and Item 1. "Business" of Part I of the 2021 Annual Report, which describe our business in further detail.

New Strategic Business Plan

In February 2022, our Board of Directors announced a new strategic business plan that includes restructuring of our business to discontinue Spok Go[®], eliminate all associated costs and optimize the Company's existing structure to drive continued cost improvement. The strategic business plan includes a renewed focus on our existing and established business, including the Spok Care Connect Suite and our wireless service offerings. While there are numerous factors that went into this decision, the ongoing challenge of the COVID-19 pandemic made it difficult for the Spok Go platform to gain sufficient traction with customers or for our business to continue operating with our current level of costs and personnel. This shift in focus will allow us to prioritize cash flow generation and the return of capital to stockholders. As a result of this new strategic business plan, our Board of Directors has increased the regular quarterly dividend from \$0.125 to \$0.3125 and has authorized a share repurchase program of up to \$10 million of our common stock.

As part of the restructuring program, the Company initially estimated elimination of approximately 175 positions, primarily in research and development, but also in professional services, selling and marketing, and back-office support functions. The Company currently expects total eliminations of approximately 150 positions, with the majority of positions having been terminated as of June 30, 2022. We expect to incur pre-tax restructuring charges of approximately \$6.0 million to \$6.5 million, comprised of approximately \$5.5 million to \$5.8 million in severance and personnel related costs and approximately \$0.5 million to \$0.7 million in contractual terminations. As of June 30, 2022, of these estimates, \$4.3 million has been incurred in severance and personnel related costs and \$0.6 million in contractual termination related costs. Future cash payments related to these charges are expected to generally be within the same range. The restructuring activities associated with these changes are substantially complete, and we expect the remainder to be completed in the second half of 2022. Further details can be found in Note 5 "Restructuring" in the Notes to Condensed Consolidated Financial Statements.

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. In the ensuing months, the global economy was significantly impacted, as schools and businesses shut down in an effort to prevent the spread of the virus. We began to experience a direct impact on our sales cycle in late February 2020 as hospitals, our largest customer segment, began to delay purchasing decisions and address staff reductions. These delays continued to affect our software bookings, which directly impacted license and equipment revenues during 2021. We also experienced delays in our ability to deliver on-site implementation services, which impacted our services revenue resulting in delays in the timing of revenue recognition during 2021, as the associated revenue corresponds to our backlog of performance obligations ready for delivery in the future.

During 2021, we continued to prudently manage operating expenses and liquidity, with the goal of neutralizing the impact of the pandemic on our cash flows. We enacted a Company-wide plan that reduced work schedules, resulting in a temporary reduction in compensation expenses during the second, third and fourth quarters of 2020 and continuing through the first half of 2021. We also enacted a plan for the first three quarters of 2021 whereby qualified employees received a portion of their compensation in the form of shares of the Company's common stock in lieu of cash. Under this alternative payment plan, which was in effect from the third quarter of 2020 through the third quarter of 2021, all non-employee directors voluntarily elected to receive either DSUs or restricted stock in lieu of the entire cash portion of their compensation.

Hospitals have continued to struggle with significant burnout and resource constraints caused by the pandemic, which further adds to the overall financial strain they have been facing. The U.S. Healthcare system has lost between one in five and one in six healthcare workers since the pandemic began, and nursing staffs have been significantly depleted. On average it takes four to five years to train a nurse, and we expect these resource constraints to last well into the future.

Barring the emergence of a severe COVID-19 variant in the near future, which might have significant negative effects on the overall economy and our customer base specifically, we believe we are and will continue operating at pre-pandemic levels in 2022.

Results of Operations

The following table is a summary of our Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2022, and 2021:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Revenue:								
Wireless revenue	\$ 18,700	\$ 19,859	\$ (1,159)	(5.8)%	\$ 37,547	\$ 39,979	\$ (2,432)	(6.1)%
Software revenue	15,010	15,864	(854)	(5.4)%	29,988	31,780	(1,792)	(5.6)%
Total revenue	33,710	35,723	(2,013)	(5.6)%	67,535	71,759	(4,224)	(5.9)%
Operating expenses:								
Cost of revenue (exclusive of items shown separately below)	6,980	7,859	(879)	(11.2)%	14,784	15,840	(1,056)	(6.7)%
Research and development	2,624	4,156	(1,532)	(36.9)%	9,121	8,600	521	6.1 %
Technology operations	6,880	7,022	(142)	(2.0)%	13,893	14,226	(333)	(2.3)%
Selling and marketing	3,874	5,184	(1,310)	(25.3)%	9,189	10,323	(1,134)	(11.0)%
General and administrative	9,619	10,480	(861)	(8.2)%	20,054	20,761	(707)	(3.4)%
Depreciation, amortization and accretion	871	2,457	(1,586)	(64.6)%	1,805	5,184	(3,379)	(65.2)%
Severance and restructuring	450	174	276	158.6 %	4,945	174	4,771	2,742.0 %
Total operating expenses	31,298	37,332	(6,034)	(16.2)%	73,791	75,108	(1,317)	(1.8)%
Operating income (loss)	2,412	(1,609)	4,021	(249.9)%	(6,256)	(3,349)	(2,907)	86.8 %
Interest income	170	61	109	178.7 %	237	122	115	94.3 %
Other income	25	29	(4)	(13.8)%	12	2	10	500.0 %
Income (loss) before income taxes	2,607	(1,519)	4,126	(271.6)%	(6,007)	(3,225)	(2,782)	86.3 %
(Provision for) benefit from income taxes	(683)	800	(1,483)	(185.4)%	717	209	508	243.1 %
Net income (loss)	\$ 1,924	\$ (719)	\$ 2,643	(367.6)%	\$ (5,290)	\$ (3,016)	\$ (2,274)	75.4 %

