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, 2023

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	**16-1694797**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5911 Kingstowne Village Pkwy, 6th Floor **Alexandria, Virginia**	**22315**
(Address of principal executive offices)	**(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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

19,967,895 shares of the registrant's common stock (par value $0.0001 per share) were outstanding as of July 21, 2023.

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, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,866	$ 35,754
Accounts receivable, net	25,467	26,861
Prepaid expenses	7,371	6,849
Other current assets	841	587
Total current assets	64,545	70,051
Non-current assets:		
Property and equipment, net	7,869	8,223
Operating lease right-of-use assets	12,713	13,876
Goodwill	99,175	99,175
Deferred income tax assets, net	48,992	52,398
Other non-current assets	630	754
Total non-current assets	169,379	174,426
Total assets	$ 233,924	$ 244,477
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,768	$ 5,880
Accrued compensation and benefits	8,528	11,628
Deferred revenue	23,984	27,255
Operating lease liabilities	4,693	5,096
Other current liabilities	5,352	4,573
Total current liabilities	49,325	54,432
Non-current liabilities:		
Asset retirement obligations	7,455	7,237
Operating lease liabilities	9,520	10,604
Other non-current liabilities	1,013	1,107
Total non-current liabilities	17,988	18,948
Total liabilities	67,313	73,380
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock	$ —	$ —
Common stock	2	2
Additional paid-in capital	100,612	99,908
Accumulated other comprehensive loss	(1,862)	(1,909)
Retained earnings	67,859	73,096
Total stockholders' equity	166,611	171,097
Total liabilities and stockholders' equity	$ 233,924	$ 244,477

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, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Revenue:				
Wireless revenue	$ 18,877	$ 18,700	$ 37,905	$ 37,547
Software revenue	17,586	15,010	31,738	29,988
Total revenue	36,463	33,710	69,643	67,535
Operating expenses:				
Cost of revenue (exclusive of items shown separately below)	6,727	6,980	13,263	14,784
Research and development	2,853	2,624	5,346	9,121
Technology operations	6,452	6,880	13,039	13,893
Selling and marketing	4,354	3,874	8,255	9,189
General and administrative	8,489	9,619	16,189	20,054
Depreciation and accretion	1,265	871	2,501	1,805
Severance and restructuring	108	450	118	4,945
Total operating expenses	30,248	31,298	58,711	73,791
Operating income (loss)	6,215	2,412	10,932	(6,256)
Interest income	354	170	626	237
Other (expense) income	(138)	25	(85)	12
Income (loss) before income taxes	6,431	2,607	11,473	(6,007)
(Provision for) benefit from income taxes	(1,698)	(683)	(3,623)	717
Net income (loss)	$ 4,733	$ 1,924	$ 7,850	$ (5,290)
Basic net income (loss) per common share	$ 0.24	$ 0.10	$ 0.39	$ (0.27)
Diluted net income (loss) per common share	$ 0.23	$ 0.10	$ 0.39	$ (0.27)
Basic weighted average common shares outstanding	19,957,786	19,693,659	19,927,782	19,645,680
Diluted weighted average common shares outstanding	20,255,248	19,807,430	20,266,914	19,645,680
Cash dividends declared per common share	$ 0.3125	$ 0.3125	$ 0.6250	$ 0.6250

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, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Net income (loss)	$ 4,733	$ 1,924	$ 7,850	$ (5,290)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	35	(229)	47	(204)
Other comprehensive income (loss)	35	(229)	47	(204)
Comprehensive income (loss)	$ 4,768	$ 1,695	$ 7,897	$ (5,494)

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, 2022	19,481,429	$ 2	$ 95,703	$ 77,005	$ 172,710
Net loss	—	—	—	(7,214)	(7,214)
Issuance of common stock for vested restricted stock units under the equity plans	346,604	—	—	—	—
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	19,693,679	$ 2	$ 95,634	$ 63,278	$ 158,914
Net income	—	—	—	1,924	1,924
Purchase of common stock for tax withholding	(22)	—	—	—	—
Amortization of stock-based compensation	—	—	961	—	961
Cash dividends declared	—	—	—	(6,357)	(6,357)
Cumulative translation adjustment	—	—	(229)	—	(229)
Balance, June 30, 2022	19,693,657	$ 2	$ 96,366	$ 58,845	$ 155,213

(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, 2023	19,703,800	$ 2	$ 97,999	$ 73,096	$ 171,097
Net income	—	—	—	3,117	3,117
Issuance of common stock for vested restricted stock units under the equity plans	382,568	—	—	—	—
Purchase of common stock for tax withholding and other	(144,516)	—	(1,245)	—	(1,245)
Amortization of stock-based compensation	—	—	936	—	936
Cash dividends declared	—	—	—	(6,549)	(6,549)
Cumulative translation adjustment	—	—	12	—	12
Balance, March 31, 2023	19,941,852	$ 2	$ 97,702	$ 69,664	$ 167,368
Net income	—	—	—	4,733	4,733
Amortization of stock-based compensation	—	—	923	—	923
Cash dividends declared	—	—	—	(6,538)	(6,538)
Issuance of restricted stock under the 2020 Equity Plan and other	20,210	—	90	—	90
Cumulative translation adjustment	—	—	35	—	35
Balance, June 30, 2023	19,962,062	$ 2	$ 98,750	$ 67,859	$ 166,611

