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, 2018

☐ **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.)**
6850 Versar Center, Suite 420 **Springfield, Virginia**	**22151-4148**
(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 Securities Act. ☐

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

19,458,125 shares of the registrant's common stock ($0.0001 par value per share) were outstanding as of July 20, 2018.

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, 2018	December 31, 2017
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 94,068	$ 107,157
Accounts receivable, net	35,574	32,279
Prepaid expenses and other	7,050	5,752
Inventory	1,505	1,672
Total current assets	138,197	146,860
Non-current assets:		
Property and equipment, net	13,035	13,399
Goodwill	133,031	133,031
Intangible assets, net	6,667	7,917
Deferred income tax assets	46,344	47,679
Other non-current assets	1,431	1,675
Total non-current assets	200,508	203,701
Total assets	$ 338,705	$ 350,561
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 310	$ 1,305
Accrued compensation and benefits	9,261	11,018
Accrued taxes	2,055	2,547
Deferred revenue	32,449	31,414
Other current liabilities	4,010	4,610
Total current liabilities	48,085	50,894
Non-current liabilities:		
Deferred revenue	961	1,063
Other non-current liabilities	8,393	8,075
Total non-current liabilities	9,354	9,138
Total liabilities	57,439	60,032
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock	$ —	$ —
Common stock	2	2
Additional paid-in capital	92,102	99,819
Accumulated other comprehensive loss	(1,850)	(1,088)
Retained earnings	191,012	191,796
Total stockholders' equity	281,266	290,529
Total liabilities and stockholders' equity	$ 338,705	$ 350,561

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

SPOK HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited and in thousands except share and per share amounts)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Revenue:				
Wireless	$ 23,658	$ 25,639	$ 47,927	$ 51,499
Software	16,970	16,686	35,815	32,270
Total revenue	40,628	42,325	83,742	83,769
Operating expenses:				
Cost of revenue	7,400	7,190	15,133	14,226
Research and development	6,177	4,662	11,912	8,767
Service, rental and maintenance	7,698	7,944	15,448	16,010
Selling and marketing	6,093	5,329	12,562	11,251
General and administrative	12,741	11,939	24,704	23,649
Depreciation, amortization and accretion	2,669	2,851	5,382	6,074
Total operating expenses	42,778	39,915	85,141	79,977
Operating (loss) income	(2,150)	2,410	(1,399)	3,792
Interest income	342	154	625	276
Other income	102	89	54	58
(Loss) income before income taxes	(1,706)	2,653	(720)	4,126
Benefit from (provision for) income taxes	730	(1,155)	255	(1,774)
Net (loss) income	$ (976)	$ 1,498	$ (465)	$ 2,352
Basic net (loss) income per common share	$ (0.05)	$ 0.07	$ (0.02)	$ 0.12
Diluted net (loss) income per common share	$ (0.05)	$ 0.07	$ (0.02)	$ 0.11
Basic weighted average common shares outstanding	19,750,941	20,353,801	19,888,606	20,441,781
Diluted weighted average common shares outstanding	19,750,941	20,366,102	19,888,606	20,508,473
Cash dividends declared per common share	$ 0.125	$ 0.125	$ 0.250	$ 0.250

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

SPOK HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
(Unaudited and in thousands)				
Net (loss) income	$ (976)	$ 1,498	$ (465)	$ 2,352
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(342)	82	(598)	86
Other comprehensive (loss) income	(342)	82	(598)	86
Comprehensive (loss) income	$ (1,318)	$ 1,580	$ (1,063)	$ 2,438

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

SPOK HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Six Months Ended June 30,	
(Unaudited and in thousands)	**2018**	**2017**
Cash flows provided by operating activities:		
Net (loss) income	$ (465)	$ 2,352
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	5,382	6,074
Deferred income tax (benefit) expense	(472)	1,069
Stock based compensation	2,501	1,953
Provision for doubtful accounts, service credits and other	1,016	458
Adjustment of non-cash transaction taxes	(104)	(700)
Changes in assets and liabilities:		
Accounts receivable	(2,986)	(1,242)
Prepaid expenses, inventory, and other assets	(277)	(2,684)
Accounts payable, accrued liabilities and other	(3,394)	(3,261)
Deferred revenue	5,191	2,561
Net cash provided by operating activities	6,392	6,580
Cash flows used in investing activities:		
Purchase of property and equipment	(3,464)	(5,198)
Net cash used in investing activities	(3,464)	(5,198)
Cash flows used in financing activities:		
Cash distributions to stockholders	(5,201)	(10,239)
Purchase of common stock for tax withholding on vested equity awards	(894)	—
Purchase of common stock (including commissions)	(9,467)	(10,024)
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	143	130
Net cash used in financing activities	(15,419)	(20,133)
Effect of exchange rate on cash	(598)	86
Net decrease in cash and cash equivalents	(13,089)	(18,665)
Cash and cash equivalents, beginning of period	107,157	125,816
Cash and cash equivalents, end of period	$ 94,068	$ 107,151
Supplemental disclosure:		
Income taxes paid	$ 457	$ 1,964

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 the global leader in healthcare communications. We deliver clinical information to care teams when and where it matters most to improve patient outcomes. Many hospitals rely on the Spok Care Connect platform to enhance workflows for clinicians, support administrative compliance, and provide a better experience for patients. Our customers send over 100 million messages each month through their Spok solutions.

We offer a focused suite of unified critical communication solutions that include call center operations, 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, mobile devices and personal computers. We also offer voice mail, personalized greeting, 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 mission critical 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. These products and services are commonly referred to as software solutions and services.

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 a fair presentation of the results of all interim periods reported herein and all such adjustments are of a normal, recurring nature. As a result of the adoption of Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, and our application of the modified retrospective approach, prior period amounts have not been restated under ASC 606.

Amounts shown on the Condensed Consolidated Statement of Operations within the operating expense categories of Cost of revenue; Research and development; Service, rental and maintenance; Selling and marketing; and General and administrative are recorded exclusive of depreciation, amortization and accretion.

The financial information included herein, other than the Condensed Consolidated Balance Sheet as of December 31, 2017, is unaudited. The Condensed Consolidated Balance Sheet at December 31, 2017 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, 2017.

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, 2017 (the “2017 Annual Report”). The Condensed Consolidated Statement of Operations for the interim periods presented are not necessarily indicative of the results that may be expected for a full year.

Certain prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the reported results of operations or the statement of financial position. In the first quarter of 2018, the Company reclassified ($1.5) million from additional paid-in capital to accumulated other comprehensive income. Corresponding reclassifications of ($1.1) million were made to the Condensed Consolidated Balance Sheets for the year ended December 31, 2017.

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 on-going basis, we evaluate estimates and assumptions, including, but not limited to, those related to the impairment of long-lived assets; intangible assets subject to amortization and goodwill; accounts receivable allowances; revenue recognition; determining standalone selling price ("SSP") of performance obligations; variable consideration; depreciation expense; asset retirement obligations; severance 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 2017 Annual Report, which describe key risks associated with our operations and industry.

NOTE 3 - RECENT AND PENDING ACCOUNTING STANDARDS

Recently Adopted

Revenue **-** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 creates a five-step model that requires companies to exercise judgment when considering all relevant facts and circumstances in the determination of when and how revenue is recognized and requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. On January 1, 2018, we adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. As a result, our beginning retained earnings as of January 1, 2018 was $6.4 million greater than what was reported at December 31, 2017. This was due to a $4.2 million decrease in deferred revenue, a $0.2 million decrease in accumulated other comprehensive income related to translation adjustments, an increase in unbilled receivables of $1.3 million and an increase of $0.7 million in deferred commissions that resulted from the adoption of ASC 606. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605. For additional details refer to Note 4, "Significant Accounting Policies Update" and Note 5, "Revenues."

Pending Adoption

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right of use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either financing or operating with the classification affecting the pattern of expense recognition in the Condensed Consolidated Statement of Operations.