Supplemental Information

Full-Time Equivalent ("FTE") Employees	401	590	(189)	(32.0)%
Active transmitters	3,374	3,580	(206)	(5.8)%

Revenue

We offer a focused suite of unified clinical communications and collaboration solutions that include call center applications, clinical alerting and notifications, one-way and advanced two-way wireless messaging services, mobile communications and public safety solutions.

We develop, sell and support enterprise-wide systems for healthcare, government, large enterprise and other organizations needing to automate, centralize and standardize their approach to clinical communications and collaboration. Our solutions can be found in prominent hospitals, large government agencies, leading public safety institutions, colleges and universities, large hotels, resorts and casinos, and well-known manufacturers. Our primary market is the healthcare provider industry, particularly hospitals. While we have historically identified hospitals with 200 or more beds as the primary targets for our software solutions, as well as our paging services, we have expanded our focus to include smaller hospitals with shorter sales cycles, including academic medical centers.

Revenue generated by wireless messaging services (including voice mail, personalized greeting, message storage and retrieval), equipment, maintenance plans and/or equipment loss protection for both one-way and two-way messaging subscribers is presented as wireless revenue in our Statement of Operations. Revenue generated by the sale of our software solutions, which includes software license, professional services (installation, consulting and training), equipment (to be used in conjunction with the software), and post-contract support (ongoing maintenance), is presented as software revenue in our Condensed Consolidated Statement of Operations. Our software is licensed to end users under an industry standard software license agreement.

Refer to Note 6, "Revenue, Deferred Revenue and Prepaid Commissions" in the Notes to Condensed Consolidated Financial Statements for additional information on our wireless and software revenue streams.

The table below details revenue for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Revenue - wireless:								
Paging revenue	\$ 18,141	\$ 19,135	\$ (994)	(5.2)%	\$ 36,454	\$ 38,488	\$ (2,034)	(5.3)%
Product and other revenue	559	724	(165)	(22.8)%	1,093	1,491	(398)	(26.7)%
Total wireless revenue	18,700	19,859	(1,159)	(5.8)%	37,547	39,979	(2,432)	(6.1)%
Revenue - software:								
License	1,962	908	1,054	116.1 %	3,786	2,460	1,326	53.9 %
Professional services	3,331	4,865	(1,534)	(31.5)%	6,667	9,219	(2,552)	(27.7)%
Hardware	507	482	25	5.2 %	1,096	1,098	(2)	(0.2)%
Operations revenue	5,800	6,255	(455)	(7.3)%	11,549	12,777	(1,228)	(9.6)%
Maintenance revenue	9,210	9,609	(399)	(4.2)%	18,439	19,003	(564)	(3.0)%
Total software revenue	15,010	15,864	(854)	(5.4)%	29,988	31,780	(1,792)	(5.6)%
Total revenue	\$ 33,710	\$ 35,723	\$ (2,013)	(5.6)%	\$ 67,535	\$ 71,759	\$ (4,224)	(5.9)%

Wireless Revenue

The decrease in wireless revenue for the three and six months ended June 30, 2022, compared to the same periods in 2021, reflects the secular decrease in demand for our wireless services. Wireless revenue is generally reflective of the number of units in service and measured monthly as Average Revenue Per User ("ARPU"). On a consolidated basis, ARPU is affected by several factors, including the mix of units in service and the pricing of the various components of our services. The number of units in service changes based on subscribers added, referred to as gross placements, less subscriber cancellations, or disconnects.

ARPU was \$7.23 and \$7.32 for the three months ended June 30, 2022, and 2021, respectively. Total units in service were 0.8 million and 0.9 million as of June 30, 2022, and 2021, respectively. Approximately \$0.07 of the decline in ARPU was related to the decreases in Universal Service Fund ("USF") fees with the remainder coming primarily from lower variable revenue associated with overcall fees which are charged to customers when their service usage is greater than their allotted plan. USF fees are effectively pass-through items that have corresponding costs associated with them. Excluding these pass-through items, ARPU would have declined in-line with historical trends.

We believe that demand will continue to decline for the foreseeable future in line with recent and historical trends, as our wireless products and services are replaced with other competing technologies, such as the shift from narrowband wireless service offerings to broadband technology services.