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, 2023	2022
Operating activities:		
Net income (loss)	$ 7,850	$ (5,290)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and accretion	2,501	1,805
Deferred income tax expense (benefit)	3,602	(495)
Stock-based compensation	1,859	2,076
Provisions for credit losses, service credits and other	222	861
Changes in assets and liabilities:		
Accounts receivable	1,168	(576)
Prepaid expenses and other assets	(653)	(416)
Net operating lease liabilities	(324)	(109)
Accounts payable, accrued liabilities and other	(1,745)	(3,582)
Deferred revenue	(3,282)	(169)
Net cash provided by (used in) operating activities	11,198	(5,895)
Investing activities:		
Purchases of property and equipment	(1,815)	(1,192)
Purchase of short-term investments	—	(14,967)
Maturity of short-term investments	—	15,000
Net cash used in investing activities	(1,815)	(1,159)
Financing activities:		
Cash distributions to stockholders	(13,163)	(12,679)
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	90	—
Purchase of common stock for tax withholding on vested equity awards	(1,245)	(1,209)
Net cash used in financing activities	(14,318)	(13,888)
Effect of exchange rate on cash and cash equivalents	47	(204)
Net decrease in cash and cash equivalents	(4,888)	(21,146)
Cash and cash equivalents, beginning of period	35,754	44,583
Cash and cash equivalents, end of period	$ 30,866	$ 23,437
Supplemental disclosure:		
Income taxes paid	$ 253	$ 185

The accompanying notes are an integral part of these unaudited 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, with the exception of the revision to deferred revenue as discussed in more detail below.

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.

The financial information included herein, other than the Condensed Consolidated Balance Sheet as of December 31, 2022, is unaudited. The Condensed Consolidated Balance Sheet as of December 31, 2022, 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, 2022.

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, 2022 (the “2022 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.

Revision of Previously Issued Financial Statements

In connection with the preparation of its financial statements for the quarter ended June 30, 2023, the Company identified certain adjustments to correct an immaterial error related to the understatement of deferred revenue of approximately $1.0 million. These adjustments corrected an overstatement of our software revenue in 2018 stemming from non-recurring activity associated with the implementation of a new financial system in 2017. Based on our quantitative and qualitative analysis, we concluded that the adjustments were not material to any prior annual or interim periods. As such, we have revised the Consolidated Balance Sheets for the year ended December 31, 2022, relevant footnotes, and other financial information as applicable, included herein to reflect the reduction in opening retained earnings and a corresponding increase to deferred revenue.

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, 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 2022 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 not expected to have a material 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 2022 Annual Report.

NOTE 5 - RESTRUCTURING

In February 2022, the Company announced a new strategic business plan that included a restructuring of its business to discontinue 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 eliminated 176 positions, primarily in research and development, and also in professional services, selling and marketing, and back-office support functions.

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, related to the restructuring program, which are included within the Condensed Consolidated Statement of Operations. These costs are as follows:

(Dollars in thousands)	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 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, 2023 and 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
Balance at December 31, 2022	$ 2,208
Restructuring and other charges	—
Payments	(2,051)
Non-cash adjustment	(4)
Balance at March 31, 2023	$ 153
Restructuring and other charges	—
Payments	(148)
Non-cash adjustment	(5)
Balance at June 30, 2023	$ —

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 2022 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.

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 services, and maintenance 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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Revenue:				
Paging revenue	$ 18,271	$ 18,141	$ 36,796	$ 36,454
Product and other revenue	606	559	1,109	1,093
Wireless revenue	$ 18,877	$ 18,700	$ 37,905	$ 37,547
License	$ 3,692	$ 1,962	$ 5,310	$ 3,786
Professional services	3,837	3,331	7,076	6,667
Hardware	933	507	1,289	1,096
Operations revenue	8,462	5,800	13,675	11,549
Maintenance	9,124	9,210	18,063	18,439
Software revenue	$ 17,586	$ 15,010	$ 31,738	$ 29,988
Total revenue	$ 36,463	$ 33,710	$ 69,643	$ 67,535

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, 2023, and 2022. Revenue generated in the U.S. and internationally consisted of the following for the periods stated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**
United States	$ 35,649	$ 32,553	$ 67,860	$ 65,325
International	814	1,157	1,783	2,210
Total revenue	$ 36,463	$ 33,710	$ 69,643	$ 67,535

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, 2023, are as follows:

(Dollars in thousands)	December 31, 2022	Additions	Revenue Recognized	June 30, 2023
Deferred Revenue	$ 27,505	$ 27,624	$ (30,906)	$ 24,223

During the six months ended June 30, 2023, the Company recognized $18.1 million related to amounts deferred as of December 31, 2022.

