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

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2016**

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to_______

Commission file number **33-20111**

SPYR, INC.
(Exact Name of registrant as specified in its charter)

Nevada	**75-2636283**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4643 S. Ulster St. 1510 **Denver, CO**	**80237**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(303) 991-8000**

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

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $.0001 par value
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [X]

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 [X] 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 Regulations 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 [X] No [ ]

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

[X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates, as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was $15,076,195 based on 55,837,759 non affiliate shares outstanding at $0.27 per share.

As of February 28, 2017, there were 153,108,127 shares of the Registrant's common stock, par value $0.0001, issued, 107,636 shares of Series A Convertible preferred stock (convertible to 26,909,028 common shares), par value $0.0001, and 20,000 shares of Series E Convertible preferred stock (convertible to 145,599 common shares), par value $0.0001.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

None

SPYR, Inc.
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For the Fiscal Year Ended December 31, 2016

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PART I

ITEM 1. BUSINESS

Organization and Nature of Business

The Company was incorporated as Conceptualistics, Inc. on January 6, 1988 in Delaware. Subsequent to its incorporation, the Company changed its name to Eat at Joe's, Ltd. In February 2015, the Company changed its name to SPYR, Inc. and adopted a new ticker symbol "SPYR" effective March 12, 2015.

The Company's common stock is traded on the National Association of Security Dealers, Inc. (the "NASD's") OTC Bulletin Board Under the symbol "SPYR."

The primary focus of SPYR, Inc. (the "Company") is to act as a holding company and develop a portfolio of profitable subsidiaries, not limited by any particular industry or business.

The Company has the following wholly owned subsidiaries:

- SPYR APPS, LLC a Nevada Limited Liability Company;
- SPYR APPS Oy, a Finish Limited Liability Company;
- E.A.J.: PHL, Airport Inc. a Pennsylvania corporation;

On March 24, 2015, the Company organized its wholly owned subsidiary SPYR APPS, LLC, ("Apps") a Nevada Limited Liability Company, and on February 22, 2016, the Company organized its wholly owned subsidiary SPYR APPS Oy, ("Oy") a Finish Limited Liability Company. The focus of the SPYR APPS subsidiaries is the development and publication of our own mobile games as well as the publication of games developed by third-party developers.

Through our other wholly owned subsidiary, E.A.J.: PHL Airport, Inc., we own and operate the restaurant "Eat at Joe's" ®, which is located in the Philadelphia International Airport and has been in operations since 1997.

Beginning May 2015, administrative activities have been conducted from the Company's corporate headquarters located at 4643 South Ulster Street, Suite 1510, Denver, Colorado. Prior to May 2015, administrative activities of the Company were conducted by corporate officers from either their home or shared business offices located at 670 White Plains Road, Suite 120, Scarsdale, NY 10583.

The Company's lease with the Philadelphia Airport, Philadelphia, Pennsylvania, where the Company's restaurant is located is scheduled to expire in April 2017. The lease will not be renewed and as a result, the Company is scheduled to close the restaurant concurrent with expiration of the lease in April 2017. The Company's plan is to divest itself from its restaurant division and is considering spinning off the business, and issuing a stock dividend to its shareholders of record as of May 19, 2017, however, there can be no assurance this can be completed. The Company is also exploring opportunities to license and/or franchise the name "Eat at Joe's" as well as merger and acquisition targets of other businesses in the food service industries.

OPERATING LOSSES

The Company has incurred net losses from operations of $7,252,000 and $3,981,000 for the years ended December 31, 2016 and 2015, respectively. Such operating losses reflect developmental and other administrative costs for 2016 and 2015. The Company expects to incur losses in the near future until profitability is achieved. The Company's operations are subject to numerous risks associated with establishing any new business, including unforeseen expenses, delays and complications. There can be no assurance that the Company will achieve or sustain profitable operations.

FUTURE CAPITAL NEEDS AND UNCERTAINTY OF ADDITIONAL FUNDING

Revenues are not yet sufficient to support the Company's operating expenses and are not expected to reach such levels until the Company completes its expansion plans of building a portfolio of mobile games published and/or developed under its umbrella.

In June 2016, the Company obtained an exclusive option to purchase all the assets of the developer of the electronic game commonly known and referred to as "Pocket Starships" (the "Option"). This exclusive Option is exercisable by the

Company at any time, in the Company's sole discretion, through December 31, 2020, on fixed terms favorable to the Company.

Since December 17, 2015, the Company has been publishing Pocket Starships through an exclusive publishing agreement (the "Publishing Agreement") with the game's former publisher, Spectacle Games Publishing ("Spectacle"). The exclusive Publishing Agreement runs for a term of five years, expiring on December 17, 2020, and provides for the Company to fund advanced development and marketing of Pocket Starships in exchange for 50% of the revenue generated by Pocket Starships, plus a recoupment, out of Spectacle's share of the revenue, of the development money advanced by the Company. Should the Company decide to exercise the Option, the Company will receive 100% of the revenue generated by Pocket Starships.

Spectacle is a California corporation that is under common ownership and control of MMOJoe, as defined below. Spectacle maintains a proper registered agent in California, but otherwise has no formal presence in the U.S. The developer and owner of Pocket Starships, MMOJoe UG, maintains its physical offices out of which its employees perform their work at Pintschstrasse 13, 10249 Berlin, Germany and has incorporated a related entity in the U.S. under common ownership and control by the name of MMOJoe USA, a California corporation, which maintains a proper registered agent, but otherwise has no formal presence in the U.S. (collectively "MMOJoe"). All services and work by Spectacle and MMOJoe are performed by employees working out of offices in Berlin, Germany and/or third party contractors overseas. Should the Company decide to exercise the Option, it will pay to MMOJoe $5,000,000 in cash plus $10,000,000 worth of shares of the Company's common stock, valued at the time of closing of the purchase. In exchange for the Option, the Company granted MMOJoe stock options to purchase an aggregate of 3.75 million shares of common stock with a fair value of $472,000 using the Black-Scholes Option Pricing Model. The stock options are fully vested, exercisable at a price per share of $1.00, $2.50 and $5.00 and will expire starting in December 31, 2017 through December 31, 2019.

The Company may also decide to diversify, through acquisition or otherwise, in other unrelated business areas if opportunities present themselves. The Company may seek additional financing in the future to help fund such expansion and growth. There can be no assurance that such financing will be available at all or available on terms acceptable to the Company.

GOVERNMENT REGULATION

The Company is subject to all pertinent federal, state, local, and international laws governing its business. Each subsidiary is subject to licensing and regulation by a number of authorities in its State or municipality. These may include health, safety, and fire regulations. The Company's operations are also subject to Federal and State minimum wage laws governing such matters as working conditions, overtime and tip credits.