The following reflects the impact of subscribers and ARPU on the change in paging revenue:

(in thousands)	For the Three Months Ended June 30,			Change Due To:	
	2022	2021	Change	ARPU	Units
Paging revenue	\$ 18,141	\$ 19,135	\$ (994)	\$ (225)	\$ (769)

(in thousands)	For the Six Months Ended June 30,			Change Due To:	
	2022	2021	Change	ARPU	Units
Paging revenue	\$ 36,454	\$ 38,488	\$ (2,034)	\$ (457)	\$ (1,577)

As demand for one-way and two-way messaging has declined, we have developed or added service offerings such as encrypted paging and Spok Mobile with a pager number to increase our revenue potential and mitigate the decline in our wireless revenue. We will continue to explore ways to innovate and provide customers the highest value possible.

In late 2021, we began offering our newest pager, GenA. This one-way alphanumeric pager features a high resolution ePaper display, intuitive modern user interface, advanced encryption and security features, over-the-air remote programming, and an antimicrobial housing. Users can select from various font sizes, and the large GenA display also leverages proportional fonts to maximize key information on a single screen.

The GenA pager is the only product available on the market with these capabilities, and we maintain an exclusive arrangement with the product's manufacturer. Given the product differentiation of the GenA pager, its development is a key initiative providing a competitive advantage, and we expect this new technology will be popular with our customers in clinical environments and may help slow our wireless revenue attrition.

Software Revenue

Software revenue consists of two components: operations revenue and maintenance revenue. Operations revenue consists primarily of license revenues for our healthcare communications solutions, revenue from the sale of equipment that facilitates the use of our software solutions, and professional services revenue related to the implementation of our solutions. Maintenance revenue is generated from our ongoing support of our software solutions or related equipment, typically for a period of one year after project completion.

To a large degree, software revenue corresponds to our backlog of performance obligations ready to deliver at some point in the future, and any delays in implementation may affect the timing of revenue recognition. Our software projects generally originate from fixed-bid contracts, although many involve a protracted sales cycle and may result in unforeseen complexity and deviation from original scope. The time needed to complete projects, therefore, may not align with our original expectations, which affects our backlog. As a result, software revenue may fluctuate on a short-term basis, and we generally evaluate longer-term trends when managing this business.

Operations Revenue

Software operations revenue decreased during the three and six months ended June 30, 2022, when compared to the same periods in 2021. Services revenue decreased primarily from having less billable resources which resulted from our restructuring program. These changes were made in conjunction with our efforts to better align staffing levels with our backlog as well as to drive greater profitability through more efficient services delivery. The decline in services revenue was partially offset by an increase in license revenue, given an improving economy and selling environment when compared to the same period in 2021.

Maintenance Revenue

Compared to the same periods in 2021, maintenance revenue decreased for the three and six months ended June 30, 2022. Current trends in revenue churn rates remain relatively stable and are in line with historical trends. However, the deterioration of maintenance revenue from new license bookings has created an environment where churn is greater than the inflow of new revenue. Historically, this revenue churn had been offset by the growth in our license sales.

While we have not seen a meaningful increase in our normal customer churn, our ability to replace this churn with new revenues will not likely replicate what we have accomplished historically nor do we expect to fully offset this with annual increases of our existing base. Given these dynamics, we believe annual maintenance revenue is likely to be relatively flat or slightly down until such time that we are able to enhance our existing software solutions, which would provide an avenue for additional maintenance revenue.

Operating Expenses

Our operating expenses are presented in functional categories. Certain of our functional categories are especially important to overall expense control and management. These operating expenses are categorized as follows:

- **Cost of Revenue.** These are expenses we incur for the delivery of products and services to our customers and consist primarily of hardware, third-party software, outside services expenses and payroll and related expenses for our professional services, logistics, customer support and maintenance staff.
- **Research and Development.** These expenses relate primarily to the development of new software products and the ongoing maintenance and enhancement of existing products. This classification consists primarily of employee payroll and related expenses, outside services related to the design, development, testing and enhancement of our solutions and to a lesser extent hardware equipment. Research and development expenses exclude any development costs that qualify for capitalization.
- **Technology Operations.** These are expenses associated with the operation of our paging networks. Expenses consist largely of site rent expenses for transmitter locations, telecommunication expenses to deliver messages over our paging networks, and payroll and related expenses for our engineering and pager repair functions. We actively pursue opportunities to consolidate transmitters and other service, rental and maintenance expenses in order to maintain an efficient network while simultaneously ensuring adequate service for our customers. We believe continued reductions in these expenses will occur for the foreseeable future as we continue to consolidate our networks, although the benefits of such network rationalization efforts and resulting costs savings will continue to decline.
- **Selling and Marketing.** The sales and marketing staff are involved in selling our communication solutions primarily in the United States. These expenses support our efforts to maintain gross placements of units in service, which mitigated the impact of disconnects on our wireless revenue base, and to identify business opportunities for additional or future software sales. We maintain a centralized marketing function that is focused on supporting our products and vertical sales efforts by strengthening our brand, generating sales leads and facilitating the sales process. These marketing functions are accomplished through targeted email campaigns, webinars, regional and national user conferences, monthly newsletters and participation at industry trade shows. Expenses consist largely of payroll and related expenses, commissions and other costs such as travel and advertising costs.
- **General and Administrative.** These are expenses associated with information technology and administrative functions, including finance and accounting, human resources and executive management. This classification consists primarily of payroll and related expenses, outside services expenses, taxes, licenses and permit expenses, and facility rent expenses.
- **Depreciation, Amortization and Accretion.** These are expenses that may be associated with one or more of the aforementioned functional categories. This classification generally consists of depreciation from capital expenditures or other assets that are core to our ongoing operations, amortization of intangible assets, amortization of capitalized software development costs, and accretion of asset retirement obligations.