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, 2023 are as follows:

(Dollars in thousands)	December 31, 2022	Additions	Commissions Recognized	June 30, 2023
Prepaid Commissions	$ 1,745	$ 2,271	$ (2,295)	$ 1,721

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, 2023, was $57.0 million. We expect to recognize approximately $40.9 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 23 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 a $2.9 million right-of-use asset and a corresponding operating lease liability for these leases.

In December 2022, we modified an office lease to reduce the leased space and optimize costs, which resulted in a reduction of $1.8 million in right-of-use assets and corresponding operating lease liabilities.

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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in thousands)	2023	2022	2023	2022
Operating lease cost	$ 1,171	$ 1,379	$ 2,351	$ 2,861
Short-term lease cost	2,262	2,448	4,539	5,081
Total lease cost	$ 3,433	$ 3,827	$ 6,890	$ 7,942

The following table presents supplemental cash flow information:

(Dollars in thousands)	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Cash paid for amounts included in the measurement of lease liabilities - operating leases	$ 2,661	$ 2,945

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

(Dollars in thousands)	June 30, 2023	June 30, 2022
Weighted average remaining lease term - operating leases (in years)	4.70	4.80
Weighted average discount rate - operating leases	4.86%	4.37%

Maturities of lease liabilities as of June 30, 2023, were as follows:

For the Year Ended December 31,	(Dollars in thousands)
2023 (remaining six months)	$ 2,473
2024	4,151
2025	3,158
2026	2,420
2027	1,206
Thereafter	2,505
Total future lease payments	15,913
Imputed interest	(1,700)
Total	$ 14,213

NOTE 8 - CONSOLIDATED FINANCIAL STATEMENT COMPONENTS

Depreciation and Accretion

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in thousands)	2023	2022	2023	2022
Depreciation				
Leasehold improvements	$ 14	$ 16	$ 27	$ 35
Asset retirement costs	64	(175)	130	(350)
Paging and computer equipment	967	800	1,905	1,650
Furniture, fixtures and vehicles	56	60	111	130
Total depreciation	1,101	701	2,173	1,465
Accretion	164	170	328	340
Total depreciation and accretion expense	$ 1,265	$ 871	$ 2,501	$ 1,805

Accounts Receivable, Net

Accounts receivable was recorded net of an allowance of $1.6 million at June 30, 2023, and $1.8 million at December 31, 2022. Accounts receivable, net includes $9.1 million and $5.9 million of unbilled receivables at June 30, 2023, and December 31, 2022, 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.

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, 2023	December 31, 2022
Leasehold improvements	shorter of useful life or lease term	$ 2,553	$ 2,497
Asset retirement costs	1-5	3,848	3,848
Paging and computer equipment	1-5	87,432	88,427
Furniture, fixtures and vehicles	3-5	3,174	3,289
Total property and equipment		97,007	98,061
Accumulated depreciation		(89,138)	(89,838)
Total property and equipment, net		$ 7,869	$ 8,223

NOTE 9 - GOODWILL

During the three months ended June 30, 2023, 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, 2022	$ 243	$ 7,237	$ 7,480
Accretion	(2)	330	328
Amounts paid	(132)	—	(132)
Reclassifications	112	(112)	—
Balance at June 30, 2023	$ 221	$ 7,455	$ 7,676

The short-term portion of the balance above is included within other current liabilities in the Condensed Consolidated Balance Sheets at June 30, 2023, and December 31, 2022.

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 $9.1 million. The total estimated liability is based on the transmitter locations remaining after we have consolidated the number of networks we operate and assuming 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, 2023, and December 31, 2022, we had no stock options outstanding.

At June 30, 2023, and December 31, 2022, there were 19,962,062 and 19,703,800 shares of common stock outstanding, respectively, and no shares of preferred stock outstanding.

Dividends

Cash distributions to stockholders, as disclosed in the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023, and 2022, 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 2023 through the date hereof:

Declaration Date	Record Date	Payment Date	Per Share Amount	(Dollars in thousands) Total Declared[1]
February 22, 2023	March 16, 2023	March 30, 2023	$ 0.3125	$ 6,549
May 3, 2023	May 25, 2023	June 23, 2023	0.3125	6,538
Total			$ 0.6250	$ 13,087

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

On July 26, 2023, 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, 2023, and a payment date of September 8, 2023. 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, 2023, we did not repurchase any common stock.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed on the basis of the weighted average common shares outstanding. Diluted net income (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 income (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, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Numerator:				
Net income (loss)	$ 4,733	$ 1,924	$ 7,850	$ (5,290)
Denominator:				
Basic weighted average common shares outstanding	19,957,786	19,693,659	19,927,782	19,645,680
Diluted weighted average common shares outstanding	20,255,248	19,807,430	20,266,914	19,645,680
Basic net income (loss) per common share	$ 0.24	$ 0.10	$ 0.39	$ (0.27)
Diluted net income (loss) per common share	$ 0.23	$ 0.10	$ 0.39	$ (0.27)

For the three and six months ended June 30, 2023, and 2022 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, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Restricted stock units	—	—	—	277,381

Stock-Based Compensation Plans

On April 29, 2020, our Board of Directors adopted the Spok Holdings, Inc. 2020 Equity Incentive Award Plan (the “2020 Equity Plan”) 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, On July 25, 2023, our Board of Directors and our stockholders approved an amendment and restatement of 2020 Equity Plan to increase the number of shares available for issuance by 1,000,000 shares. At July 25, 2023, a total of 1,268,444 shares of common stock had been reserved for issuance under the equity plans.