COMPETITION

The Company faces competition from a wide variety of participants in the mobile games industry and restaurants, many of which have substantially greater financial, marketing and technological resources than the Company.

EMPLOYEES

As of December 31, 2016, the Company had approximately 24 employees, none of whom is represented by a labor union.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable to smaller reporting companies.

ITEM 2. PROPERTIES

All administrative activities of the Company are conducted from the Company's headquarters located at 4643 South Ulster

Street, Suite 1510, Denver, Colorado.

The Company leases approximately 5,169 square feet at 4643 South Ulster Street, Denver, Colorado pursuant to an amended lease dated May 21, 2015. The lease expires December 31, 2020. Under the lease, the Company pays annual base rent on an escalating scale ranging from $143,000 to $152,000.

The Company's wholly-owned subsidiary E.A.J.: PHL, Airport Inc. leases approximately 845 square feet in the Philadelphia Airport, Philadelphia, Pennsylvania pursuant to a lease dated July 6, 2010. E.A.J.: PHL, Airport Inc. pays $14,000 per month basic rent plus 20% of gross revenues above $1,200,000 under the lease that expires April 30, 2017.

ITEM 3. LEGAL PROCEEDINGS

On October 14, 2015, the Company was named as a defendant in a case filed in the United States District Court for the District of Delaware captioned: Zakeni Limited v. SPYR, Inc., f/k/a Eat at Joe's., Ltd. The suit relates to the Company's issuance of two convertible debentures in the aggregate principal amount of $1,500,000 in 1998. The plaintiff is seeking payment or conversion of said convertible debentures together with accrued interest and unspecified damages. The Company believes the claim is not a valid debt and is vigorously defending this lawsuit. On December 4, 2015, the Company filed a motion to dismiss the suit based on the statute of limitations. In evaluating a motion to dismiss, the Court is only allowed to view the allegations set forth in the plaintiff's complaint and documents referenced therein, must assume that those allegations are true, and must construe all evidence contained in the referenced documents in a light most favorable to the plaintiff. On August 24, 2016, under this standard, the Court determined that the legal requirements to grant the motion to dismiss had not been fully satisfied and denied the Company's Motion to Dismiss. Accordingly, no final determinations regarding liability have been made, the case will proceed to be litigated in the normal course, and, if the Company elects, it will have the ability to again present its arguments for dismissal prior to trial through a motion for summary judgment, which will allow for a determination to be made based on a legal standard that is slightly less favorable to the plaintiff. If that motion is denied, the Company will still have the opportunity to present all of its arguments and defenses at trial, at which Zakeni will have to prove its case by a preponderance of the evidence. The case is scheduled for trial on January 8, 2018. Based upon available information at this very early stage of litigation, it is still the belief of management and opinion of in-house counsel that the Company will obtain a favorable ruling and no amount will be awarded to the plaintiff in this action. Accordingly, Management believes the likelihood of material loss resulting from this lawsuit to be remote.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET INFORMATION

The Company's Common Stock is traded on the NASD's OTC Bulletin Board under the symbol "SPYR." The following table presents the high and low bid quotations for the Common Stock as reported by the NASD for each quarter during the last two years. Such prices reflect inter-dealer quotations without adjustments for retail markup, markdown or commission, and do not necessarily represent actual transactions.

	High	Low
2016		
First Quarter	$0.22	$0.13
Second Quarter	$0.46	$0.12
Third Quarter	$0.71	$0.22
Fourth Quarter	$0.67	$0.41
2015		
First Quarter	$0.74	$0.17
Second Quarter	$0.99	$0.36
Third Quarter	$0.57	$0.18
Fourth Quarter	$0.29	$0.16

DIVIDENDS

The Company has never declared or paid any cash dividends. It is the present policy of the Company to retain earnings to finance the growth and development of the business and, therefore, the Company does not anticipate paying dividends on its Common Stock in the foreseeable future.

The number of shareholders of record of the Company's Common Stock as of December 31, 2016 was approximately 1,762.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to smaller reporting companies.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and supplementary data referred to in this Form 10-K.

This discussion contains forward-looking statements that involve risks and uncertainties. Such statements, which include statements concerning revenue sources and concentration, selling, general and administrative expenses and capital resources, are subject to risks and uncertainties, including, but not limited to, those discussed elsewhere in this Form 10-K that could cause actual results to differ materially from those projected. Unless otherwise expressly indicated, the information set forth in this Form 10-K is as of December 31, 2016, and we undertake no duty to update this information.

Plan of Operations – SPYR, Inc. operates in two separate and distinct segments: Digital Media and Restaurant. The Digital Media segment includes publishing, co-publishing, developing and marketing mobile games and applications. The Restaurant segment includes owning and operating an "American Diner" theme restaurant called "Eat at Joe's"®.

Through our wholly owned subsidiaries SPYR APPS, LLC, d/b/a SPYR GAMES and SPYR APPS Oy, we develop, publish and co-publish mobile games, and then generate revenue through those games by way of advertising and in-app purchases. Our primary focus is on the development and expansion of our mobile games and applications. We anticipate we will need to hire additional employees during 2017 to help with the development and marketing of existing and future games and applications.

In June 2016, we obtained an exclusive option to purchase all the assets of the developer of the electronic game commonly known and referred to as "Pocket Starships" (the "Option"). This exclusive Option is exercisable by the Company at any time, in the Company's sole discretion, through December 31, 2020, on fixed terms favorable to the Company.

Since December 17, 2015, the Company has been publishing Pocket Starships through an exclusive publishing agreement (the "Publishing Agreement") with the game's former publisher, Spectacle Games Publishing ("Spectacle"). The exclusive Publishing Agreement runs for a term of five years, expiring on December 17, 2020, and provides for the Company to fund advanced development and marketing of Pocket Starships in exchange for 50% of the revenue generated by Pocket Starships, plus a recoupment, out of Spectacle's share of the revenue, of the development money advanced by the Company. Should the Company decide to exercise the Option, the Company will receive 100% of the revenue generated by Pocket Starships.