The following is a review of our operating expense categories for the three and six months ended June 30, 2022, and 2021. Certain prior period amounts have been reclassified to conform to the current period's presentation.

Cost of Revenue

Cost of revenue consisted primarily of the following items:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Payroll and related	\$ 4,422	\$ 4,720	\$ (298)	(6.3)%	\$ 9,532	\$ 9,859	\$ (327)	(3.3)%
Cost of sales	1,462	1,633	(171)	(10.5)%	3,019	3,018	1	— %
Recoverable taxes and fees	677	903	(226)	(25.0)%	1,389	1,770	(381)	(21.5)%
Stock-based compensation	96	263	(167)	(63.5)%	205	554	(349)	(63.0)%
Other	323	340	(17)	(5.0)%	639	639	—	— %
Total cost of revenue	\$ 6,980	\$ 7,859	\$ (879)	(11.2)%	\$ 14,784	\$ 15,840	\$ (1,056)	(6.7)%
FTE Employees	148	183	(35)	(19.1)%				

For the three months ended June 30, 2022, cost of revenue decreased compared to the same period in 2021, driven by decreases in payroll and related, recoverable taxes and fees, cost of sales and stock-based compensation.

The decrease in payroll and related and stock-based compensation is attributable to the restructuring activities and the related elimination of positions. Additionally, stock-based compensation decreased as we discontinued the cash saving measure to provide a portion of compensation for certain employees in the form of shares of the Company's common stock in lieu of cash. Recoverable taxes and fees declined due to general decreases in USF fees, which are pass-through costs. Cost of sales expenses decreased primarily due to reduced use of third-party professional services that we utilize to augment company resources when short-term capacity constraints exist.

For the six months ended June 30, 2022, cost of revenue also decreased compared to the same period in 2021, driven by decreases in recoverable taxes and fees, stock-based compensation and payroll and related, as described above.

Research and Development

Research and development expenses consisted of the following items:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Payroll and related	\$ 1,741	\$ 4,333	\$ (2,592)	(59.8)%	\$ 6,046	\$ 8,808	\$ (2,762)	(31.4)%
Outside services	735	2,060	(1,325)	(64.3)%	2,634	4,337	(1,703)	(39.3)%
Capitalized software development	—	(2,698)	2,698	(100.0)%	—	(5,618)	5,618	(100.0)%
Stock-based compensation	32	305	(273)	(89.5)%	162	780	(618)	(79.2)%
Other	116	156	(40)	(25.6)%	279	293	(14)	(4.8)%
Total research and development	\$ 2,624	\$ 4,156	\$ (1,532)	(36.9)%	\$ 9,121	\$ 8,600	\$ 521	6.1 %
FTE Employees	35	109	(74)	(67.9)%				

For the three and six months ended June 30, 2022, research and development expenses decreased compared to the same periods in 2021, driven by the decision to discontinue Spok Go and the resulting elimination of positions and associated outside services.

While we will continue to focus on the development efforts of our software solutions, we expect total research and development costs will continue to significantly decrease in 2022 as part of our new strategic business plan and our intent to eliminate all Spok Go related costs.

Technology Operations

Technology operations expenses consisted primarily of the following items:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Payroll and related	\$ 2,389	\$ 2,323	\$ 66	2.8 %	\$ 4,898	\$ 4,790	\$ 108	2.3 %
Site rent	3,003	3,143	(140)	(4.5)%	6,070	6,339	(269)	(4.2)%
Telecommunications	741	825	(84)	(10.2)%	1,512	1,662	(150)	(9.0)%
Stock-based compensation	54	130	(76)	(58.5)%	109	267	(158)	(59.2)%
Other	693	601	92	15.3 %	1,304	1,168	136	11.6 %
Technology Operations	\$ 6,880	\$ 7,022	\$ (142)	(2.0)%	\$ 13,893	\$ 14,226	\$ (333)	(2.3)%
FTE Employees	78	87	(9)	(10.3)%				

For the three and six months ended June 30, 2022, technology operations expenses decreased compared to the same periods in 2021, driven primarily by a decrease in stock-based compensation as well as lower site rent and telecommunications costs, which resulted from cost savings initiatives applicable to our wireless network. Payroll and related expenses largely remained flat as savings from the reduction of headcount due to restructuring activities was largely offset by the increase in costs that came from the discontinuation of the aforementioned cash saving measure of compensation in the form of shares as well as reduced work schedules.