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.

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.

The following table summarizes the activities under the Equity Plans from January 1, 2023, through June 30, 2023:

	Activity
Total equity securities available at January 1, 2023	683,052
RSU, DSU, and restricted stock awarded to eligible employees, net of forfeitures	(408,775)
Total equity securities available at June 30, 2023	274,277

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, 2023:

	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2023	1,015,749	$ 10.25
Granted	452,978	8.30
Vested	(373,103)	11.21
Forfeited	(44,203)	10.91
Unvested at June 30, 2023	1,051,421	$ 9.04

Of the 1,051,421 unvested RSUs, DSUs and restricted stock outstanding at June 30, 2023, 540,058 RSUs include contingent performance requirements for vesting purposes. At June 30, 2023, there was $4.4 million of unrecognized net compensation cost related to RSUs and restricted stock, which is expected to be recognized over a weighted average period of 1.8 years.

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 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, 2023, 12,558 shares of the Company's stock were purchased, as compared to no share purchases during the same period in 2022. The following table summarizes the activities under the ESPP from January 1, 2023, through June 30, 2023:

	Activity
Total ESPP equity securities available at January 1, 2023	133,184
ESPP common stock purchased by eligible employees	(12,558)
Total ESPP securities available at June 30, 2023	120,626

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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in thousands)	2023	2022	2023	2022
Performance-based RSUs	$ 373	$ 383	$ 754	$ 843
Time-based RSUs, DSUs and restricted stock	535	578	1,077	1,233
ESPP	15	—	28	—
Total stock-based compensation	$ 923	$ 961	$ 1,859	$ 2,076

NOTE 12 - INCOME TAXES

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 2023, 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.

We had total net deferred income tax assets ("DTAs") of $49.0 million and $52.4 million as of June 30, 2023, and December 31, 2022, respectively. We had a valuation allowance of $2.3 million as of June 30, 2023, and December 31, 2022.

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.

The Company maintains a valuation allowance related to Federal Foreign Tax Credits and certain net operating losses and state tax credits, as we do not believe current projections of future taxable income will be sufficient to utilize those tax assets prior to expiration.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

There have been no material changes during the six months ended June 30, 2023, to the commitments and contingencies previously reported in the 2022 Annual Report.

NOTE 14 - RELATED PARTIES

A member of our Board of Directors, who was appointed at the beginning of 2020, serves as EVP and Chief Information Officer for an entity that is also a customer of the Company. For both the three months ended June 30, 2023 and 2022, we recognized revenues of $0.1 million and $0.2 million, respectively, related to contracts from the entity at which the individual is employed. For the six months ended June 30, 2023 and 2022, we recognized revenues of $0.3 million, 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, 2022 ("2022 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 2022 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 2022 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 2022 Annual Report, which describe our business in further detail.

Strategic Business Plan

In February 2022, our Board of Directors announced a new strategic business plan that included a restructuring of our business to discontinue Spok Go and eliminate all associated costs and optimize the Company's existing structure to drive continued cost improvement. The strategic business plan included a renewed focus on our existing and established business, including the Spok Care Connect Suite and our wireless service offerings. These restructuring efforts were completed during the fourth quarter of 2022. As a result of the implementation of the plan, we eliminated 176 positions, primarily in research and development, and also in professional services, selling and marketing, and back-office support functions. These actions allowed us to better align costs and, as a result, return capital to stockholders in the form of increased quarterly dividends of $0.3125 per share starting in 2022. We will continue to focus on optimizing costs to allow us to prioritize cash flow generation and the return of capital to stockholders.

Further details can be found in Note 5 "Restructuring" in the Notes to Condensed Consolidated Financial Statements.

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, 2023, and 2022:

(Dollars in thousands)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	Change Total	Change %	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	Change Total	Change %
Revenue:								
Wireless revenue	$ 18,877	$ 18,700	$ 177	0.9 %	$ 37,905	$ 37,547	$ 358	1.0 %
Software revenue	17,586	15,010	2,576	17.2 %	31,738	29,988	1,750	5.8 %
Total revenue	36,463	33,710	2,753	8.2 %	69,643	67,535	2,108	3.1 %
Operating expenses:								
Cost of revenue (exclusive of items shown separately below)	6,727	6,980	(253)	(3.6)%	13,263	14,784	(1,521)	(10.3)%
Research and development	2,853	2,624	229	8.7 %	5,346	9,121	(3,775)	(41.4)%
Technology operations	6,452	6,880	(428)	(6.2)%	13,039	13,893	(854)	(6.1)%
Selling and marketing	4,354	3,874	480	12.4 %	8,255	9,189	(934)	(10.2)%
General and administrative	8,489	9,619	(1,130)	(11.7)%	16,189	20,054	(3,865)	(19.3)%
Depreciation and accretion	1,265	871	394	45.2 %	2,501	1,805	696	38.6 %
Severance and restructuring	108	450	(342)	(76.0)%	118	4,945	(4,827)	(97.6)%
Total operating expenses	30,248	31,298	(1,050)	(3.4)%	58,711	73,791	(15,080)	(20.4)%
Operating income (loss)	6,215	2,412	3,803	157.7 %	10,932	(6,256)	17,188	274.7 %
Interest income	354	170	184	108.2 %	626	237	389	164.1 %
Other (expense) income	(138)	25	(163)	(652.0)%	(85)	12	(97)	(808.3)%
Income (loss) before income taxes	6,431	2,607	3,824	146.7 %	11,473	(6,007)	17,480	(291.0)%
(Provision for) benefit from income taxes	(1,698)	(683)	(1,015)	148.6 %	(3,623)	717	(4,340)	(605.3)%
Net income (loss)	$ 4,733	$ 1,924	$ 2,809	146.0 %	$ 7,850	$ (5,290)	$ 13,140	248.4 %
Supplemental Information								
Full-Time Equivalent ("FTE") Employees	382	401	(19)	(4.7)%				
Active transmitters	3,278	3,374	(96)	(2.8)%				

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:

	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
(Dollars in thousands)	**2023**	**2022**	**Total**	**%**	**2023**	**2022**	**Total**	**%**
Revenue - wireless:								
Paging revenue	$ 18,271	$ 18,141	$ 130	0.7 %	$ 36,796	$ 36,454	$ 342	0.9 %
Product and other revenue	606	559	47	8.4 %	1,109	1,093	16	1.5 %
Total wireless revenue	18,877	18,700	177	0.9 %	37,905	37,547	358	1.0 %
Revenue - software:								
License	3,692	1,962	1,730	88.2 %	5,310	3,786	1,524	40.3 %
Professional services	3,837	3,331	506	15.2 %	7,076	6,667	409	6.1 %
Hardware	933	507	426	84.0 %	1,289	1,096	193	17.6 %
Operations revenue	8,462	5,800	2,662	45.9 %	13,675	11,549	2,126	18.4 %
Maintenance revenue	9,124	9,210	(86)	(0.9)%	18,063	18,439	(376)	(2.0)%
Total software revenue	17,586	15,010	2,576	17.2 %	31,738	29,988	1,750	5.8 %
Total revenue	$ 36,463	$ 33,710	$ 2,753	8.2 %	$ 69,643	$ 67,535	$ 2,108	3.1 %

Wireless Revenue

The increase in wireless revenue for the three and six months ended June 30, 2023, compared to the same periods in 2022, reflects the nominal increase in the standard rate, as a result of price increases initiated in the latter part of 2022, and general increases in Universal Service Fees ("USF"), offset by 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 $7.53 and $7.23 for the three months ended June 30, 2023 and 2022, respectively. Total units in service were 0.8 million as of both June 30, 2023, and 2022. The increase in ARPU was primarily driven by nominal increases in the standard rate, as a result of price increases initiated in late third quarter of 2022 as well as increases in USF, which are effectively pass-through items that have corresponding costs associated with them. Excluding the pass-through items, ARPU increased by $0.16 as compared to the second quarter of 2022, primarily driven by price increases initiated in the latter part of 2022, as part of our effort to offset rising costs and maximize cash generation.

We believe that demand for wireless services will continue to decline for the foreseeable future in line with recent 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:

	For the Three Months Ended June 30,			Change Due To:	
(in thousands)	**2023**	**2022**	**Change**	**ARPU**	**Units**
Paging revenue	$ 18,271	$ 18,141	$ 130	$ 736	$ (606)

	For the Six Months Ended June 30,			Change Due To:	
(in thousands)	**2023**	**2022**	**Change**	**ARPU**	**Units**
Paging revenue	$ 36,796	$ 36,454	$ 342	$ 1,634	$ (1,292)

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. These service offerings, along with the nominal increases in the standard rate, are designed to mitigate the decline in our wireless revenue. We will continue to explore ways to innovate and provide customers with 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 the 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 increased during the three and six months ended June 30, 2023, when compared to the same periods in 2022. This increase in revenue was primarily due to license, professional services and equipment revenue. License and equipment revenue increases were driven by higher bookings as compared to the same periods in 2022. Professional services revenue increased primarily as a result of improvements in resource utilization, despite having fewer billable resources.

Maintenance Revenue

Compared to the same periods in 2022, maintenance revenue decreased for the three and six months ended June 30, 2023. 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.