Spectacle is a California corporation that is under common ownership and control of MMOJoe, as defined below. Spectacle maintains a proper registered agent in California, but otherwise has no formal presence in the U.S. The developer and owner of Pocket Starships, MMOJoe UG, maintains its physical offices out of which its employees perform their work at Rosenstrasse 17, 10178 Berlin, Germany and has incorporated a related entity in the U.S. under common ownership and control by the name of MMOJoe USA, a California corporation, which maintains a proper registered agent, but otherwise has no formal presence in the U.S. (collectively "MMOJoe"). All services and work by Spectacle and MMOJoe are performed by employees working out of offices in Berlin, Germany and/or third party contractors overseas. Should the Company decide to exercise the Option, it will pay to MMOJoe $5,000,000 in cash plus $10,000,000 worth of shares of the Company's common stock, valued at the time of closing of the purchase. In exchange for the Option, the Company granted MMOJoe stock options to purchase an aggregate of 3.75 million shares of common stock with a fair value of $472,000 using the Black-Scholes Option Pricing Model. The stock options are fully vested, exercisable at a price per share of $1.00, $2.50 and $5.00 and will expire starting in December 31, 2017 through December 31, 2019.

Though our wholly owned subsidiary E.A.J.: PHL, Airport, Inc. we generate revenue from the sale of food and beverage products through our theme restaurant located in Philadelphia, Pennsylvania. Our lease in the Philadelphia Airport is scheduled to expire in April 2017 and will not be renewed, and concurrent with expiration of the lease the restaurant will close. The Company's plan is to divest itself from its restaurant division and is considering spinning off the business, and issuing a stock dividend to its shareholders of record as of May 19, 2017, however, there is no assurance this can be completed. The Company is also exploring opportunities to license or franchise the name "Eat at Joe's" as well as merger and acquisition targets of other businesses in the food service industries.

The Company intends to utilize cash on hand to conduct its ongoing business, and to also conduct strategic business development, marketing analysis, due diligence investigations into possible acquisitions, and research and development and implementation of our business plans generally. The Company may also decide to diversify, through acquisition or otherwise, in other unrelated business areas if opportunities present themselves.

COMPARISON OF 2016 TO 2015

The consolidated results of continuing operations are as follows:

	Digital Media	Restaurants	Corporate	Consolidated
Year Ended December 31, 2016				
Revenues	$ 139,000	$ 1,413,000	$ —	$ 1,552,000
Cost of sales	—	421,000	—	421,000
Labor and related expenses	575,000	471,000	892,000	1,938,000
Rent	8,000	278,000	138,000	424,000
Depreciation and amortization	51,000	68,000	47,000	166,000
Professional fees	250,000	2,000	3,042,000	3,294,000
Research and Development	416,000	—	—	416,000
Cost of acquisition option	472,000	—	—	472,000
Other general and administrative	1,214,000	198,000	261,000	1,673,000
Operating loss	(2,847,000)	(25,000)	(4,380,000)	(7,252,000)
Other expense	—	—	(134,000)	(134,000)
Loss from continuing operations	$ (2,847,000)	$ (25,000)	$ (4,514,000)	$ (7,386,000)
Year Ended December 31, 2015				
Revenues	$ 6,000	$ 1,591,000	$ —	$ 1,597,000
Cost of sales	—	473,000	—	473,000
Labor and related expenses	161,000	435,000	1,123,000	1,719,000
Rent	—	294,000	64,000	358,000
Depreciation and amortization	—	74,000	24,000	98,000
Professional fees	50,000	7,000	2,217,000	2,274,000
Other general and administrative	203,000	182,000	271,000	656,000
Operating income (loss)	(408,000)	126,000	(3,699,000)	(3,981,000)
Other expense	—	—	(2,619,000)	(2,619,000)
Income (loss) from continuing operations	$ (408,000)	$ 126,000	$ (6,318,000)	(6,600,000)

Results of Operations - For the year ended December 31, 2016 the Company had a loss from continuing operations before income taxes of approximately $7,386,000 compared to a loss from continuing operations before income taxes of approximately $6,600,000 for the year ended December 31, 2015. This change is due primarily to increased operating expenses of $3,278,000 and decreased interest and dividend income of $4,000, partially offset by increased gross margin of $7,000, and decreases in the amount of realized and unrealized gains on the sale of marketable securities of $2,489,000.

More detailed explanation of the year ended December 31, 2016 and 2015 changes are included in the applicable segment discussions following.

Total Revenues - For the years ended December 31, 2016 and 2015, the Company had total sales of $1,552,000 and $1,597,000, respectively, for a decrease of $45,000 or 3%. For the year ended December 31, 2016, revenues included $139,000 in revenues from our Digital Media Mobile Games Publishing and Advertising segment and $1,413,000 in restaurant revenues. Management plans to expand its mobile application and game development and monetization efforts and expects increased revenues in this segment in the coming year. Our restaurant revenues fluctuate based on airport traffic fluctuations. As stated above, the lease in the Philadelphia Airport is scheduled to expire in April 2017 and will not be renewed. Concurrent with expiration of the lease the restaurant the will close. The Company's plan is to divest itself from its restaurant division and is considering spinning off the business, and issuing a stock dividend to its shareholders of record as of May 19, 2017, however, there is no assurance this can be completed. The Company is also exploring opportunities to license or franchise the name "Eat at Joe's" as well as merger and acquisition targets of other businesses in the food service industries.

Costs and Expenses - Costs of sales, include the costs of food, beverage, and kitchen supplies and relates solely to our restaurant business.

The cost of labor increased $219,000 from $1,719,000 to $1,938,000 for the year ended December 31, 2016 compared to the year ended December 31, 2015. The cost of labor increased in our Digital Media Mobile Games Publishing and Advertising segment by $414,000 due to hiring additional employees for our digital media operations. Of this amount, $248,000 was settled in cash and $166,000 was paid in restricted stock recorded at fair value. At the corporate level, cash compensation increased by $205,000, while the amounts paid in restricted stock recorded at fair value decrease by $436,000 for a net decreased of $231,000. The remaining difference is attributed to hiring dates and changes in pay rates and the overall number of employees. The cost of labor is expected to increase in conjunction with expansion of the digital media operations.

The cost of rent increased approximately 5% as a percentage of sales from 2015 to 2016. The Company's wholly owned subsidiary, E.A.J.: PHL, Airport, pays $14,000 per month basic rent plus percentage rent equal to 20% of gross revenues above $1,200,000 under the lease based on sales for the 12 month period from July to June of each year. Basic rent is a fixed cost and percentage rent is variable, so the total rent paid is expected to vary from year to year in conjunction with restaurant sales. Beginning May 1, 2015, the Company moved into its new corporate offices in Denver, Colorado and began recording lease expense of $5,500 per month pursuant to this lease agreement. On October 1, 2015, we added additional square footage that more than doubled our administrative office space in Denver and further increased our rent expense for the year. Beginning September 1, 2016, we began leasing office space in Berlin, Germany on a month to month basis at a cost of EUR 250 plus 19% tax per person up to a maximum of 10 people. The Berlin office is being used by leased employees hired by the Company for the marketing and user acquisition for the Pocket Starships game. For 2016, we incurred approximately $7,500 in rent pursuant to the Germany lease agreement. Beginning October 17, 2016, we began leasing shared office for one employee in Redmond, Washington on a month to month basis at a cost of $225 per month per desk.