The number of active transmitters, which directly affects our site rent expenses, declined 5.8% from June 30, 2021, to June 30, 2022, as a result of our network rationalization efforts. As we reach certain minimum frequency commitments, as outlined by the United States Federal Communications Commission, we may be unable to continue our efforts to rationalize and consolidate our networks. Stock-based compensation decreased as a result of discontinuing our plan to provide a portion of compensation for certain employees in the form of shares of our common stock in lieu of cash. Payroll and related expenses increased primarily due to increased payroll resulting from the discontinuation of reduced work schedules as of the third quarter of 2021.

Selling and Marketing

Selling and marketing expenses consisted of the following items:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Payroll and related	\$ 2,382	\$ 3,361	\$ (979)	(29.1)%	\$ 5,850	\$ 6,726	\$ (876)	(13.0)%
Commissions	1,047	1,244	(197)	(15.8)%	2,071	2,349	(278)	(11.8)%
Stock-based compensation	93	276	(183)	(66.3)%	172	626	(454)	(72.5)%
Advertising and events	293	247	46	18.6 %	861	408	453	111.0 %
Other	59	56	3	5.4 %	235	214	21	9.8 %
Total selling and marketing	\$ 3,874	\$ 5,184	\$ (1,310)	(25.3)%	\$ 9,189	\$ 10,323	\$ (1,134)	(11.0)%
FTE Employees	63	109	(46)	(42.2)%				

For the three and six months ended June 30, 2022, selling and marketing expenses decreased compared to the same periods in 2021, driven primarily by decreases in payroll and related expenses, and stock-based compensation. These decreases were offset in the three and six months ended June 30, 2022 by an increase in advertising and events.

Payroll and related expenses declined for the three and six months ended June 30, 2022, largely due to restructuring activities and the related elimination of positions, partially offset by increased payroll resulting from the discontinuation of reduced work schedules as of the third quarter of 2021.

Stock-based compensation for the three and six months ended June 30, 2022 decreased due to the discontinuation of the cash saving measure to provide a portion of compensation for certain employees in the form of shares of our common stock in lieu of cash. Additionally, there was a general decrease in employees compensated with stock-based compensation in 2022, attributable to the restructuring activities and the related elimination of positions.

The increase in advertising and events for the six months ended June 30, 2022, largely reflects an increase in trade show participation compared to the same period last year, which was more heavily impacted by the COVID-19 pandemic. Nationwide travel and in-person participation in larger marketing events has improved but continued to remain below pre-pandemic levels.

General and Administrative

General and administrative expenses consisted of the following items:

(Dollars in thousands)	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
	2022	2021	Total	%	2022	2021	Total	%
Payroll and related	\$ 3,657	\$ 3,564	\$ 93	2.6 %	\$ 7,708	\$ 7,382	\$ 326	4.4 %
Stock-based compensation	686	807	(121)	(15.0)%	1,428	1,793	(365)	(20.4)%
Facility rent, office and technology costs	2,321	2,484	(163)	(6.6)%	5,001	4,964	37	0.7 %
Outside services	1,770	2,219	(449)	(20.2)%	3,670	4,044	(374)	(9.2)%
Taxes, licenses and permits	254	214	40	18.7 %	519	428	91	21.3 %
Bad debt	170	328	(158)	(48.2)%	156	434	(278)	(64.1)%
Other	761	864	(103)	(11.9)%	1,572	1,716	(144)	(8.4)%
Total general and administrative	\$ 9,619	\$ 10,480	\$ (861)	(8.2)%	\$ 20,054	\$ 20,761	\$ (707)	(3.4)%
FTE Employees	77	102	(25)	(24.5)%				

For the three months ended June 30, 2022, general and administrative expenses decreased compared to the same period in 2021, driven primarily by decreases in outside services, facility rent, office and technology costs, stock-based compensation and bad debt expenses.

Outside Services decreased as a result of lower legal and other professional services for both the three and six months ended June 30, 2022.

Stock-based compensation decreased as we discontinued the cash saving measure to provide a portion of compensation for certain employees in the form of shares of our common stock in lieu of cash, which ended as of the fourth quarter of 2021. Additionally, there was an overall decrease in the number of employees compensated with stock-based compensation in 2022, attributable to the restructuring activities and related expenses.

Payroll and related expenses largely remained flat as savings from the reduction of headcount due to restructuring activities was largely offset by the increase in costs that came from the discontinuation of the aforementioned cash saving measure of compensation in the form of shares as well as reduced work schedules.

The decrease in facility rent, office and technology costs for the three months ended June 30, 2022 was primarily due to the closing of the Minnesota office in February 2022.

Bad debt expense was lower resulting from improvements in collection efforts with a corresponding reduction in the amount reserved for credit losses.

For the six months ended June 30, 2022, general and administrative expenses also decreased compared to the same period in 2021, driven by decreases in outside services, stock-based compensation and bad debt expenses. This was partially offset by increases in payroll and related, as described above in the quarterly discussion.