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 down slightly until such time that we are able to enhance our existing software solutions, which would provide an avenue to reduce levels of gross churn and result in 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, 2023, and 2022. 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:

	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
(Dollars in thousands)	2023	2022	Total	%	2023	2022	Total	%
Payroll and related	$ 3,862	$ 4,422	$ (560)	(12.7)%	$ 7,842	$ 9,532	$ (1,690)	(17.7)%
Cost of sales	1,541	1,462	79	5.4 %	2,746	3,019	(273)	(9.0)%
Recoverable taxes and fees	905	677	228	33.7 %	1,876	1,389	487	35.1 %
Stock-based compensation	57	96	(39)	(40.6)%	133	205	(72)	(35.1)%
Other	362	323	39	12.1 %	666	639	27	4.2 %
Total cost of revenue	$ 6,727	$ 6,980	$ (253)	(3.6)%	$ 13,263	$ 14,784	$ (1,521)	(10.3)%
FTE Employees	132	148	(16)	(10.8)%				

For the three and six months ended June 30, 2023, cost of revenue decreased compared to the same periods in 2022, primarily driven by decreases in payroll and partially offset by an increase in recoverable taxes and fees.

The decrease in payroll and related expenses is attributable to the restructuring activities and the related elimination of positions. Recoverable taxes and fees increased due to the rate change for USF fees, as established by the Federal Communications Commission on a quarterly basis. These fees are passed through to our wireless customer base and have a corresponding revenue impact.

Research and Development

Research and development expenses consisted of the following items:

	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
(Dollars in thousands)	2023	2022	Total	%	2023	2022	Total	%
Payroll and related	$ 1,586	$ 1,741	$ (155)	(8.9)%	$ 3,127	$ 6,046	$ (2,919)	(48.3)%
Outside services	1,180	735	445	60.5 %	2,026	2,634	(608)	(23.1)%
Stock-based compensation	30	32	(2)	(6.3)%	57	162	(105)	(64.8)%
Other	57	116	(59)	(50.9)%	136	279	(143)	(51.3)%
Total research and development	$ 2,853	$ 2,624	$ 229	8.7 %	$ 5,346	$ 9,121	$ (3,775)	(41.4)%
FTE Employees	40	35	5	14.3 %				

For the three months ended June 30, 2023, research and development expenses increased compared to the same periods in 2022, primarily driven by an increase in outside services related to the targeted specific enhancements of our software solutions. For the six months ended June 30, 2023, research and development expenses decreased compared to the same periods in 2022, driven by the decision to discontinue Spok Go in February 2022 and the resulting elimination of positions and associated outside services.

Technology Operations

Technology operations expenses consisted primarily of the following items:

(Dollars in thousands)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	Change Total	Change %	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	Change Total	Change %
Payroll and related	$ 2,247	$ 2,389	$ (142)	(5.9)%	$ 4,586	$ 4,898	$ (312)	(6.4)%
Site rent	2,856	3,003	(147)	(4.9)%	5,737	6,070	(333)	(5.5)%
Telecommunications	708	741	(33)	(4.5)%	1,415	1,512	(97)	(6.4)%
Stock-based compensation	40	54	(14)	(25.9)%	95	109	(14)	(12.8)%
Other	601	693	(92)	(13.3)%	1,206	1,304	(98)	(7.5)%
Technology Operations	$ 6,452	$ 6,880	$ (428)	(6.2)%	$ 13,039	$ 13,893	$ (854)	(6.1)%
FTE Employees	71	78	(7)	(9.0)%				

For the three and six months ended June 30, 2023, technology operations expenses decreased compared to the same periods in 2022, primarily due to a reduction in payroll and related expenses attributable to the restructuring activities and the related elimination of positions. In addition, as a result of our network rationalization efforts, site rent and telecommunications costs decreased in response to a 2.8% decline in active transmitters from June 30, 2022, to June 30, 2023. 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.

Selling and Marketing

Selling and marketing expenses consisted of the following items:

(Dollars in thousands)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	Change Total	Change %	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	Change Total	Change %
Payroll and related	$ 2,470	$ 2,382	$ 88	3.7 %	$ 4,919	$ 5,850	$ (931)	(15.9)%
Commissions	1,496	1,047	449	42.9 %	2,295	2,071	224	10.8 %
Stock-based compensation	92	93	(1)	(1.1)%	186	172	14	8.1 %
Advertising and events	271	293	(22)	(7.5)%	502	861	(359)	(41.7)%
Other	25	59	(34)	(57.6)%	353	235	118	50.2 %
Total selling and marketing	$ 4,354	$ 3,874	$ 480	12.4 %	$ 8,255	$ 9,189	$ (934)	(10.2)%
FTE Employees	68	63	5	7.9 %				

For the three months ended June 30, 2023 selling and marketing expenses increased compared to the same period in 2022, driven primarily by increases in commissions related to greater revenue. For the six months ended June 30, 2022, selling and marketing expenses decreased compared to the same period in 2022, driven primarily by decreases in payroll and related expenses and advertising and events, partially offset by an increase in commissions related to greater revenue.