ASU No. 2016-02 will be effective beginning on January 1, 2019, including interim periods within that fiscal year, and while early adoption is permitted, we have elected not to early adopt. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the Condensed Consolidated Financial Statements, with certain practical expedients available. While we are still evaluating the impact of the potential new standard on our consolidated Financial Statements, we expect that upon adoption we will recognize ROU assets and lease liabilities and that the amounts could be material. We do not anticipate a material change in how our lease expense is recognized in future Consolidated Statements of Operations as a result of the adoption of ASU No. 2016-02.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES UPDATE

Our significant accounting policies are detailed in Note 1 "Organization and Significant Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2017. Significant changes to our accounting policies as a result of adopting ASC 606 are discussed below.

Revenue Recognition - Adoption of ASC 606 "Revenue from Contracts with Customers"

The majority of our revenues are derived from short-term contracts related to the sale of wireless paging services and software solutions. Our arrangements exist primarily with customers in the healthcare market and to a lesser extent State and Federal governments, as well as large enterprise businesses.

Under the typical payment terms of our software contracts customers will normally pay a material amount of the contract price immediately upon execution of the contract. The remaining payments are required when product is delivered, when services begin and, to a lesser extent, when services are completed. Wireless services are generally billed as incurred on a monthly basis. Our contracts will generally result in billings in excess of revenue recognized, which we present as deferred revenues on the Condensed Consolidated Balance Sheets, primarily due to the receipt of payment in advance of product or services being provided. Amounts billed and due from our customers are classified as receivables on the Condensed Consolidated Balance Sheets. At times, we may have contracts which require us to perform work or provide products prior to billing which will generally result in revenue recognized in excess of billings. This excess is presented as unbilled receivables in the Notes to the Condensed Consolidated Balance Sheets. We generally do not have transactions that include a significant financing component (whether payments are made in advance or in arrears) as our contracts typically take less than 12 months to complete once started. We would not adjust the total consideration for the effects of a significant financing component if we anticipate, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

We account for a contract when: (1) both parties have approved the contract through mutually signed agreements but at times may be done through other methods such as purchase orders or master agreements; (2) the rights of the parties have been identified; (3) payment terms have been identified; (4) the contract has commercial substance; and (5) collectability of consideration is probable. We also evaluate whether two or more contracts should be combined and accounted for as a single contract. In our evaluation, we consider criteria such as, but not limited to, whether: (1) the contracts are negotiated as a package with a single commercial objective; (2) the amount of consideration to be paid in one contract is dependent on the price or performance of another contract; and (3) some or all of the goods or services promised in the contracts are a single performance obligation. Should we consider contracts related, we would account for those contracts as if they were a single contract. Evaluating whether two or more contracts should be combined and accounted for as a single contract requires significant judgment. In the aggregate, a decision to combine a group of contracts could significantly impact the amount of revenue and profit recorded in a given period.

We review each contract to determine whether to account for the various promises as one or more performance obligations. The assessment and determination of performance obligations for a given contract requires significant judgment. Contracts which include wireless services are generally considered to be a single promise and therefore accounted for as a single performance obligation. Less commonly, however, we may promise to provide other distinct goods or services in conjunction with wireless services in which case we would account for the contract as having multiple performance obligations. Contracts which include goods or services related to our software solutions are generally sold with multiple promises and therefore will often include multiple performance obligations. Material performance obligations related to the sale of our software solutions include software licenses, professional services, hardware and maintenance, of which professional services and maintenance are generally considered a series of performance obligations.

More often than not, total consideration will equate to the stated value on the contract taking into consideration any period or term over which services are to be provided, if applicable. However, we could have contracts in which variable consideration is present. It is common for our contracts which include wireless services to contain customer penalties if rental pagers are not returned and fees for usage of services in excess of the contractually allotted amount for a given period. It is also common for our contracts that include professional services to include travel related costs. These are costs which we incur in the normal course of delivering professional services and are generally billable to the customer based on our incurred expenses. These elements of variable consideration are fully constrained when an agreement is initially executed and are generally not considered estimable until the penalties, fees or costs have been incurred or are otherwise known. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimating variable consideration requires significant judgment and our assessment includes all relevant information that is reasonably available to us including historical, current and forecasted information. We have elected to exclude from revenue, all amounts collected on behalf of third parties, and therefore, items such as sales and use tax are excluded from our calculation of the total transaction price.

If a contract is separated into more than one performance obligation we allocate the total transaction price to each performance obligation proportionately based on the estimated relative SSPs of the promised goods or services underlying each performance obligation. We rarely sell goods or services with readily observable standalone sales, however, if we do, the observable standalone sales are used to determine the SSP. In most cases, we must estimate the relative SSP which requires significant judgment and estimates. In instances where SSP is not directly observable we determine the SSP using information that may include contractually stated prices, market conditions, costs, renewal contracts, list prices and other observable inputs. A discount is present if the total transaction price is less than the sum of the estimated SSPs of the goods or services promised in the contract. Discounts are generally allocated proportionately based on the relative SSP of the identified performance obligations for a given contract.

Our wireless, professional and maintenance services are generally recognized over time due to a customer's simultaneous receipt and consumption of the benefit as we perform the work. As we transfer control over time, we recognize revenue based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires significant judgment and is based on the nature of the products or services to be provided. Generally, we use the time-elapsed measure of progress for performance obligations which 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. This is a significant area of judgment as it requires an estimate to complete ("ETC") for each contract. Our initial ETC is primarily based on prior experience also taking into consideration any specific facts and circumstances for a given contract. As projects progress, the ETC is periodically updated and reviewed to ensure the timing of revenue recognition is appropriate. The creation, maintenance and review of a projects ETC requires significant judgment to determine an appropriate number of hours over which the remaining project is expected to be completed.

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 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. Assessing when transfer of control has occurred requires significant judgment. In most contracts transfer of control for software licenses occurs in a short period of time after a contract has been executed and licenses are made electronically available.

Contracts may be modified to account for changes in a project's scope or other customer requirements. Most of our contract modifications are for goods or services that are distinct from the existing contract or may or may not be distinct but are for services which relate to a series of performance obligations. In these instances, the contract modification would either be recognized as an entirely new and separate contract or the modification would be treated as if it were a termination of the existing contract and the creation of a new contract including all untransferred goods and services under the previous contract. Revenue would be recognized on a prospective basis and a cumulative catch-up would not be recognized.

Incremental costs of obtaining a contract and costs to fulfill a contract

Commissions Expense - Our incremental costs primarily relate to sales commissions. We capitalize commissions and proportionally recognize the related expense to revenue as it is recognized on the underlying performance obligations. Some of these costs may relate to specific future anticipated contracts, specifically future maintenance renewals, which we do not pay commensurate sales commissions on. We amortize commission costs proportionally with revenue, thus it is necessary for us to estimate future revenues when there are future anticipated contracts. We estimate future revenues based on anticipated renewal amounts over an expected useful life (e.g. the period over which we believe the initial sales commissions relate to future anticipated contracts). The expected useful life is based on a review of our product life cycles, customer upgrade patterns and the rate at which customers renew maintenance. Commissions expenses are classified as Selling and Marketing on the Condensed Consolidated Statement of Operations.