Depreciation, Amortization and Accretion

For the three months ended June 30, 2022, and 2021, depreciation, amortization and accretion expenses were \$0.9 million and \$2.5 million, respectively. For the six months ended June 30, 2022, and 2021, depreciation, amortization and accretion expenses were \$1.8 million and \$5.2 million, respectively. These expenses decreased for the three and six months ended June 30, 2022, compared to the same periods in 2021, primarily due to amortization of software development costs ending in the fourth quarter of 2021 as a result of discontinuation of Spok Go. Depreciation, amortization and accretion expenses also decreased due to lower depreciation for certain computer hardware and software assets that became fully depreciated in 2021.

Severance and Restructuring

For the three and six months ended June 30, 2022, severance and restructuring expenses were \$0.5 million and 4.9 million, respectively. Expenses increased for the three and six months ended June 30, 2022, primarily due to an increase in severance and personnel related costs and costs related to contractual terminations, resulting from the implementation of the new strategic business plan. Further details can be found in Note 5 "Restructuring" in the Notes to Condensed Consolidated Financial Statements.

Income Taxes

(Provision for) benefit from income taxes was \$(0.7) million and \$0.8 million for the three months ended June 30, 2022, and 2021, respectively. (Provision for) benefit from income taxes was \$0.7 million and \$0.2 million for the six months ended June 30, 2022, and 2021, respectively. (Provision for) benefit from income taxes changed for the three and six months ended June 30, 2022, compared to the same periods in 2021 due to the difference in the anticipated annual effective tax rate as a result of certain permanent tax differences, estimated research and development tax credits and related valuation allowance, and certain discrete items. Further details can be found in Note 12, "Income Taxes" in the Notes to Condensed Consolidated Financial Statements.

Liquidity and Capital Resources

Cash and Cash Equivalents

As of June 30, 2022, we held cash, cash equivalents and short-term investments of \$38.4 million. The available cash and cash equivalents consist of cash in our operating accounts and cash invested in interest-bearing funds managed by third-party financial institutions. These funds invest in U.S. Treasury securities and are therefore classified as held-to-maturity and are reported at amortized cost in our Condensed Consolidated Balance Sheets. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse market conditions. Our short-term investments consist entirely of U.S. Treasury securities, which are classified as held-to-maturity and are measured at amortized cost on our Condensed Consolidated Balance Sheets.

Cash Sources

Our primary sources of liquidity have been our cash flows generated from operations and existing cash and cash equivalents. We maintain a level of liquidity sufficient to allow us to meet our cash needs in both the short term (next 12 months) and long term (beyond 12 months). At any point in time, we maintain approximately \$5.0 million to \$10.0 million in our operating accounts that are with third-party financial institutions. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

Cash Uses

We intend to use our cash on hand to provide working capital, to support operations, to invest in our business, and to return value to stockholders through cash dividends and repurchases of our common stock. We may also consider using cash to fund or complete opportunistic investments and acquisitions that we believe will provide a measure of growth or revenue stability while supporting our existing operations. As a result of our discontinuation of Spok Go, we will no longer invest heavily in its development, and, as a result, we anticipate that we will have more cash available for other uses than in prior years.

On February 16, 2022, the Board authorized a share repurchase program for up to \$10 million of the Company's common stock. Under the repurchase program, repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or otherwise, all in accordance with the rules of the SEC and other applicable legal requirements. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, legal requirements and other considerations. The repurchase program does not obligate the Company to acquire any particular amount of common stock, and the repurchase program may be suspended or discontinued at any time at the Company's discretion.

As part of the restructuring program in connection with our new strategic business plan, we expect to record one-time pre-tax restructuring charges of approximately \$6.0 million to \$6.5 million, comprised of approximately \$5.5 million to \$5.8 million in severance and personnel related costs and approximately \$0.5 million to \$0.7 million in contractual terminations. Future cash payments related to these charges are expected to generally be within the same range. The restructuring actions associated with these charges are expected to be substantially complete in 2022. Because of these cash payments related to the restructuring program, we anticipate that our cash on hand will decrease during 2022. However, our restructuring efforts are meant to refocus our operational efforts towards cash flow generation and the return of capital to our stockholders. Should our restructuring efforts be successful, we anticipate future operating periods will return to historically positive cash flow generation.

Cash Flows Overview

In response to the COVID-19 pandemic, management enacted certain temporary cost mitigation measures in 2020 and 2021, as previously discussed. While we have previously discussed the impact on our revenues from the pandemic, we do not expect COVID-19 will have a material impact on our liquidity given our ability to reduce costs further, if necessary. In the event that net cash provided by operating activities and cash on hand are not sufficient to meet future cash requirements, we may be required to reduce planned capital expenses, reduce or eliminate our cash dividends to stockholders, not repurchase shares of our common stock under the share repurchase program, sell assets or seek additional financing. We can provide no assurance that reductions in planned capital expenses or proceeds from asset sales would be sufficient to cover shortfalls in available cash or that outside financing would be available on acceptable terms.

Based on current and anticipated levels of operations, we anticipate that net cash provided by operating activities, together with the available cash on hand at June 30, 2022, should be adequate to meet our anticipated cash requirements for the short term (next 12 months) and long term (beyond 12 months).