Payroll and related expenses declined for the six months ended June 30, 2023, largely due to restructuring activities and the related elimination of positions announced in February 2022.

The decrease in advertising and events expenses for the six months ended June 30, 2023, largely reflects changes in timing of trade show participation as compared to the same period in 2022. Nationwide travel and in-person participation in larger marketing events has increased but continues to remain below pre-pandemic levels.

General and Administrative

General and administrative expenses consisted of the following items:

	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
(Dollars in thousands)	2023	2022	Total	%	2023	2022	Total	%
Payroll and related	$ 3,555	$ 3,657	$ (102)	(2.8)%	$ 6,821	$ 7,708	$ (887)	(11.5)%
Stock-based compensation	704	686	18	2.6 %	1,388	1,428	(40)	(2.8)%
Facility rent, office and technology costs	1,910	2,321	(411)	(17.7)%	3,758	5,001	(1,243)	(24.9)%
Outside services	1,143	1,770	(627)	(35.4)%	2,146	3,670	(1,524)	(41.5)%
Taxes, licenses and permits	277	254	23	9.1 %	539	519	20	3.9 %
Bad debt	31	170	(139)	(81.8)%	(104)	156	(260)	(166.7)%
Other	869	761	108	14.2 %	1,641	1,572	69	4.4 %
Total general and administrative	$ 8,489	$ 9,619	$ (1,130)	(11.7)%	$ 16,189	$ 20,054	$ (3,865)	(19.3)%
FTE Employees	71	77	(6)	(7.8)%				

For the three and six months ended June 30, 2023, general and administrative expenses decreased compared to the same period in 2022, driven primarily by decreases in outside services, facility rent, office and technology costs and payroll and related expenses.

Outside services decreased as a result of lower legal and other professional services for the three and six months ended June 30, 2023.

For the three and six months ended June 30, 2023 the decrease in facility rent, office and technology costs was primarily due to a reduction in office space.

Depreciation, Amortization and Accretion

For the three months ended June 30, 2023, and 2022, depreciation, amortization and accretion expenses were $1.3 million and $0.9 million, respectively. For the six months ended June 30, 2023, and 2022, depreciation, amortization and accretion expenses were $2.5 million and $1.8 million, respectively. These expenses increased for the three and six months ended June 30, 2023, compared to the same periods in 2022, primarily due to increases in asset retirement cost and pager depreciation.

Severance and Restructuring

For the three and six months ended June 30, 2022, we incurred severance and restructuring expenses of $0.5 million and $4.9 million related to the restructuring program announced in February 2022. No severance and restructuring expenses related to the February 2022 restructuring plan were incurred for the three and six months ended June 30, 2023 as the restructuring program culminated in the fourth quarter of 2022.

Income Taxes

Provision for income taxes was $1.7 million and $0.7 million for the three months ended June 30, 2023 and 2022, respectively. (Provision for) benefit from income taxes was $(3.6) million and $0.7 million for the six months ended June 30, 2023 and 2022, respectively. (Provision for) benefit from income taxes changed for the three and six months ended June 30, 2023 compared to the same periods in 2022 primarily due to the generation of pre-tax book income as compared to a pre-tax book loss, along with the effect of the anticipated annual effective tax rate change resulting from 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, 2023, we held cash and cash equivalents of $30.9 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. The Company maintains a majority of its cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and the majority of our deposits at these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business, financial condition and results of operations.

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 at 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.

With the successful completion of the restructuring plan and our ongoing efforts to stabilize revenue and optimize costs, we anticipate future operating periods will return to positive cash flow generation.

In July 2023, we made a one-time payment to eligible employees of $3.2 million related to the balance of previously accrued paid time off (included in accrued compensation and benefits within the Condensed Consolidated Balance Sheet). In continuation of the Company's strategic business efforts, which place an emphasis on cash flow generation, we implemented a flexible time off policy in 2023. This policy replaced the historical paid time off policy which provided for the accrual of unused paid time off and led to cash expenditures for remaining balances at the time of employee departures. On average, we estimate this change will save approximately $0.4 million to $0.6 million in cost on an annual basis. Additionally, this policy change provides employees and the Company with greater flexibility in managing its operations and has been received in a positive light by the employee base since its inception earlier this year.

Cash Flows Overview

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, 2023, 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:

	Six Months Ended June 30,		
(Dollars in thousands)	**2023**	**2022**	**Change**
Net cash provided by (used in) operating activities	$ 11,198	$ (5,895)	$ 17,093
Net cash used in investing activities	(1,815)	(1,159)	(656)
Net cash used in financing activities	(14,318)	(13,888)	(430)

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, 2023, net cash provided by operating activities was $11.2 million primarily due to the net income of $7.9 million, changes in accounts receivable of $1.2 million depreciation, amortization and accretion of $2.5 million, changes in deferred income tax expense of $3.6 million and stock-based compensation of $1.9 million. This was partially offset by changes in accounts payable, accrued liabilities and other of $1.7 million and deferred revenue of $3.3 million.