Depreciation and amortization expenses increased by $68,000 for the year ended December 31, 2016 compared to the year ended December 31, 2015. This is attributable to depreciation and amortization expenses on the purchase of office equipment, furniture and fixtures and leasehold improvements for the new corporate headquarters in Denver Colorado of approximately $192,000 in 2015 and $41,000 in 2016, new office equipment of approximately $7,000 in 2016 for use in our Digital Media Mobile Games Publishing and Advertising segment, and new restaurant equipment of approximately $16,000 in 2015, and the purchase of approximately $20,000 of intangible assets during 2015.

Professional fees increased $1,020,000 from $2,274,000 in 2015 to $3,294,000 in 2016. Professional fees during 2016 included the grant of 4,509,912 shares of restricted common stock, 350,000 options to purchase restricted common stock issued to third parties for consulting services, and vesting of shares of restricted common stock with a total fair value of $2,306,000. The Company paid approximately $587,000 in consulting fees for investor and public relations. The remaining $401,000 is due to legal, accounting and other professional service needs. Professional fees during 2015 included the grant of 500,000 shares of restricted common stock issued to third parties for legal services recorded at fair value of $295,000, and the grant of 2,420,000 shares of restricted common stock issued to third parties for consulting services recorded at fair value of $1,265,000. The Company paid approximately $519,000 in consulting fees for investor and public relations. The remaining $429,000 is due to accounting and other professional service needs.

As described in the plan of operations above, the Company obtained an exclusive option to purchase all of MMOJoe's assets including but not limited to all assets pertaining to Pocket Starships for cash of $5,000,000 plus $10,000,000 worth of shares of the Company's common stock, valued at the time of closing of the purchase in exchange for granted MMOJoe stock options to purchase an aggregate of 3.75 million shares of the Company's common stock. The stock options are fully vested, exercisable at a price per share of $1.00, $2.50 and $5.00 and will expire starting in December 31, 2017 through December 31, 2019. Total fair value of the options of $472,000 has been recorded as an expense in full in 2016 due to the uncertainty of such acquisition occurring in the near future.

During the year ended December 31, 2016, the Company incurred research and development costs of $416,000 in connection with fees paid to a game developer for the development of the Pocket Starships game. There were no such costs in 2015.

Other general and administrative expenses increased approximately $1,017,000 for the year months ended December 31, 2016 compared to the year months ended December 31, 2015. The increase can be attributed primarily to software licensing, publishing and development costs which increased by $664,000, marketing costs which increased by $225,000, travel costs which increased by $118,000, and various other general and administrative cost increases.

The Company had unrealized losses on trading securities of $57,000 for the year ended December 31, 2016 compared to unrealized losses of $1,181,000 for the year ended December 31, 2015. Unrealized gains and losses are the result of fluctuations in the quoted market price of the underlying securities.

The Company realized losses from the sale of trading securities of $95,000 for the year ended December 31, 2016, compared to realized losses of approximately $1,460,000 for the year ended December 31, 2015. Realized gains and losses are the difference between the selling prices and fair value of the underlying trading securities at the date of sale.

As of December 31, 2016, the Company had deferred tax assets arising from net operating loss carry-forwards, unrealized losses on marketable securities, capital loss carry overs and deductible temporary differences of approximately $13,700,000 compared to $7,000,000 in deferred tax assets at December 31, 2015. During the year ended December 31, 2016, the Company increased its net operating loss carry-forwards by approximately $6,600,000, increased it capital loss carry-overs by approximately $800,000 and used approximately $700,000 in deductible temporary differences. Management believes it is more likely than not that forecasted income, together with future reversals of existing taxable temporary differences, will not be sufficient to fully recover the deferred tax assets and has established a 100% valuation allowance of $4,225,000 against these potential future tax benefits. The Company will continue to evaluate the realizability of deferred tax assets quarterly.

Digital Media Segment:

	2016	2015	Difference	%
Revenues	$ 139,000	$ 6,000	$ 133,000	2217%
General and administrative	2,935,000	414,000	2,521,000	609%
Depreciation and amortization	51,000	—	51,000	100%
Operating Loss	$ (2,847,000)	$ (408,000)	$ (2,439,000)	598%

Results of Operations – For the year ended December 31, 2016 the Digital Media segment had an operating loss of $2,847,000 compared to an operating loss of $408,000 for the year ended December 31, 2015. Our Digital Media segment started operations in March 2015.

Revenues – For the year ended December 31, 2016 the Digital Media segment had revenues of $139,000 compared to revenues of $6,000 for the year ended December 31, 2015. Management expect digital media revenues to increase during the next 12-18 months as the Company expands its mobile games and application development and publishing activities through the acquisition and/or development of its own intellectual property and publishing agreements with developers.

General and Administrative Expenses – For the year ended December 31, 2016, the Digital Media segment had total selling, general and administrative expenses of approximately $2,935,000, which included Labor and related expenses of approximately $575,000, of which approximately $385,000 was paid in cash and $190,000 was paid in restricted stock recorded at fair value, rent expense of $8,000, professional fees of $250,000, of which approximately $172,000 was paid in cash and $78,000 was paid in restricted stock recorded at fair value, common stock options granted for acquisition option of $472,000, research and development of $416,000, software licensing and publishing costs of $735,000, marketing costs of $350,000, travel costs of $116,000, and various other general and administrative costs of $13,000. For the year ended December 31, 2015, the Digital Media segment had total selling, general and administrative expenses of approximately $414,000, which included Labor and related expenses of approximately $161,000, of which approximately $137,000 was paid in cash and $24,000 was paid in restricted stock recorded at fair value, digital marketing expenses of approximately $125,000, software development costs of approximately $67,000, professional fees of approximately $50,000, and other general and administrative costs of approximately $11,000.

Restaurant Segment:

	2016	2015	Difference	%
Revenues	$ 1,413,000	$ 1,591,000	$ (178,000)	-11%
Cost of sales	421,000	473,000	(52,000)	-11%
General and administrative	949,000	918,000	31,000	3%
Depreciation and amortization	68,000	74,000	(6,000)	-8%
Operating income (loss)	$ (25,000)	$ 126,000	$ (151,000)	-120%

Results of Operations – For the year ended December 31, 2016, the Restaurant segment had an operating loss of $25,000 compared to operating income of $126,000 for the year ended December 31, 2015. Concurrent with expiration its lease in April 2017, the restaurant the will close. The Company's plan is to divest itself from its restaurant division and is considering spinning off the business, and issuing a stock dividend to its shareholders of record as of May 19, 2017, however, there is no assurance this can be completed. The Company is also exploring opportunities to license or franchise the name "Eat at Joe's" as well as merger and acquisition targets of other businesses in the food service industries.