The following table sets forth information on our net cash flows from operating, investing, and financing activities for the periods stated:

(Dollars in thousands)	Six Months Ended June 30,		
	2022	2021	Change
Net cash (used in) provided by operating activities	\$ (5,895)	\$ 3,866	\$ (9,761)
Net cash used in investing activities	(1,159)	(7,809)	6,650
Net cash used in financing activities	(13,888)	(6,676)	(7,212)

Operating Activities

As discussed above, we are dependent on cash flows from operating activities to meet our cash requirements. Cash from operations varies depending on changes in various working capital items, including deferred revenues, accounts payable, accounts receivable, prepaid expenses and various accrued expenses.

For the six months ended June 30, 2022, net cash used by operating activities was \$5.9 million due primarily to the net loss of \$5.3 million, changes in accounts payable, accrued liabilities and other of \$3.6 million, accounts receivable of \$0.6 million, deferred revenue of \$0.2 million and in prepaid expenses and other assets of \$0.4 million, and a deferred income tax benefit of \$0.5 million. This was partially offset by changes in stock-based compensation of \$2.1 million, depreciation, amortization and accretion of \$1.8 million, and provision for credit losses, service credits and other of \$0.9 million.

For the six months ended June 30, 2021, net cash provided by operating activities was \$3.9 million due primarily to non-cash items such as depreciation, amortization and accretion of \$5.2 million, stock-based compensation of \$4.0 million, changes in accounts receivable of \$1.8 million, change in prepaid expenses and other assets of \$1.0 million, changes in lease liability \$0.6 million and other non-cash items of \$0.4 million. This was partially offset by a net loss of \$3.0 million, a change in accounts payable, accrued liabilities and other of \$3.5 million and deferred revenue of \$2.5 million.

Investing Activities

For the six months ended June 30, 2022, and 2021, net cash used in investing activities was \$1.2 million and \$7.8 million. Our 2021 investing activities reflected the capitalization of software development costs, however with the discontinuation of Spok Go, we did not incur such costs in 2022. Net cash used in investing activities also reflects purchases of property and equipment, and the purchase and maturity of short-term investments in both periods.

Financing Activities

For the six months ended June 30, 2022, and 2021, net cash used in financing activities was \$13.9 million and \$6.7 million, respectively, due primarily to cash distributions to stockholders and the purchase of common stock for tax withholding purposes on vested equity awards.

On July 27, 2022, our Board of Directors declared a regular quarterly cash dividend of \$0.3125 per share of common stock with a record date of August 17, 2022, and a payment date of September 9, 2022. This cash dividend of approximately \$6.2 million, applicable to our common stock outstanding, will be paid from available cash on hand. We expect to continue paying dividends of \$0.3125 per share of common stock each quarter for the remainder of 2022, subject to declaration by the Board of Directors.

Commitments and Contingencies

In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Purchase obligations are defined as agreements to purchase goods or services that are enforceable, legally binding, non-cancelable, have a remaining term in excess of one year and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable pricing provisions; and the approximate timing of transactions. The amounts of such obligations are based on our contractual commitments, however, it is possible that we may be able to negotiate lower payments if we choose to exit these contracts before their expiration date.

Our contractual payment obligations for operating leases apply to leases for office space and transmitter locations. Substantially all of these leases have lease terms ranging from one month to five years. We continue to review our office and transmitter locations and intend to replace, reduce or consolidate leases where possible. As we reach certain minimum frequency commitments, as outlined by the United States Federal Communications Commission, we may be unable to continue our efforts to rationalize and consolidate our networks. In March 2021, we relocated our corporate headquarters to office space located in Alexandria, Virginia, consisting of approximately 26,000 square feet of space under a lease that will expire on September 30, 2026. Over the life of this lease, cash payments are expected to total approximately \$4.9 million.

The Company evaluates contingencies on an ongoing basis and establishes loss provisions for matters in which losses are probable and the amount of loss can be reasonably estimated.

The following table provides the Company's significant commitments and contractual obligations as of June 30, 2022:

(Dollars in thousands)	Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Operating lease obligations	\$ 17,278	3,298	\$ 8,060	\$ 3,595	\$ 2,325
Unconditional purchase obligations	6,811	3,585	3,198	28	—
Total contractual obligations	<u>\$ 24,089</u>	<u>\$ 6,883</u>	<u>\$ 11,258</u>	<u>\$ 3,623</u>	<u>\$ 2,325</u>

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

We have operating leases for office and transmitter locations. Substantially all of these leases have lease terms ranging from one month to five years. We continue to review our office and transmitter locations and intend to replace, reduce or consolidate leases where possible. As we reach certain minimum frequency commitments, as outlined by the United States Federal Communications Commission, we may be unable to continue our efforts to rationalize and consolidate our networks.

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Refer to Note 7, "Leases," and Note 13, "Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements for further discussion on our commitments and contingencies.

Related Party Transactions

See Note 14, "Related Parties" in the Notes to Condensed Consolidated Financial Statements for a discussion regarding our related party transactions.