For the six months ended June 30, 2022, net cash used in operating activities was $5.9 million primarily due to a 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 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.

Investing Activities

For the six months ended June 30, 2023 and 2022, net cash used in investing activities was $1.8 million and $1.2 million, respectively. Net cash used in investing activities reflects purchases of property and equipment, as well as, for the six months ended June 30, 2022, the purchase and maturity of short-term investments.

Financing Activities

For the six months ended June 30, 2023, and 2022, net cash used in financing activities was $14.3 million and $13.9 million, respectively, primarily due to cash distributions to stockholders and the purchase of common stock for tax withholding purposes on vested equity awards.

On July 26, 2023, 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, 2023, and a payment date of September 8, 2023. This cash dividend of approximately $6.2 million, applicable to our common stock outstanding, will be paid from available cash on hand.

<u>Commitments and Contingencies</u>

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.

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 may have arisen if we had engaged in such relationships.

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, 2023:

	Payments Due by Period				
(Dollars in thousands)	**Total**	**1 year or Less**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Operating lease obligations	$ 16,452	$ 2,809	$ 7,512	$ 3,626	$ 2,505
Unconditional purchase obligations	3,510	2,395	1,113	2	—
Total contractual obligations	$ 19,962	$ 5,204	$ 8,625	$ 3,628	$ 2,505

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 2022 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, 2023, 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*

<u>Evaluation of Disclosure Controls and Procedures</u>

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, 2023.

<u>Changes in Internal Control over Financial Reporting</u>

There were no changes made to the Company’s internal control over financial reporting during the three months ended June 30, 2023, 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 “Item 1A – Risk Factors” of Part I of the 2022 Annual Report have not materially changed during the six months ended June 30, 2023.

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, 2023.

ITEM 5. *OTHER INFORMATION*.

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

2023 Annual Meeting Results

On July 25, 2023, the Company held its 2023 Annual Meeting of Stockholders (the "Annual Meeting"). There were 19,949,504 shares of common stock eligible to vote, of which 15,828,858 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, 2023, and to approve, on an advisory basis, the compensation of the Company's named executive officers ("NEOs") to hold an non-binding advisory vote on the frequency of future advisory votes to approve NEO compensation and to approve the amendment and restatement of the Company's 2020 Equity Incentive Award Plan.

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, 2023, and the compensation of the Company's NEOs was approved, on a non-binding advisory basis, "1 year" was selected as the recommended frequency of future advisory votes to approve NEO compensation, and the amendment and restatement of the Company's 2020 Equity Incentive Award Plan was approved.

Based on the results of the frequency vote, and consistent with the previously approved recommendation of the Company's Board of Directors, the Company has determined to hold an advisory vote to approve executive compensation every year until the next advisory vote on frequency.

The voting results for the items acted upon at the Annual Meeting were as follows:

	Vote For	Vote Against	Abstentions	Broker Non-Votes
Election of Directors				
Bobbie Byrne	9,539,188	1,258,784	15,868	5,015,018
Christine M. Cournoyer	9,114,142	1,658,466	41,232	5,015,018
Randy Hyun	9,620,680	1,155,768	37,392	5,015,018
Vincent D. Kelly	9,636,564	1,159,456	17,820	5,015,018
Brett Shockley	9,519,453	1,276,609	17,778	5,015,018
Todd Stein	9,609,819	1,187,842	16,179	5,015,018
Ratification of the Appointment of Grant Thornton LLP	15,535,856	243,981	49,021	—
Advisory Vote to Approve NEO Compensation	10,161,007	552,647	100,186	5,015,018
Approval of the Amendment and Restatement of the Company's 2020 Equity Incentive Award Plan	9,910,983	764,750	138,107	5,015,018

	Votes for Every Year	Votes for 2 Years	Votes for 3 Years	Abstentions	Broker Non-Votes
Advisory Vote on the Frequency of Future Advisory Votes to Approve NEO Compensation	9,717,114	89,051	977,704	29,971	5,015,018

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

		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit/Appendix**	**Filing Date**	**Filed/Furnished Herewith**
10.1†	Spok Holdings, Inc. Amended and Restated 2020 Equity Incentive Award Plan	DEF 14A	001-32358	A	04/28/2023	
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 (formatted as iXBRL and contained in 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.

Dated: July 27, 2023

/s/ Calvin C. Rice

Name: Calvin C. Rice

Title: Chief Financial Officer

(Principal Financial Officer and duly authorized officer)

Exhibit 31.1

**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 27, 2023

/s/ Vincent D. Kelly
Vincent D. Kelly
President and Chief Executive Officer

Exhibit 31.2

**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, Calvin C. Rice, 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 27, 2023

/s/ Calvin C. Rice

Calvin C. Rice
Chief Financial Officer

Exhibit 32.1

**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, 2023 (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 27, 2023

Vincent D. Kelly
President and Chief Executive Officer

Exhibit 32.2

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, 2023 (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 27, 2023

/s/ Calvin C. Rice

Calvin C. Rice
Chief Financial Officer