Revenues – For the years ended December 31, 2016 and 2015, the Restaurant segment had sales of $1,413,000 and $1,591,000, respectively, for a decrease of $178,000 or 11%. Restaurant revenues fluctuates based upon airport traffic fluctuations.

Costs of Sales – For the years ended December 31, 2016 and 2015, the Restaurant segment had costs of sales of $421,000 and $473,000, respectively, for a decrease of approximately $52,000 or 11% as a result of the decrease in revenues. Costs of sales include the costs of food, beverage, and kitchen.

General and Administrative Expenses – For the years ended December 31, 2016 and 2015, the Restaurant segment had general and administrative expenses of $949,000 compared to approximately $918,000 for the year ended December 31, 2015. The increase in general and administrative expenses is due primarily increased in salary and wages of employees.

DISCONTINUED OPERATIONS

On February 23, 2015, the Company entered into an agreement whereby, the Company issued an aggregate of 2.5 million shares of its restricted common stock valued at $1,700,000, in exchange for all of the issued and outstanding shares of Franklin Networks, Inc., a Tennessee corporation ("Franklin"), an internet company that began operations in September 2014. The acquisition of Franklin had been accounted for as a purchase and the operations of Franklin have been consolidated since the date of the acquisition. The $1.7 million purchase price was allocated based upon the fair value of the acquired assets which consists of intangible assets of $671,000, deferred tax liability of $118,000 and goodwill of $1,147,000, as determined by management with the assistance of an independent valuation firm.

On December 31, 2015, the Company and the former owners of Franklin agreed to unwind the agreement and return the original consideration exchanged in the contract. As a result, the Company reported a loss on rescission of discontinued operations of $1,638,000 due to the write off of the unamortized intangible assets, goodwill and deferred tax liability, reduced by the fair value of the 2.5 million shares of common stock returned to the Company amounting to $500,000 or a net amount of $1,138,000. In addition, the Company also recognized a loss from discontinued operations of $1,206,000 which includes stock-based compensation of $279,000. The Company reported the loss from operations from Franklin as a loss from discontinued operations in the accompanying statements of operations since the Company considered its decision to rescind the Franklin acquisition as a strategic shift that has a major effect in the Company's operations and financial results.

During the year ended December 31, 2016, the Company incurred expenses of $4,000 related to Franklin.

LIQUIDITY AND CAPITAL RESOURCES

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has generated a net loss from continuing operations for the year ended December 31, 2016 of $7,386,000 and utilized cash in operations of $3,929,000. As of December 31, 2016, the Company had current assets of $3,569,000, which included cash and cash equivalents of approximately $3,204,000, and trading securities of $59,000. The Company's restaurant, Eat At Joes is scheduled to close in April 2017, concurrent with the expiration of the lease. However, the Company plans to expand its mobile games and application development and publishing activities, such as Pocket Starships, through acquisition and/or development of its own intellectual property and publishing agreements with developers.

During the years ended December 31, 2016 and 2015, the Company has met its capital requirements through the sale of its trading securities for proceeds of $783,000 and $3,061,000, respectively, and through the use of existing cash reserves.

Operating Activities - For the year ended December 31, 2016 and 2015, the Company used cash for operating activities of $3,929,000 and $2,836,000, respectively. This is due primarily to our expansion efforts into the digital media publishing, advertising and gaming industry, the addition of new management and operations personnel and the resulting increases in operating expenses.

As discussed in greater detail above, since December 17, 2015, the Company has been publishing Pocket Starships through an exclusive 5-year publishing agreement in signed in December 2015. As part of the agreement, the Company agreed to provide Spectacle monthly advances of $30,000 to cover development expenses related to Pocket Starships. In April 2016, the agreement was amended and the advance amount was increased to $120,000 per month starting in May 2016. In May 2016, the agreement was further amended to increase the monthly amount to $130,000 starting in June 2016. As a result, the Company recorded a total of $1,151,000 during the year ended Dec. 31, 2016. The monthly advance is non-refundable but is recoupable from future revenues generated from Pocket Starships. The agreement also provides that the Company provide appropriate marketing, promotional and user acquisition funds for the purpose of marketing Pocket Starships. These amounts are based upon the Company's reasonable discretion determined by analysis of the various metrics and performance indicators. During 2016, the Company recorded a total of $350,000 in marketing and another $116,000 in travel costs. The Company can unilaterally terminate this agreement within 30 days of the one year anniversary of the agreement and each six-month period thereafter by providing written notice to Spectacle. Either party may terminate the agreement in the event of a material breach by the other party that remains uncured after receipt of thirty days written notice.

Investing Activities - During the year ended December 31, 2016, the Company received $783,000 in cash proceeds from sales of trading securities and used cash of $569,000 for the purchase of trading securities, property plant and equipment, and licensing rights. During the year ended December 31, 2015, the Company received $3,061,000 in cash proceeds from sales of trading securities and used cash of $315,000 for the purchase of property plant and equipment, domain names, and licensing rights.

Financing Activities - During the year ended December 31, 2016, the Company sold 100,000 shares of restricted common stock to a service provider for $15,000. During the year ended December 31, 2015, the Company did not engage in any financing activities.

During 2016 we have worked closely with the development team at Spectacle Games to optimize game play and expand the availability of the Pocket Starships to more users through new and existing game portals, social networking sites and app stores throughout the world. Management's plan for the next 12 months is to build upon this foundation and focus our efforts on marketing and optimizing user acquisition and retention. We will also continue to provide the monthly advances to Spectacle for further development, enhancement and maintenance of the game as needed to meet the needs of the users and maximize revenue into the future. In addition to our plans for Pocket Starships, we will continue to seek additional games and apps to publish as we strive to broaden our range of products and increase revenues and operating cash flows. We expect these marketing, development and expansion plans will be financed through existing cash, operating cash flows from game revenues and other forms of financing such as the sale of additional equity and debt securities, capital leases and other credit facilities.

We estimate the Company currently has sufficient cash and liquidity to meet its anticipated working capital for the next twelve months. Historically, we have financed our operations primarily through private sales of our trading securities or through sales of our common stock. If our sales goals for our products do not materialize as planned, we believe that the Company can reduce its operating and product development costs that would allow us to maintain sufficient cash levels to continue operations. However, if we are not able to achieve profitable operations at some point in the future, we may have insufficient working capital to maintain our operations as we presently intend to conduct them or to fund our expansion, marketing, and product development plans. There can be no assurance that we will be able to obtain such financing on acceptable terms, or at all.