Critical Accounting Policies and Estimates

The preceding discussion and analysis of financial condition and operations is based on our Condensed Consolidated Financial Statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of our Condensed Consolidated Financial Statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. On an ongoing basis, we evaluate estimates and assumptions, including, but not limited to, those related to the impairment of long-lived assets and intangible assets subject to amortization and goodwill, accounts receivable, revenue recognition, asset retirement obligations, and income taxes. We base our estimates on historical experience and various other assumptions that are believed 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.

There have been no changes to the critical accounting policies reported in the 2021 Annual Report that affect our significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of June 30, 2022, we had no outstanding debt and no revolving credit facility.

Foreign Currency Exchange Rate Risk

We conduct a limited amount of business outside the United States. The financial impact of transactions billed in foreign currencies is immaterial to our financial results and, consequently, we do not have any material exposure to the risk of foreign currency exchange rate fluctuations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management carried out an evaluation, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the participation of our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures, as of the end of our last fiscal quarter. Disclosure controls and procedures are defined under Rule 13a-15(e) under the Exchange Act as controls and other procedures of an issuer that are designed to ensure that the information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2022.

Changes in Internal Control over Financial Reporting

There were no changes made to the Company's internal control over financial reporting during the three months ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 13, "Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements for information regarding legal proceedings in which we are involved.

ITEM 1A. RISK FACTORS

The risk factors included in "Part I – Item 1A – Risk Factors" of the Part I of the 2021 Annual Report have not materially changed during the six months ended June 30, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not repurchase any shares of its common stock during the three months ended June 30, 2022.

ITEM 5. OTHER INFORMATION.

On July 26, 2022, the Company held its 2022 Annual Meeting of Stockholders (the "Annual Meeting"). There were 19,693,657 shares of common stock eligible to vote, of which 16,173,099 shares were represented in person (virtually) or by proxy at the Annual Meeting. The purpose of the Annual Meeting was to elect six directors, to ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the year ending December 31, 2022, and to approve, on an advisory basis, the compensation of the Company's named executive officers ("NEOs").

As reported in the tables below, six directors were elected to hold office until the next annual meeting and until their respective successors have been elected or appointed, Grant Thornton LLP was ratified as the Company's independent registered public accounting firm for the year ending December 31, 2022, and the compensation of the Company's NEOs was approved, on a non-binding advisory basis.

The results of the election of the directors; the ratification of the appointment of Grant Thornton LLP; and the advisory vote on the compensation of the Company's NEOs; were as follows:

	<u>Vote For</u>	<u>Vote Against</u>	<u>Abstentions</u>	<u>Broker Non-Votes</u>
Election of Directors				
Bobbie Byrne	9,885,219	2,722,023	13,949	3,551,908
Christine M. Courmoyer	9,722,969	2,884,274	13,948	3,551,908
Randy Hyun	9,878,515	2,728,562	14,114	3,551,908
Vincent D. Kelly	7,482,934	4,408,718	729,539	3,551,908
Brett Shockley	9,723,331	2,882,005	15,855	3,551,908
Todd Stein	7,552,491	4,340,717	727,983	3,551,908
Ratification of the Appointment of Grant Thornton LLP	15,975,900	175,962	21,237	—
Advisory Vote on the Approval of NEO Compensation	8,717,682	3,877,676	25,833	3,551,908

ITEM 6. EXHIBITS

The exhibits listed in the accompanying Exhibit Index below are filed or incorporated by reference as part of this report.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit/Appendix	Filing Date	
10.1†	First Amendment to Rights Agreement, dated as of June 15, 2022, between Spok Holdings, Inc. and Computershare Trust Company, N.A	8-K	001-32358	4.1	06/15/2022	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended					Filed
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended					Filed
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350					Furnished
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350					Furnished
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document*					Filed
101.SCH	Inline XBRL Taxonomy Extension Schema*					Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation*					Filed
101.DEF	Inline XBRL Taxonomy Extension Definition*					Filed
101.LAB	Inline XBRL Taxonomy Extension Labels*					Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation*					Filed
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document and included Exhibit 101)					Filed
*	The financial information contained in these XBRL documents is unaudited.					
†	Denotes a management contract or compensatory plan or arrangement.					

SIGNATURES

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

SPOK HOLDINGS, INC.

/s/ Michael W. Wallace

Name:

Michael W. Wallace

Title:

Chief Financial Officer

(Principal Financial Officer and duly authorized officer)

Dated: July 28, 2022

**CERTIFICATION PURSUANT TO RULE 13A-14(A) OR 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vincent D. Kelly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spok Holdings, 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(s) 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 fiscal 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(s) 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: July 28, 2022

/s/ Vincent D. Kelly

Vincent D. Kelly

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13A-14(A) OR 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael W. Wallace, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spok Holdings, 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(s) 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 fiscal 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(s) 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: July 28, 2022

/s/ Michael W. Wallace

Michael W. Wallace
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Spok Holdings, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2022

/s/ Vincent D. Kelly

Vincent D. Kelly

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Spok Holdings, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2022

/s/ Michael W. Wallace

Michael W. Wallace
Chief Financial Officer