Summary of Results under ASC 605 "Revenue Recognition"

The following table presents Financial Statement components impacted as a result of adopting ASC 606, stated under ASC 605 for comparative purposes:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2018		2017	2018		2017
(Dollars in thousands)	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605	ASC 605
Condensed Consolidated Statement of Operations						
Revenues: Software	$ 16,970	$ 18,136	$ 16,686	$ 35,815	$ 36,324	$ 32,270
Operating expenses: Selling and marketing	$ 6,093	$ 6,198	$ 5,329	$ 12,562	$ 12,228	$ 11,251
Condensed Consolidated Statement of Comprehensive Income						
Other comprehensive (loss) income, net of tax: foreign currency translation adjustments	$ (342)	$ (308)	$ 82	$ (598)	$ (472)	$ 86

	June 30, 2018		December 31, 2017
(Dollars in thousands)	ASC 606	ASC 605	ASC 605
Condensed Consolidated Balance Sheets			
Current assets: Accounts receivable, net	$ 35,574	$ 33,010	$ 32,279
Current assets: Prepaid expenses and other	$ 7,050	$ 6,710	$ 5,752
Current liabilities: Deferred revenue	$ 32,449	$ 34,667	$ 31,414
Non-current liabilities: Deferred revenue	$ 961	$ 1,176	$ 1,063
Stockholder equity: Accumulated other comprehensive loss	$ (1,850)	$ (1,604)	$ (1,088)
Stockholder equity: Retained earnings	$ 191,012	$ 185,429	$ 191,796

NOTE 5 - REVENUE, DEFERRED REVENUE AND DEFERRED 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. In addition, subscribers either contract for a messaging device from us for an additional fixed monthly fee or they own a device, having purchased it either from us or from another vendor. We also sell devices to resellers who lease or resell devices to their subscribers and then sell messaging services utilizing our networks. We offer ancillary services, such as voicemail and equipment loss or maintenance protection, which help increase the monthly recurring revenue we receive along with these traditional messaging services. In 2015 and 2016 we launched new and exclusive one-way (T5) and two-way (T52) alphanumeric pagers, respectively. Both pagers are configurable to support un-encrypted or encrypted operation. When configured for encryption, they utilize AES-128 bit encryption, screen locking and remote wipe capabilities. With encryption enabled these new secure paging devices enhance our service offerings to the healthcare community by adding Health Insurance Portability and Accountability Act ("HIPAA") security capabilities to the low cost, highly reliable and availability benefits of paging. (See Item 1. "Business," in the 2017 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, equipment revenues that facilitate 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 (typically for one year).

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 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 IP that we license may substantively change during the license period, customers are not contractually or practically required to update their license as a result of those changes. Our wireless, professional and maintenance services are generally recognized over time due to a customer's simultaneous receipt and consumption of the benefit as we perform the work. As we transfer control over time, we recognize revenue based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires significant judgment and is based on the nature of the products or services to be provided. Generally, we use the time-elapsed measure of progress for performance obligations which 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.

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.

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)	**2018**	**2017[1]**	**2018**	**2017[1]**
Wireless products and services	$ 23,658	$ 25,639	$ 47,927	$ 51,499
Subscription	441	623	861	1,167
Software licenses	1,552	1,641	5,508	2,812
Professional services	4,363	3,650	8,433	7,003
Hardware	1,107	1,127	2,132	2,100
Maintenance	9,507	9,645	18,881	19,188
Total revenue	$ 40,628	$ 42,325	$ 83,742	$ 83,769

[1] Prior period amounts have not been adjusted under the modified retrospective method for the adoption of ASC 606.

The U.S. was the only country that accounted for more than 10% of the Company's total revenue for the three and six ended June 30, 2018 and 2017 Revenue by geographic region 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)	**2018**	**2017[1]**	**2018**	**2017[1]**
Revenue				
United States	$ 39,109	$ 40,869	$ 81,044	$ 81,374
International	1,519	1,456	2,698	2,395
Total revenue	$ 40,628	$ 42,325	$ 83,742	$ 83,769

[1] Prior period amounts have not been adjusted under the modified retrospective method for the adoption of ASC 606.

Deferred Revenues

Our deferred revenues represent payments made to, or due from, customers in advance of our performance. Changes in the balance of total deferred revenue during the six months ended June 30, 2018 are as follows:

(Dollars in thousands)	**December 31, 2017**	**Additions**	**Revenue Recognized(1)**	**June 30, 2018**
Deferred Revenue	$ 32,477	$ 30,976	$ (30,043)	$ 33,410

(1)Includes $4.2 million which went to retained earnings and was not recognized as revenue resulting from the adoption of ASC 606.

During the six months ended June 30, 2018, the Company recognized $16.5 million related to amounts deferred as of December 31, 2017.

Deferred Commissions

Our deferred commissions represent payments made to employees in advance of our performance on the related underlying contracts. These costs have been incurred directly in relation with obtaining a contract. As such, these costs are amortized over the estimated period of benefit. Changes in the balance of total deferred commissions during the six months ended June 30, 2018 are as follows:

(Dollars in thousands)	December 31, 2017	Additions[(1)]	Commissions Recognized	June 30, 2018
Deferred Commissions	$ 1,676	$ 3,647	$ (3,168)	$ 2,155

[(1)]Includes $0.7 million in previously recognized commissions expense which was removed from retained earnings and included in deferred commissions resulting from the adoption of ASC 606.

Deferred commissions are included within prepaid assets on the Condensed Consolidated Balance Sheets and commissions expense is included within Selling and marketing on the Condensed Consolidated Statement of Operations.

Remaining Performance Obligations

We have elected not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and for variable consideration which is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. The remaining backlog is immaterial to our Condensed Consolidated Financial Statements.

NOTE 6 - CONSOLIDATED FINANCIAL STATEMENT COMPONENTS

Depreciation, Amortization and Accretion

Depreciation, amortization 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)	2018	2017	2018	2017
Depreciation				
Leasehold improvements	$ 67	$ 75	$ 135	$ 125
Asset retirement costs	(76)	(97)	(152)	(195)
Paging and computer equipment	1,815	2,028	3,670	4,087
Furniture, fixtures and vehicles	103	76	209	141
Total depreciation	1,909	2,082	3,862	4,158
Amortization	625	629	1,250	1,636
Accretion	135	140	270	280
Total depreciation, amortization and accretion expense	$ 2,669	$ 2,851	$ 5,382	$ 6,074

Accounts Receivable, Net

Accounts receivable was recorded net of an allowance of $1.5 million and $1.1 million at June 30, 2018 and December 31, 2017, respectively. Accounts receivable, net includes $10.1 million and $7.3 million of unbilled receivables at June 30, 2018 and December 31, 2017, 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. The increase in unbilled receivables was primarily due to the adoption of ASC 606 and the acceleration of license revenue for the six months ended June 30, 2018 .

Property and Equipment, Net

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

(Dollars in thousands)	Useful Life (In Years)	June 30, 2018	December 31, 2017
Leasehold improvements	shorter of useful life or lease term	$ 4,135	$ 4,107
Asset retirement costs	1-5	3,267	3,228
Paging and computer equipment	1-5	101,526	103,520
Furniture, fixtures and vehicles	3-5	5,345	4,545
Total property and equipment		114,273	115,400
Accumulated depreciation		(101,238)	(102,001)
Total property and equipment, net		$ 13,035	$ 13,399

Other Current Liabilities

Other current liabilities consisted of the following as of the date stated:

(Dollars in thousands)	June 30, 2018	December 31, 2017
Accrued network costs, asset retirement obligations and other	$ 2,496	$ 2,173
Accrued outside services	1,514	2,437
Total other current liabilities	$ 4,010	$ 4,610

Other Non-Current Liabilities

Other non-current liabilities consisted of the following as of the date stated:

(Dollars in thousands)	June 30, 2018	December 31, 2017
Asset retirement obligations	$ 7,351	$ 7,174
Other	1,042	901
Total other non-current liabilities	$ 8,393	$ 8,075

NOTE 7 - INTANGIBLE ASSETS, NET

Intangible Assets

Amortizable intangible assets at June 30, 2018 related primarily to customer relationships that resulted from our acquisition of Amcom Software, Inc. in 2011. Such intangibles are being amortized over a period of ten years.

The net consolidated balance of intangible assets consisted of the following at June 30, 2018:

		June 30, 2018		
(Dollars in thousands)	Useful Life (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Balance
Customer relationships	10	$ 25,002	$ (18,335)	$ 6,667
Total amortizable intangible assets		$ 25,002	$ (18,335)	$ 6,667

Estimated amortization of intangible assets for future periods was as follows:

	(Dollars in thousands)
For the remaining six months ending December 31, 2018	$ 1,250
For the year ending December 31:	
2019	2,500
2020	2,500
2021	417
Total amortizable intangible assets	$ 6,667

NOTE 8 - 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 January 1, 2018	$ 235	$ 7,174	$ 7,409
Accretion	(45)	315	270
Amounts paid	(83)	—	(83)
Increases	—	39	39
Reclassifications	177	(177)	—
Balance at June 30, 2018	$ 284	$ 7,351	$ 7,635

The balances above were included within other current liabilities and other non-current liabilities on the Condensed Consolidated Balance Sheet, respectively, at June 30, 2018.