Government Regulations - The Company is subject to all pertinent federal, state, local and international laws governing its business. Each subsidiary is subject to licensing and regulation by a number of authorities in its State or municipality. These may include health, safety, and fire regulations. The Company's operations are also subject to Federal and State minimum wage laws governing such matters as working conditions, overtime and tip credits.

Critical Accounting Policies - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 1 to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, contingencies and taxes. Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements.

Revenue Recognition

The Company generates revenues from its wholly owned subsidiaries, which operate separate and distinct businesses. The following is a summary of our revenue recognition policies.

Through our wholly owned subsidiaries SPYR APPS, LLC, d/b/a SPYR GAMES and SPYR APPS Oy, we develop, publish and co-publish mobile games, and then generate revenue through those games by way of advertising and in-app purchases. The Company’s dedicated mobile gaming applications can be downloaded through the app stores maintained by Apple and Google. The Company’s cross platform gaming application, which can be played on personal computers, Facebook and mobile devices, can be downloaded from the internet and Facebook as well as through the app stores maintained by Apple, Google and Amazon. The Company receives revenue from the sale of advertising provided with games and through in-app purchases. The Company recognizes revenue using four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured, which is typically after receipt of payment and delivery.

Though our wholly owned subsidiary E.A.J.: PHL, Airport, Inc. we generate revenue from the sale of food and beverage products through our restaurant. Revenue from the restaurant is recognized upon sale to a customer and receipt of payment.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board (FASB) whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the FASB whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's stock option and warrant grants is estimated using the Black-Scholes Option Pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the stock options or warrants, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes Option Pricing model, and based on actual experience. The assumptions used in the Black-Scholes Option Pricing model could materially affect compensation expense recorded in future periods.

The Company also issues restricted shares of its common stock for share-based compensation programs to employees and non-employees. The Company measures the compensation cost with respect to restricted shares to employees based upon the estimated fair value at the date of the grant, and is recognized as expense over the period which an employee is required to provide services in exchange for the award. For non-employees, the Company measures the compensation cost with respect to restricted shares based upon the estimated fair value at measurement date which is either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete.

Loss Contingencies

The Company is subject to various loss contingencies arising in the ordinary course of business. The Company considers the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as its ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when management concludes that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The Company regularly evaluates current information available to us to determine whether such accruals should be adjusted.

Recent Accounting Pronouncements

See Note 1 of the consolidated financial statements for discussion of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
SPYR, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of SPYR, Inc. and Subsidiaries (the "Company") as of December 31, 2016 and 2015 and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2016 and 2015. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SPYR, Inc. and Subsidiaries as of December 31, 2016 and 2015 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

WEINBERG & COMPANY, P.A.
Los Angeles, California
March 31, 2017

SPYR, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,204,000	$ 6,904,000
Accounts receivable, net	44,000	8,000
Other receivable	200,000	—
Inventory	12,000	13,000
Prepaid expenses	50,000	56,000
Trading securities, at market value	59,000	324,000
Total Current Assets	3,569,000	7,305,000
Property and equipment, net	211,000	275,000
Intangible assets, net	18,000	21,000
Capitalized licensing rights, net	40,000	80,000
Other assets	22,000	22,000
TOTAL ASSETS	$ 3,860,000	$ 7,703,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 176,000	$ 105,000
Related party accounts payable	—	7,000
Total Current Liabilities	176,000	112,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized 107,636 Class A shares issued and outstanding as of December 31, 2016 and 2015	11	11
20,000 Class E shares issued and outstanding as of December 31, 2016 and 2015	2	2
Common Stock, $0.0001 par value, 250,000,000 shares authorized 157,637,026 and 151,508,127 shares issued and outstanding as of December 31, 2016 and 2015	15,763	15,151
Additional paid-in capital	34,752,224	31,269,836
Accumulated deficit	(31,084,000)	(23,694,000)
Total Stockholders' Equity	3,684,000	7,591,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,860,000	$ 7,703,000

The accompanying notes are an integral part of these consolidated financial statements.

SPYR, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2016	2015
Revenues	$ 1,552,000	$ 1,597,000
Cost of sales	421,000	473,000
Gross Margin	1,131,000	1,124,000
Expenses		
Labor and related expenses	1,938,000	1,719,000
Rent	424,000	358,000
Depreciation and amortization	166,000	98,000
Professional fees	3,294,000	2,274,000
Research and development	416,000	—
Cost of acquisition option	472,000	—
Other general and administrative	1,673,000	656,000
Total Operating Expenses	8,383,000	5,105,000
Operating Loss	(7,252,000)	(3,981,000)
Other Income (Expense)		
Interest and dividend income	18,000	22,000
Unrealized loss on trading securities	(57,000)	(1,181,000)
Loss on sale of marketable securities	(95,000)	(1,460,000)
Total Other Expense	(134,000)	(2,619,000)
Loss from continuing operations	(7,386,000)	(6,600,000)
Loss from discontinued operations	(4,000)	(1,206,000)
Loss on rescission of discontinued operations	—	(1,138,000)
Loss on discontinued operations	(4,000)	(2,344,000)
Net Loss	$ (7,390,000)	$ (8,944,000)
Per Share Amounts		
Loss from continuing operations		
Basic and Diluted earnings per share	$ (0.05)	$ (0.04)
Loss on discontinued operations		
Basic and Diluted earnings per share	$ —	$ (0.02)
Net Loss		
Basic and Diluted earnings per share	$ (0.05)	$ (0.06)
Weighted Average Common Shares		
Basic and Diluted	154,092,844	152,346,182

The accompanying notes are an integral part of these consolidated financial statements.

SPYR, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Preferred Stock						Common	Additional		
	Class A		Class E		Common Stock		Stock	Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Issuable	Capital	Deficit	Total
Balance at December 31, 2014	107,636	$ 11	20,000	$ 2	140,627,710	$14,063	$ 987,500	$26,681,424	$(14,750,000)	$12,933,000
Common stock issued for employee signing bonuses	—	—	—	—	5,500,000	550	(987,500)	986,950	—	—
Common stock issued for employee compensation	—	—	—	—	2,360,417	236	—	1,075,764	—	1,076,000
Common stock issued for professional fees	—	—	—	—	2,420,000	242	—	1,264,758	—	1,265,000
Common stock issued for acquisition of Franklin Networks, Inc.	—	—	—	—	2,500,000	250	—	1,699,750	—	1,700,000
Common stock cancelled on rescinded acquisition of Franklin Networks, Inc.	—	—	—	—	(2,500,000)	(250)	—	(499,750)	—	(500,000)
Vesting of shares of common stock issued for services	—	—	—	—	600,000	60	—	60,940	—	61,000
Net loss	—	—	—	—	—	—	—	—	(8,944,000)	(8,944,000)
Balance at December 31, 2015	107,636	11	20,000	2	151,508,127	15,151	—	31,269,836	(23,694,000)	7,591,000
Fair value of common stock issued for employee compensation	—	—	—	—	1,843,987	184	—	412,816	—	413,000
Fair value of common stock issued for professional fees	—	—	—	—	4,509,912	451	—	1,950,549	—	1,951,000
Common stock issued for cash	—	—	—	—	100,000	10	—	14,990	—	15,000
Fair value of options granted for acquisition option	—	—	—	—	—	—	—	472,000	—	472,000
Fair value of options and warrants granted for services	—	—	—	—	—	—	—	199,000	—	199,000
Common stock cancelled upon employee resignation	—	—	—	—	(325,000)	(33)	—	33	—	—
Vesting of shares of common stock issued for services	—	—	—	—	—	—	—	273,000	—	273,000
Contributed capital from sale of trading securities to related party	—	—	—	—	—	—	—	160,000	—	160,000
Net loss	—	—	—	—	—	—	—	—	(7,390,000)	(7,390,000)
Balance at December 31, 2016	107,636	$ 11	20,000	$ 2	157,637,026	$15,763	$ —	$34,752,224	$(31,084,000)	$ 3,684,000

The accompanying notes are an integral part of these consolidated financial statements.

SPYR, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2016	2015
Cash Flows From Operating Activities:		
Net loss	$ (7,390,000)	$ (8,944,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on discontinued operations	4,000	2,344,000
Depreciation and amortization	166,000	98,000
Fair value of vesting warrants and options	199,000	—
Common stock issued for employee compensation	413,000	796,000
Common stock issued for professional fees	1,951,000	1,265,000
Fair value of options granted for acquisition option	472,000	—
Vesting of shares of common stock issued for services	273,000	61,000
Unrealized loss on trading securities	57,000	1,181,000
Loss on sale of trading securities	95,000	1,460,000
Changes in operating assets and liabilities:		
Increase in accounts receivables	(36,000)	(3,000)
Increase in other receivables	(200,000)	—
Decrease in inventory	1,000	2,000
Decrease in prepaid expenses	6,000	5,000
Increase in other assets	—	(7,000)
Increase in accounts payable and accrued liabilities	71,000	32,000
Decrease in related party accounts payable	(7,000)	(262,000)
Net Cash Used in Operating Activities from Continuing Operations	(3,925,000)	(1,972,000)
Net Cash Used in Operating Activities from Discontinued Operations	(4,000)	(864,000)
Net Cash Used in Operating Activities	(3,929,000)	(2,836,000)
Cash Flows From Investing Activities:		
Purchase of licensing rights	(10,000)	(80,000)
Purchases of trading securities	(510,000)	—
Proceeds from sale of trading securities	783,000	3,061,000
Purchase of property and equipment	(49,000)	(215,000)
Purchase of intangible assets	—	(20,000)
Net Cash Provided by Investing Activities	214,000	2,746,000
Cash Flows From Financing Activities:		
Proceeds from sale of common stock	15,000	—
Net Cash Provided by Financing Activities	15,000	—
Net decrease in Cash	(3,700,000)	(90,000)
Cash and cash equivalents at beginning of period	6,904,000	6,994,000
Cash and cash equivalents at end of period	$ 3,204,000	$ 6,904,000
Supplemental Disclosure of Interest and Income Taxes Paid:		
Interest paid during the period	$ —	$ —
Income taxes paid during the period	$ —	$ —
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
Contributed capital from sale of trading securities	$ 160,000	$ —
Common stock issued for acquisition of Franklin Networks, Inc.	$ —	$ 1,700,000
Cancellation of common stock due to rescission of Franklin Networks acquisition	$ —	$ (500,000)

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of accounting policies for SPYR, Inc. and subsidiaries (the "Company") is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the consolidated financial statements.

The Company was incorporated as Conceptualistics, Inc. on January 6, 1988 in Delaware.

From 1997 to present, the Company has owned and operated an American grill, 1950's themed restaurant called "Eat at Joe's® located in the Philadelphia International Airport.

On December 16, 2014, the Company amended it articles of incorporation and changed its domicile to Nevada.

In February 2015, the Company changed its name from Eat at Joe's, Ltd. to SPYR, Inc. and adopted a new ticker symbol "SPYR" effective March 12, 2015.

On March 24, 2015, the Company organized its wholly owned subsidiary SPYR APPS, LLC, ("Apps") a Nevada Limited Liability Company for the purpose of expanding the Company's digital media presence into the mobile app industry.

Our lease in the Philadelphia Airport is scheduled to expire in April 2017 and will not be renewed, and concurrent with expiration of the lease the restaurant the will close. The Company's plan is to divest itself from its restaurant division and is considering spinning off the business, and issuing a stock dividend to its shareholders of record as of May 19, 2017, however, there is no assurance this can be completed. The Company is also exploring opportunities to license or franchise the name "Eat at Joe's" as well as merger and acquisition targets of other businesses in the food service industries.

Nature of Business

The primary focus of SPYR, Inc. (the "Company") is to act as a holding company and develop a portfolio of profitable subsidiaries, not limited by any particular industry or business.

We currently own three operating subsidiaries, two in the digital technology industry and, one in the restaurant industry, each having their own particular focus.

Through our wholly owned subsidiaries, SPYR APPS, LLC and SPYR APPS Oy, we operate our mobile games and applications business. The focus of the SPYR APPS subsidiaries is the development and publication of our own mobile games as well as the publication of games developed by third-party developers.

Through our other wholly owned subsidiary, E.A.J.: PHL Airport, Inc., we own and operate the restaurant "Eat at Joe's" ®, which is located in the Philadelphia International Airport and has been in operations since 1997.

Liquidity

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the year ended December 31, 2016, the Company recorded a net loss from continuing operations of $7,386,000 and utilized cash in continuing operations of $3,925,000. As of December 31, 2016, our cash balance was $3,204,000 and we had trading securities of 59,000.

The Company's restaurant, Eat At Joes is scheduled to close in April 2017, concurrent with the expiration of the lease. However, the Company plans to expand its mobile games and application development and publishing activities, such as Pocket Starships, through acquisition and/or development of its own intellectual property and publishing agreements with developers.