Increases other than accretion, reclassification and amounts paid primarily relate to changes in estimate of the underlying liability, specifically as it relates to updates in estimated costs to remove a transmitter and the estimated timing of removal. 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 $9.0 million. The total estimated liability is based on the transmitter locations remaining after we have consolidated the number of networks we operate and assume the underlying leases continue to be renewed to that future date.

Accretion expense was $0.3 million for the six months ended June 30, 2018 and 2017. Accretion expense related solely to asset retirement obligations and was recorded based on the interest method.

NOTE 9 - 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, 2018 and December 31, 2017, we had no stock options outstanding.

At June 30, 2018 and December 31, 2017, there were 19,472,249 and 20,135,514 shares of common stock outstanding, respectively, and no shares of preferred stock outstanding.

Changes in Stockholders' Equity

Changes in stockholders' equity for the six months ended June 30, 2018 consisted of the following:

		(Dollars in thousands)
Balance at January 1, 2018	$	290,529
Adjustment to beginning balance resulting from adoption of ASC 606		6,258
Net loss for the six months, ended June 30, 2018		(465)
Estimated tax impact resulting from adoption of ASC 606		(1,614)
Cash dividends declared		(5,127)
Common stock repurchase program		(9,467)
Amortization of stock based compensation		2,501
Repurchase of common stock for tax withholdings		(894)
Cumulative translation adjustment		(598)
Issuance of common stock under the Employee Stock Purchase Plan		143
Balance at June 30, 2018	$	281,266

Dividends

The following table details our cash dividends declared in 2018. Cash dividends paid as disclosed in the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2018 and 2017 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.

Declaration Date	Record Date	Payment Date	Per Share Amount		Total Declared[1]	
					(Dollars in thousands)	
February 28, 2018	March 16, 2018	March 30, 2018	$	0.125	$	2,589
April 25, 2018	May 25, 2018	June 22, 2018		0.125		2,538
	Total		$	0.250	$	5,127

(1) The total declared reflects the cash dividends declared in relation to common stock and unvested RSUs.

On July 25, 2018, our Board of Directors declared a regular quarterly cash dividend of $0.125 per share of common stock with a record date of August 17, 2018, and a payment date of September 10, 2018. This cash dividend of approximately $2.4 million will be paid from available cash on hand.

Common Stock Repurchase Program

On February 28, 2018, the Company's Board of Directors authorized the repurchase of up to $10.0 million of the Company's common stock through 2018 on the open market or in privately negotiated transactions. The following table presents information with respect to purchases made by the Company during the six months ended June 30, 2018:

Period	Total Number of Shares Purchased	Average Price Paid Per Share[1]		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs	
					(Dollars in thousands)	
Three Months Ended March 31, 2018	127,792	$	15.04	127,792	$	8,077
Three Months Ended June 30, 2018	501,782		14.99	501,782	$	558
Total	629,574	$	15.00	629,574		

(1) Average price paid per share excludes commissions of approximately $25,183.

The above table excludes shares repurchased to settle employee tax withholding related to the vesting of equity awards.

Net (Loss) Income per Common Share

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands, except for share and per share amounts)	**2018**	**2017**	**2018**	**2017**
Numerator:				
Net (loss) income	$ (976)	$ 1,498	$ (465)	$ 2,352
Denominator:				
Basic weighted average outstanding shares of common stock	19,750,941	20,353,801	19,888,606	20,441,781
Diluted weighted average outstanding shares of common stock	19,750,941	20,366,102	19,888,606	20,508,473
Basic net (loss) income per common share	$ (0.05)	$ 0.07	$ (0.02)	$ 0.12
Diluted net (loss) income per common share	$ (0.05)	$ 0.07	$ (0.02)	$ 0.11

For the three and six months ended June 30, 2018 and 2017 the following securities were excluded from the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Restricted stock units	$ 77,190	$ —	$ 145,526	$ —

Share-Based Compensation Plans

On March 23, 2012, our Board of Directors adopted the Spok Holdings, Inc. 2012 Equity Incentive Award Plan (the "2012 Equity Plan") that was subsequently approved by our stockholders on May 16, 2012. A total of 2,194,986 shares of common stock have been reserved for issuance under this plan. Awards under the 2012 Equity Plan may be in the form of stock options, common stock, restricted stock, RSUs, performance awards, dividend equivalents, deferred stock, deferred stock units, or stock appreciation rights. 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 equivalents rights generally accompany each RSU award and those rights accumulate and vest along with the underlying RSU.

The following table summarizes the activities under the 2012 Equity Incentive Award Plan ("2012 Equity Plan") from January 1, 2018 through June 30, 2018:

	Activity
Total equity securities available at January 1, 2018	1,140,658
RSU and restricted stock awarded to eligible employees, net of forfeitures	(337,640)
Total equity securities available at June 30, 2018	803,018

The following table details activities with respect to outstanding RSUs and restricted stock for the six months ended June 30, 2018:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2018(1)	393,084	$ 18.54
Granted	334,035	16.47
Vested	—	—
Forfeited	(8,489)	17.72
Unvested at June 30, 2018(1)	718,630	$ 17.59

(1) Approximately 99,451 RSUs from the 2016 grant are not expected to vest based on the Company's current assessment of the related performance obligations.

Of the 718,630 unvested RSUs and restricted stock outstanding at June 30, 2018, 362,974 RSUs include contingent performance requirements for vesting purposes. At June 30, 2018, there was $5.9 million of unrecognized net compensation cost related to RSUs and restricted stock, which is expected to be recognized over a weighted average period of 1.86 years.

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

The Company's 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 at 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 at a discounted rate.

The Company uses the Black-Scholes model to calculate the fair value of the common stock to be purchased each offering period on their 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 three and six months ended June 30, 2018 and 2017, 11,581 and 8,983 shares of the Company's common stock were purchased, respectively, for a total cost of $0.1 million.

The following table summarizes the activities under the ESPP from January 1, 2018 through June 30, 2018:

	Activity
Total ESPP equity securities available at January 1, 2018	228,279
ESPP common stock purchased by eligible employees	(11,581)
Total ESPP securities available at June 30, 2018	216,698

Amounts withheld from participants will be classified an accrued compensation and benefit on 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 awards, which consist of RSUs, restricted stock 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 on the Condensed Consolidated Statement of Operations for the periods stated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in thousands)	**2018**	**2017**	**2018**	**2017**
Performance-based RSUs	$ 526	$ 508	$ 1,030	$ 998
Time-based and restricted stock	724	475	1,437	744
ESPP	17	15	34	211
Total stock based compensation	$ 1,267	$ 998	$ 2,501	$ 1,953

In the fourth quarter of 2016 we determined that only 50% of the 2015 and 2016 performance grants made under the 2015 LTIP are expected to vest based on the related performance criteria and our assessment of the anticipated future performance applied to the performance criteria. As such, expenses listed in the table above reflect only the portion of grants and related expense that we anticipate will vest for those awards.

NOTE 10 - 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.

The Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") was signed into law on December 22, 2017. As we complete our analysis of the 2017 Tax Act, collect and prepare necessary data, and interpret any additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, we may make adjustments to the provisional amounts that were included in our 2017 Annual Report. Provisional amounts particularly include calculation of earnings and profits in foreign jurisdictions. Those adjustments may materially impact our provision for income taxes in the period in which the adjustments are made.

Our quarterly tax provision, and our quarterly estimate of our annual effective tax rate, is 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 2018, 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, research and development credits, permanent differences between book and taxable income and certain discrete items.

At June 30, 2018, we had total deferred income tax assets ("DTAs") of $46.3 million and no valuation allowance. This reflects a decrease of $1.4 million from the December 31, 2017 balance of DTAs of $47.7 million and no valuation allowance. The change from December 31, 2017 to June 30, 2018 primarily reflects the tax impact related to the acceleration of revenues and adjustment to beginning retained earnings resulting from the adoption of ASC 606 partially offset by assets created from estimated net operating losses incurred during the six months months ended June 30, 2018.

We consider both positive and negative evidence when evaluating the recoverability of our DTAs. The assessment is required to determine whether based on all available evidence, it is more likely than not (i.e., greater than a 50% probability) that all or some portion of the DTAs will be realized in the future. 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.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

There have been no material changes during the six months ended June 30, 2018 to the commitments and contingencies previously reported in the 2017 Annual Report and and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018.

NOTE 12 - RELATED PARTIES

A member of our Board of Directors also serves as a director for an entity that leases transmission tower sites to the Company. For the three months ended June 30, 2018 and 2017, we incurred site rent expenses of $0.9 million and $1.0 million, respectively, and for the six months ended June 30, 2018 and 2017, we incurred site rent expenses of $1.8 million and $2.0 million, respectively, from the entity on which the individual serves as a director. Site rent expenses are included in Service, Rental and Maintenance expenses on the Condensed Consolidated Statement of Operations.

ITEM 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Forward-Looking Statements

This Quarterly Report contains forward-looking statements and information relating to Spok Holdings, Inc. and its subsidiaries (collectively, “we,” “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 below and under the captions “Business,” “Management’s Discussion and Analysis of Financial Condition and Statement of Operations (“MD&A”),” and “Risk Factors” in our 2017 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 reports on Form 10-Q and Form 8-K that it will file with the SEC. Also note that, in the risk factors disclosed in the Company’s 2017 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 Statement of Operations and Financial Position of Spok. This MD&A is provided as a supplement to, and should be read in conjunction with, our 2017 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 solutions to help protect the health, well-being and safety of people primarily in the United States. Organizations rely on Spok for workflow improvement, secure texting, paging services, contact center optimization and public safety response.

Business

See Note 1 to our Unaudited Notes to Condensed Consolidated Financial Statements of Part I of this Quarterly Report on Form 10-Q ("Quarterly Report") and "Item 1. Business" of Part I of the 2017 Annual Report, which describes our business in further detail.

Revenue

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

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 critical communications. 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 has been the healthcare industry, particularly hospitals. We have identified hospitals with 200 or more beds as the primary targets for our software and wireless solutions.

Revenue generated by wireless messaging services (including voice mail, personalized greeting, message storage and retrieval) and equipment loss and/or maintenance 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 subscription, software license, professional services (installation, consulting and training), equipment (to be used in conjunction with the software) and post-contract support (on-going maintenance), is presented as software revenue in our Statement of Operations. Our software is licensed to end users under an industry standard software license agreement. For the six months ended June 30, 2018 wireless revenue represented approximately 57.2% and software revenue represented approximately 42.8% of our consolidated revenue.

Refer to Note 5, "Revenues," for additional information on our wireless and software revenue streams.

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 primarily for hardware, third-party software, outside service 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.
- *Service, rental and maintenance*. 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 as our networks continue to be consolidated for the foreseeable future.
- *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 have a centralized marketing function, which 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, which includes finance and accounting, human resources and executive management. This classification consists primarily of payroll and related expenses, outside service expenses, taxes, licenses and permit expenses, and facility rent expenses.

Results of Operations

The following table is a summary of our Consolidated Statement of Operations for the Three and Six Months Ended June 30, 2018 and 2017

	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
(Dollars in thousands)	2018	2017	Total	%	2018	2017	Total	%
Revenue:								
Wireless	$ 23,658	$ 25,639	$ (1,981)	(7.7)%	$ 47,927	$ 51,499	$ (3,572)	(6.9)%
Software	16,970	16,686	284	1.7 %	35,815	32,270	3,545	11.0 %
Total revenue	40,628	42,325	(1,697)	(4.0)%	83,742	83,769	(27)	— %
Operating expenses:								
Cost of revenue	7,400	7,190	210	2.9 %	15,133	14,226	907	6.4 %
Research and development	6,177	4,662	1,515	32.5 %	11,912	8,767	3,145	35.9 %
Service, rental and maintenance	7,698	7,944	(246)	(3.1)%	15,448	16,010	(562)	(3.5)%
Selling and marketing	6,093	5,329	764	14.3 %	12,562	11,251	1,311	11.7 %
General and administrative	12,741	11,939	802	6.7 %	24,704	23,649	1,055	4.5 %
Depreciation, amortization and accretion	2,669	2,851	(182)	(6.4)%	5,382	6,074	(692)	(11.4)%
Total operating expenses	42,778	39,915	2,863	7.2 %	85,141	79,977	5,164	6.5 %
Operating (loss) income	(2,150)	2,410	(4,560)	(189.2)%	(1,399)	3,792	(5,191)	(136.9)%
Interest income	342	154	188	122.1 %	625	276	349	126.4 %
Other income	102	89	13	14.6 %	54	58	(4)	(6.9)%
(Loss) income before income taxes	(1,706)	2,653	(4,359)	(164.3)%	(720)	4,126	(4,846)	(117.5)%
Benefit from (provision for) income taxes	730	(1,155)	1,885	(163.2)%	255	(1,774)	2,029	(114.4)%
Net (loss) income	$ (976)	$ 1,498	$ (2,474)	(165.2)%	$ (465)	$ 2,352	$ (2,817)	(119.8)%
Supplemental Information								
FTEs	607	604	3	0.5 %	607	604	3	0.5 %
Active transmitters	3,961	4,073	(112)	(2.7)%	3,961	4,073	(112)	(2.7)%

The following table is a summary of our Consolidated Statement of Operations for the Three and Six Months Ended June 30, 2018 and 2017 adjusted to exclude the adoption of ASC 606

(Dollars in thousands)	For the Three Months Ended June 30, 2018[(1)]	For the Three Months Ended June 30, 2017	Change Total	Change %	For the Six Months Ended June 30, 2018[(1)]	For the Six Months Ended June 30, 2017	Change Total	Change %
Revenue:								
Wireless	$ 23,658	$ 25,639	$ (1,981)	(7.7)%	$ 47,927	$ 51,499	$ (3,572)	(6.9)%
Software	18,136	16,686	1,450	8.7 %	36,324	32,270	4,054	12.6 %
Total revenue	41,794	42,325	(531)	(1.3)%	84,251	83,769	482	0.6 %
Operating expenses:								
Cost of revenue	7,399	7,190	209	2.9 %	15,128	14,226	902	6.3 %
Research and development	6,177	4,662	1,515	32.5 %	11,912	8,767	3,145	35.9 %
Service, rental and maintenance	7,698	7,944	(246)	(3.1)%	15,448	16,010	(562)	(3.5)%
Selling and marketing	6,198	5,329	869	16.3 %	12,228	11,251	977	8.7 %
General and administrative	12,763	11,939	824	6.9 %	24,704	23,649	1,055	4.5 %
Depreciation, amortization and accretion	2,669	2,851	(182)	(6.4)%	5,382	6,074	(692)	(11.4)%
Total operating expenses	42,904	39,915	2,989	7.5 %	84,802	79,977	4,825	6.0 %
Operating (loss) income	(1,110)	2,410	(3,520)	(146.1)%	(551)	3,792	(4,343)	(114.5)%
Interest income	342	154	188	122.1 %	625	276	349	126.4 %
Other income	74	89	(15)	(16.9)%	39	58	(19)	(32.8)%
(Loss) income before income taxes	(694)	2,653	(3,347)	(126.2)%	113	4,126	(4,013)	(97.3)%
Benefit from (provision for) income taxes	730	(1,155)	1,885	(163.2)%	255	(1,774)	2,029	(114.4)%
Net income	$ 36	$ 1,498	$ (1,462)	(97.6)%	$ 368	$ 2,352	$ (1,984)	(84.4)%
Supplemental Information								
FTEs	607	604	3	0.5 %	607	604	3	0.5 %
Active transmitters	3,961	4,073	(112)	(2.7)%	3,961	4,073	(112)	(2.7)%

[(1)]Adjusted to exclude the adoption of ASC 606

Revenue

The table below details total revenue for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30, 2018	2017	Change Total	%	For the Six Months Ended June 30, 2018	2017	Change Total	%
Revenue - wireless:								
Paging revenue	$ 22,824	$ 24,572	$ (1,748)	(7.1)%	$ 46,132	$ 49,544	$ (3,412)	(6.9)%
Product and other revenue	834	1,067	(233)	(21.8)%	1,795	1,955	(160)	(8.2)%
Total wireless revenue	23,658	25,639	(1,981)	(7.7)%	47,927	51,499	(3,572)	(6.9)%
Revenue - software:								
Subscription	$ 441	$ 623	$ (182)	(29.2)%	$ 861	$ 1,167	$ (306)	(26.2)%
License	1,552	1,641	(89)	(5.4)%	5,508	2,812	2,696	95.9 %
Services	4,363	3,650	713	19.5 %	8,433	7,003	1,430	20.4 %
Equipment	1,107	1,127	(20)	(1.8)%	2,132	2,100	32	1.5 %
Operations revenue	7,463	7,041	422	6.0 %	16,934	13,082	3,852	29.4 %
Maintenance revenue	9,507	9,645	(138)	(1.4)%	18,881	19,188	(307)	(1.6)%
Total software revenue	16,970	16,686	284	1.7 %	35,815	32,270	3,545	11.0 %
Total revenue	$ 40,628	$ 42,325	$ (1,697)	(4.0)%	$ 83,742	$ 83,769	$ (27)	— %

The decrease in wireless revenue for the three and six months ended June 30, 2018 compared to the same periods in 2017 reflects the decrease in demand for our wireless services. Wireless revenue is generally based upon the number of units in service and the monthly 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 for the three months ended June 30, 2018 and 2017 was $7.41 and $7.52, respectively, while total units in service were 1.0 million and 1.1 million, respectively. While demand for wireless services continues to decline it has done so at a slower rate for each of the periods presented. While we are encouraged that this trend will continue in future periods, we believe that demand will continue to decline for the foreseeable future in line with recent and historical trends. As our wireless products and services are replaced with other competing technologies, such as the shift from narrow band wireless service offerings to broad band technology services, our wireless revenue will continue to decrease.

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

(in thousands)	Units in Service as of June 30, 2018	2017	Change	Revenue for the Three Months Ended June 30, 2018	2017	Change	Change Due To: ARPU	Units
Total	1,024	1,086	(62)	$ 22,824	$ 24,572	$ (1,748)	$ (382)	$ (1,367)

(in thousands)	Units in Service as of June 30, 2018	2017	Change	Revenue for the Six Months Ended June 30, 2018	2017	Change	Change Due To: ARPU	Units
Total	1,024	1,086	(62)	$ 46,132	$ 49,544	$ (3,412)	$ (643)	$ (2,770)

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 in order to increase our revenue potential and mitigate the decline in our wireless revenue. We will continue to explore ways to innovate and provide customers the highest value possible.

The increase in operations revenue is primarily due to an increase in the size and value of projects being completed as well as the adoption of ASC 606 and the related acceleration of license revenues during the three and six months ended June 30, 2018 as compared to the same periods in 2017. The decrease in maintenance revenue is a result of the adoption of ASC 606 and primarily a reflection of fair value allocations. The maintenance revenue renewal rates for the three and six months ended June 30, 2018 and 2017 were in excess of 99% and reflects our continuing success in renewals of our maintenance support for existing software solutions and in maintenance support for sales of new solutions.

Supplemental Revenue Discussion - ASC 605 Analysis

The table below details total software revenue, adjusted to exclude the adoption of ASC 606, for the periods stated:

	For the Three Months Ended June 30,		Change		For the Six Months Ended June 30,		Change	
(Dollars in thousands)	**2018[1]**	**2017**	**Total**	**%**	**2018[1]**	**2017**	**Total**	**%**
Revenue - software								
Subscription	$ 539	$ 623	$ (84)	(13.5)%	$ 1,178	$ 1,167	$ 11	0.9%
License	1,813	1,641	172	10.5 %	3,699	2,812	887	31.5%
Services	4,528	3,650	878	24.1 %	9,199	7,003	2,196	31.4%
Equipment	1,141	1,127	14	1.2 %	2,134	2,100	34	1.6%
Operations revenue	8,021	7,041	980	13.9 %	16,210	13,082	3,128	23.9%
Maintenance revenue	10,115	9,645	470	4.9 %	20,114	19,188	926	4.8%
Total software revenue	$ 18,136	$ 16,686	$ 1,450	8.7 %	$ 36,324	$ 32,270	$ 4,054	12.6%

(1) Adjusted to exclude the adoption of ASC 606

The increase in operations revenue primarily reflects an increase in the number and size of projects in process and completed during the three and six months ended June 30, 2018 as compared to the same periods in 2017. The increase in maintenance revenue reflects our continuing success in renewals of our maintenance support for existing software solutions and in maintenance support for sales of new solutions. The maintenance revenue renewal rates for the three and six months ended June 30, 2018 and 2017 were in excess of 99%.

Operating Expenses

The following is a review of our operating expense categories for the three and six months ended June 30, 2018 and 2017.

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)	**2018**	**2017**	**Total**	**%**	**2018**	**2017**	**Total**	**%**
Payroll and related	$ 4,853	$ 4,613	$ 240	5.2 %	$ 9,727	$ 9,103	$ 624	6.9 %
Cost of sales	1,923	1,904	19	1.0 %	4,253	3,899	354	9.1 %
Stock based compensation	75	60	15	25.0 %	130	117	13	11.1 %
Other	549	613	(64)	(10.4)%	1,023	1,107	(84)	(7.6)%
Total cost of revenue	$ 7,400	$ 7,190	$ 210	2.9 %	$ 15,133	$ 14,226	$ 907	6.4 %
FTEs	186	190	(4)	(2.1)%	186	190	(4)	(2.1)%

Cost of revenue expense increased for the three months and six months ended June 30, 2018 compared to June 30, 2017 primarily due to an increase in benefits and compensation as well as an increase in costs of sales related to the increase in revenue.

Research and Development. Research and development expenses consisted of the following items:

(Dollars in thousands)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	Change Total	Change %	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017	Change Total	Change %
Payroll and related	$ 4,506	$ 3,807	$ 699	18.4 %	$ 8,508	$ 7,211	$ 1,297	18.0 %
Outside services	1,481	659	822	124.7 %	2,994	1,176	1,818	154.6 %
Stock based compensation	90	65	25	38.5 %	161	120	41	34.2 %
Other	100	131	(31)	(23.7)%	249	260	(11)	(4.2)%
Total research and development	$ 6,177	$ 4,662	$ 1,515	32.5 %	$ 11,912	$ 8,767	$ 3,145	35.9 %
FTEs	116	109	7	6.4 %	116	109	7	6.4 %

Research and development expense increased for the three and six months ended June 30, 2018 compared to the same periods in 2017 as a result of our anticipated increases in payroll and outside service related costs as we continue to focus on the development efforts of our software solutions. We intend to continue these efforts based on their importance to our continued success. The Company is investing in the development of products in the areas of: 1) mobility, 2) a unified software platform, 3) nursing solutions, and 4) alerting. The Company plans to continue to increase its staffing and the use of outside services to develop its integrated communications solution portfolio. This increase in staffing will substantially impact margins and our cash flow from operations as the benefits from this development effort will not immediately be realized for at least two years. Based on this emphasis we expect the number of FTEs to increase in this area, impacting future payroll and related expenses.

Service, Rental and Maintenance. Service, rental and maintenance expenses consisted primarily of the following items:

(Dollars in thousands)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	Change Total	Change %	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017	Change Total	Change %
Payroll and related	$ 2,618	$ 2,607	$ 11	0.4 %	$ 5,311	$ 5,272	$ 39	0.7 %
Site rent	3,538	3,604	(66)	(1.8)%	7,034	7,224	(190)	(2.6)%
Telecommunications	935	1,001	(66)	(6.6)%	1,833	2,082	(249)	(12.0)%
Stock based compensation	24	20	4	20.0 %	48	40	8	20.0 %
Other	583	712	(129)	(18.1)%	1,222	1,392	(170)	(12.2)%
Total service, rental and maintenance	$ 7,698	$ 7,944	$ (246)	(3.1)%	$ 15,448	$ 16,010	$ (562)	(3.5)%
FTEs	92	94	(2)	(2.1)%	92	94	(2)	(2.1)%

Service, rental and maintenance expense decreased for the three and six months ended June 30, 2018 compared to June 30, 2017 primarily due to the reduction in site rent and telecommunications. The number of active transmitters declined 2.7% from June 30, 2018 compared to June 30, 2017. The number of active transmitters directly relates to the amount of site rent and telecommunications expenses we incur. Site rent and telecommunications expenses are expected to continue to decrease as part of our efforts to rationalize and consolidate our networks for the foreseeable future.

Selling and Marketing. Selling and marketing 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)	**2018**	**2017**	**Total**	**%**	**2018**	**2017**	**Total**	**%**
Payroll and related	$ 3,311	$ 3,039	$ 272	9.0%	$ 6,605	$ 6,110	$ 495	8.1 %
Commissions	1,397	1,121	276	24.6%	3,168	2,322	846	36.4 %
Stock based compensation	135	99	36	36.4%	269	199	70	35.2 %
Advertising and events	996	840	156	18.6%	2,154	2,120	34	1.6 %
Other	254	230	24	10.4%	366	500	(134)	(26.8)%
Total selling and marketing	$ 6,093	$ 5,329	$ 764	14.3%	$ 12,562	$ 11,251	$ 1,311	11.7 %
FTEs	100	95	5	5.3%	100	95	5	5.3 %

Selling and marketing expenses increased for the three and six months ended June 30, 2018 compared to June 30, 2017 primarily due to the increase in payroll and related and commissions expenses. The increase in commissions expenses primarily relates to the increase in operations revenue and the adoption of ASC 606 for the three and six months ended June 30, 2018. The increase in payroll is primarily due to an increase in benefits and compensation as well as an increase in head count.

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)	**2018**	**2017**	**Total**	**%**	**2018**	**2017**	**Total**	**%**
Payroll and related	$ 4,340	$ 4,420	$ (80)	(1.8)%	$ 8,756	$ 8,860	$ (104)	(1.2)%
Stock based compensation	943	755	188	24.9 %	1,893	1,476	417	28.3 %
Bad debt	279	107	172	160.7 %	808	201	607	302.0 %
Facility rent and related costs	1,743	1,995	(252)	(12.6)%	3,685	3,836	(151)	(3.9)%
Outside services	3,023	2,507	516	20.6 %	5,144	5,134	10	0.2 %
Taxes, licenses and permits	1,024	1,034	(10)	(1.0)%	2,104	2,024	80	4.0 %
Other	1,389	1,121	268	23.9 %	2,314	2,118	196	9.3 %
Total general and administrative	$ 12,741	$ 11,939	$ 802	6.7 %	$ 24,704	$ 23,649	$ 1,055	4.5 %
FTEs	113	116	(3)	(2.6)%	113	116	(3)	(2.6)%

General and administrative expense increased for the three and six moths ended June 30, 2018 compared to the same period in 2017 primarily due to the increase in stock based compensation and bad debt expense. The increase in stock based compensation is largely related to additional grants made during the three and six months ended June 30, 2018. The increase in bad debt is related to providing for our exposure to potentially uncollectible accounts receivable. The increase in outside services for the three months ended June 30, 2018 as compared to the same period in 2017 was primarily a result of timing as expenses were largely in line with past period results for the six months ended June 30, 2018.

Depreciation, Amortization and Accretion. Depreciation, amortization and accretion expenses were $2.7 million and $2.9 million for the three months ended June 30, 2018 and 2017, respectively, and $5.4 million and $6.1 million for the six months ended June 30, 2018 and 2017, respectively. (For additional details regarding depreciation, amortization and accretion expenses refer to Note 6, "Consolidated Financial Statement Components".) The decrease of $0.2 and $0.7 million in depreciation, amortization and accretion expense for the three and six months ended June 30, 2018 compared to the same periods in 2017 is primarily due to various intangibles and paging assets fully depreciated in 2017.

Provision for income taxes. The provision for income taxes decreased $1.9 million and $2.0 million for the three and six months ended June 30, 2018 compared to the same period in 2017. The change in the provision for income taxes primarily relates to a loss before the provision for income taxes for the three and six months ended June 30, 2018 as compared to income before the provision for income taxes for the same periods in 2017 partially offset by the change in the federal statutory rate from 35% to 21% as a result of the 2017 Tax Act , estimated research and development tax credits and certain discrete items. Further details can be found in Note 10, "Income Taxes".

Liquidity and Capital Resources

Cash and Cash Equivalents

At June 30, 2018, we had cash and cash equivalents of $94.1 million. The available cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of invested cash and cash in our operating accounts. The invested cash is invested in interest bearing funds managed by third-party financial institutions. These funds invest in direct obligations of the government of the United States. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse market conditions.

At any point in time, we have approximately $7.0 to $12.0 million in our operating accounts that are with third-party financial institutions. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

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 possible 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. Because we intend to increase substantially our investment in developing our integrated communications platform over the next one or two years commensurate with declining revenues from our wireless business, we anticipate that our cash on hand will decrease significantly during that period and possibly longer until revenues from our Spok Care Connect platform begin to be realized.

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 resume our common stock repurchase program, and/or sell assets or seek outside 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 net cash provided by operating activities, together with the available cash on hand at June 30, 2018, should be adequate to meet our anticipated cash requirements for the foreseeable future.

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)	**2018**	**2017**	**Change**
Net cash provided by operating activities	$ 6,392	$ 6,580	$ (188)
Net cash used in investing activities	(3,464)	(5,198)	1,734
Net cash used in financing activities	(15,419)	(20,133)	4,714

Net Cash Provided by Operating Activities. As discussed above, we are dependent on cash flows provided by operating activities to meet our cash requirements. Cash provided by operating activities varies depending on changes in various working capital items including deferred revenue, accounts payable, accounts receivable, prepaid expenses and various accrued expenses. Net cash provided by operating activities decreased by $0.2 million for the six months ended June 30, 2018 compared to the same period in 2017. The decrease of $0.2 million is related to a decrease in net income of $2.8 million (decrease in cash flow), a decrease of $0.7 million in depreciation, amortization and accretion expenses (decrease in cash flow), a decrease in deferred income tax expense of $1.3 million(decrease in cash flow) partially offset by an increase in other non-cash items of $1.2 million (increase in cash flow), and an increase in stock based compensation of $0.5 million (increase in cash flow). With respect to changes in assets and liabilities the net cash provided by operating activities reflects a net $0.7 million greater increase to assets (increase in cash flow), a $2.6 million greater increase in deferred revenue (increase in cash flow) partially off set by a $0.4 million greater decrease in accounts payable, accrued liabilities and other (decrease in cash flow).

Net Cash Used in Investing Activities. Net cash used in investing activities decreased by $1.7 million for the six months ended June 30, 2018 compared to the same period in 2017 due primarily to costs associated with the Company's business expansion related to research and development during the six months ended June 30, 2017.

Net Cash Used in Financing Activities. Net cash used in financing activities decreased by $4.7 million for the six months ended June 30, 2018 compared to the same period in 2017 due to a greater dividend payment of $5.0 million during the six months ended June 30, 2017, (primarily from a special dividend payment, decrease of $0.9 million in common stock repurchases for tax withholdings during the six months ended June 30, 2018, partially offset by $0.6 million in common stock repurchases.

Future Cash Dividends to Stockholders. On July 25, 2018, our Board of Directors declared a regular quarterly cash dividend of $0.125 per share of common stock with a record date of August 17, 2018, and a payment date of September 10, 2018. This cash dividend of approximately $2.4 million will be paid from available cash on hand.

Common Stock Repurchase Program. On February 28, 2018, the Company's Board of Directors authorized the repurchase of up to $10.0 million of the Company's common stock through 2018 on the open market or in privately negotiated transactions. For additional details regarding the common stock repurchase program refer to Note 9, "Stockholders' Equity."

Other. For 2018, the Board of Directors currently expects to pay dividends of $0.125 per common share each quarter, subject to declaration by the Board of Directors.

Commitments and Contingencies

Operating Leases. We have operating leases for office and transmitter locations. Substantially all of these leases have lease terms ranging from one month to five years. We continue to review our office and transmitter locations, and intend to replace, reduce or consolidate leases, where possible. Total rent expense under operating leases was $4.4 million and $4.5 million for the three months ended June 30, 2018 and 2017, respectively, and $8.8 million and $8.9 million for the six months ended June 30, 2018 and 2017, respectively.

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

Commitments and Contingencies. See Note 11 to our Unaudited Notes to Condensed Consolidated Financial Statements in Part I of this Quarterly Report for further discussion on our commitments and contingencies.

Related Party Transactions

See Note 12 to our Unaudited Notes to Condensed Consolidated Financial Statement in Part I of this Quarterly Report for a discussion regarding our related party transactions.

Critical Accounting Policies and Estimates

The preceding discussion and analysis of financial condition and Statement of 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 on-going 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 2017 Annual Report that affect our significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements other than those outlined in Note 4 "Significant Accounting Policies Update."

Non-GAAP Financial Measures

We use non-GAAP financial measures as key elements in determining performance for purposes of incentive compensation for our annual 2018 Short-Term Incentive Plan ("STIP") and the performance periods for our LTIPs. The non-GAAP financial measures include; (1) adjusted operating cash flow ("OCF"), defined as EBITDA less purchases of property and equipment plus severance (the Company defines EBITDA as operating (loss) income plus depreciation, amortization and accretion, each determined in accordance with GAAP; purchases of property and equipment and severance are also determined in accordance with GAAP); and (2) the total of adjusted operating expenses and capital expenses. Adjusted operating expenses are defined as operating expenses less depreciation, amortization and accretion less severance less stock based compensation. Capital expenses are defined as the purchase of property and equipment.

For purposes of the LTIP performance period for 2016-2018, adjusted OCF was as follows for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Net (loss) income	$ (976)	$ 1,498	$ (465)	$ 2,352
Plus (Less): Provision for income taxes	(730)	1,155	(255)	1,774
Less: Other income	(102)	(89)	(54)	(58)
Less: Interest income	(342)	(154)	(625)	(276)
Operating (loss) income	(2,150)	2,410	(1,399)	3,792
Plus: Depreciation, amortization and accretion	2,669	2,851	5,382	6,074
EBITDA (as defined by the Company)	519	5,261	3,983	9,866
Less: Purchases of property and equipment	(2,299)	(2,353)	(3,464)	(5,204)
Plus: Severance	(245)	—	(1)	—
Adjusted OCF (as defined by the Company)	$ (2,025)	$ 2,908	$ 518	$ 4,662

For purposes of the 2018 STIP and the LTIP performance period for 2017-2019 and 2018-2020, adjusted operating and capital expenses were as follows for the periods stated:

(Dollars in thousands)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Operating expenses	$ 42,778	$ 39,915	$ 85,141	$ 79,977
Less: Depreciation, amortization and accretion	(2,669)	(2,851)	(5,382)	(6,074)
Less: Severance	(245)	—	(1)	—
Less: Stock based compensation	(1,267)	(998)	(2,501)	(1,953)
Adjusted operating expenses (as defined by the Company)	38,597	36,066	77,257	71,950
Plus: Purchases of property and equipment	2,299	2,353	3,464	5,204
Adjusted operating and capital expenses (as defined by the Company)	$ 40,896	$ 38,419	$ 80,721	$ 77,154

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest Rate Risk

As of June 30, 2018, we had no outstanding debt and no revolving credit facility.

Foreign Currency Exchange Rate Risk

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

ITEM 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

Our management carried out an evaluation, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the participation of our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures, as of the end of our last fiscal quarter. Disclosure controls and procedures are defined under Rule 13a-15(e) under the Exchange Act as controls and other procedures of an issuer that are designed to ensure that the information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes made to the Company's internal control over financial reporting during the three months ended June 30, 2018 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 11, "Commitments and Contingencies" in the Notes to Financial Statements for information regarding legal proceedings in which we are involved.

ITEM 1A. *RISK FACTORS*

The risk factors included in "Part I – Item 1A – Risk Factors" of the 2017 Annual Report have not materially changed during the quarter ended June 30, 2018.

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

The following table presents information with respect to purchases made by the Company during the six months ended June 30, 2018:

Period		Total Number of Shares Purchased		Average Price Paid Per Share[1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
						(Dollars in thousands)
April 1 to 30, 2018		178,304	$	15.20	178,304	5,368
May 1 to 31, 2018		158,614	$	14.78	158,614	3,025
June 1 to 30, 2018		164,864	$	14.96	164,864	558
For the three months ended June 30, 2018	—	501,782	$	14.98	629,574	

[1] Average price paid per share excludes commissions of approximately $20,071.

For additional details regarding purchases made by the Company refer to Note 9, "Stockholders' Equity". The above table excludes shares repurchased to settle employee tax withholding related to the vesting of equity awards.

ITEM 5. ***OTHER MATTERS.***

(a). On July 23, 2018, the Company held its 2018 Annual Meeting of Stockholders (the "Annual Meeting"). There were 20,778,403 shares of common stock eligible to vote, of which 17,936,994 shares were represented in person or by proxy at the Annual Meeting. The purpose of the Annual Meeting was to elect eight directors; to ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018 and to approve, on an advisory basis, the compensation of the Company's named executive officers ("NEOs"). No other business was transacted.

As reported in the tables below, eight 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, 2018 and the compensation of the Company's NEOs was approved, on a non-binding advisory basis.

Election of Directors:	**Votes For**	**Votes Withheld**	**Broker Non-Votes**	
N. Blair Butterfield	15,363,497	123,236	2,450,261	
Stacia A. Hylton	15,362,110	124,623	2,450,261	
Vincent D. Kelly	14,731,882	754,851	2,450,261	
Brian O'Reilly	14,634,079	852,654	2,450,261	
Matthew Oristano	14,720,382	766,351	2,450,261	
Todd Stein	15,336,411	150,322	2,450,261	
Samme L. Thompson	14,609,255	877,478	2,450,261	
Royce Yudkoff	14,626,064	860,669	2,450,261	
Ratification of the Appointment of	**Votes For**	**Votes Against**	**Abstentions**	**Broker Non-Votes**
Grant Thornton LLP	17,579,972	350,215	6,807	—
Advisory Vote on the Approval of	**Votes For**	**Votes Against**	**Abstentions**	**Broker Non-Votes**
NEO Compensation	14,326,147	1,145,803	14,783	2,450,261

ITEM 6. ***EXHIBITS***

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	**File No.**	**Exhibit**	**Filing Date**	
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, dated July 26, 2018					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, dated July 26, 2018					Filed
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated July 26, 2018					Furnished
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated July 26, 2018					Furnished
101.INS	XBRL Instance Document*					Furnished
101.SCH	XBRL Taxonomy Extension Schema*					Furnished
101.CAL	XBRL Taxonomy Extension Calculation*					Furnished
101.DEF	XBRL Taxonomy Extension Definition*					Furnished
101.LAB	XBRL Taxonomy Extension Labels*					Furnished
101.PRE	XBRL Taxonomy Extension Presentation*					Furnished

* The financial information contained in these XBRL documents is unaudited.

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 26, 2018

/s/ Michael W. Wallace

Name:	Michael W. Wallace
Title:	Chief Financial Officer *(Principal Financial Officer and duly authorized officer)*

Exhibit 31.1

CERTIFICATIONS

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.

Dated: July 26, 2018

/s/ Vincent D. Kelly

Vincent D. Kelly
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Michael W. Wallace, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spok Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 26, 2018

/s/ Michael W. Wallace

Michael W. Wallace
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, 2018 (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.

Dated: July 26, 2018

/s/ Vincent D. Kelly

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, 2018 (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.

Dated: July 26, 2018

/s/ Michael W. Wallace

Michael W. Wallace
Chief Financial Officer