We estimate the Company currently has sufficient cash and liquidity to meet its anticipated working capital for the next twelve months. Historically, we have financed our operations primarily through private sales of our trading securities or through sales of our common stock. If our sales goals for our products do not materialize as planned, we believe that the Company can reduce its operating and product development costs that would allow us to maintain sufficient cash levels to continue operations. However, if we are not able to achieve profitable operations at some point in the future, we may have insufficient working capital to maintain our operations as we presently intend to conduct them or to fund our expansion, marketing, and product development plans. There can be no assurance that we will be able to obtain such financing on acceptable terms, or at all.

Principles of Consolidation

The consolidated financial statements include the accounts of SPYR, Inc. and its wholly-owned subsidiaries, SPYR APPS, LLC, a Nevada Limited Liability Company, and SPYR APPS, Oy, a Finnish Limited Liability Company, and E.A.J.: PHL, Airport Inc., a Pennsylvania corporation. Intercompany accounts and transactions have been eliminated.

Revenue Recognition

The Company generates revenues from its wholly owned subsidiaries, which operate separate and distinct businesses. The following is a summary of our revenue recognition policies.

Through our wholly owned subsidiary SPYR APPS, LLC, we develop, publish and co-publish mobile games, and then generate revenue through those games by way of advertising and in-app purchases. The Company recognizes revenue using four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured, which is typically after receipt of payment and delivery.

Though our wholly owned subsidiary E.A.J.: PHL, Airport, Inc. we generate revenue from the sale of food and beverage products through our restaurant. Revenue from the restaurant is recognized upon sale to a customer and receipt of payment.

Income Taxes

The Company accounts for income taxes under the provisions of ASC 740 “Accounting for Income Taxes,” which requires a company to first determine whether it is more likely than not (which is defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more likely than not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and cause a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation is reflected in current income. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions used by management affected impairment analysis for fixed assets, intangible assets, amounts of potential liabilities and valuation of issuance of equity securities. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation or amortization. Depreciation is recorded at the time property and equipment is placed in service using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of the expected useful lives of the related assets or the lease term. The estimated economic useful lives of the related assets as follows:

Furniture and fixtures	5-10 years
Equipment	5- 7 years
Computer equipment	3 years
Leasehold improvements	6 years

Maintenance and repairs are charged to operations; betterments are capitalized. The cost of property sold or otherwise disposed of and the accumulated depreciation and amortization thereon are eliminated from the property and related accumulated depreciation and amortization accounts, and any resulting gain or loss is credited or charged to operations.

Intangible Assets

The Company accounts for its intangible assets in accordance with the authoritative guidance issued by the ASC Topic 350 – *Goodwill and Other*. Intangibles are valued at their fair market value and are amortized taking into account the character of the acquired intangible asset and the expected period of benefit. The Company evaluates intangible assets, at a minimum, on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated undiscounted future cash flows.

The cost of internally developing, maintaining and restoring intangible assets that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business and related to an entity as a whole, are recognized as an expense when incurred.

An intangible asset with a definite useful life is amortized; an intangible asset with an indefinite useful life is not amortized until its useful life is determined to be no longer indefinite. The remaining useful lives of intangible assets not being amortized are evaluated at least annually to determine whether events and circumstances continue to support an indefinite useful life. As of December 31, 2015, total intangible assets amounted to $21,000.

During the year ended December 31, 2016, the Company recorded amortization expense of $3,000. As of December 31, 2016, total intangible assets amounted to $18,000 which consist of website development costs. There were no indications of impairment based on management's assessment of these assets at December 31, 2016. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of the use of our assets or the strategy for our overall business, and significant negative industry or economic trends. If current economic conditions worsen causing decreased revenues and increased costs, we may have to record impairment to our intangible assets.

Earnings (Loss) Per Share

The Company's computation of earnings (loss) per share (EPS) includes basic and diluted EPS. Basic EPS is calculated by dividing the Company's net income (loss) available to common stockholders by the weighted average number of common shares during the period. Diluted EPS reflects the potential dilution, using the treasury stock method that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the net income (loss) of the Company. In computing diluted EPS, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period. Shares of restricted stock are included in the basic weighted average number of common shares outstanding from the time they vest.

The basic and fully diluted shares for the year ended December 31, 2016 are the same because the inclusion of the potential shares (Non-vested Common – 20,833, Class A – 26,909,028, Class E – 161,108, Options – 12,900,000, and Warrants – 200,000) would have had an anti-dilutive effect as the Company generated a net loss for the year ended December 31, 2016.

The basic and fully diluted shares for the year ended December 31, 2015 are the same because the inclusion of the potential shares (Non-vested Common – 329,167, Class A – 26,909,028, Class E – 452,489) would have had an anti-dilutive effect as the Company generated a net loss for the year ended December 31, 2015.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board (FASB) whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the FASB whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's stock option and warrant grants is estimated using the Black-Scholes Option Pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the stock options or warrants, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes Option Pricing model, and based on actual experience. The assumptions used in the Black-Scholes Option Pricing model could materially affect compensation expense recorded in future periods.

The Company also issues restricted shares of its common stock for share-based compensation programs to employees and non-employees. The Company measures the compensation cost with respect to restricted shares to employees based upon the estimated fair value at the date of the grant, and is recognized as expense over the period which an employee is required to provide services in exchange for the award. For non-employees, the Company measures the compensation cost with respect to restricted shares based upon the estimated fair value at measurement date which is either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete.

Concentration of Credit Risk

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements. The Company maintains the majority of its cash balances with financial institutions, in the form of demand deposits. At December 31, 2016, the Company had cash deposits in one financial institutions that were above FDIC limits of $250,000. The Company believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of this financial institution.

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company’s financial assets and liabilities, such as cash and cash equivalents, accounts receivable, other receivable, inventory, prepaid expenses, and accounts payable and accrued expenses approximate their fair value because of the short maturity of those instruments.

The Company’s trading securities are measured at fair value using level 1 fair values.

Software Licensing and Publishing Costs

Software licensing and publishing costs pertain to non-refundable payments made to independent gaming software developers pursuant to licensing agreements. The payments are intended to assist gaming software developers in the marketing and further development of two gaming software applications.

Software licensing and publishing costs were $734,000 for the year ended December 31, 2016 and was reflected as part of Other General and Administrative expenses on the accompanying consolidated statements of operations. There were no such costs in 2015.

Capitalized Licensing Rights

Capitalized licensing rights represent fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, music or other intellectual property or proprietary rights in the development of our products. Depending upon the agreement with the rights holder, we may obtain the right to use the intellectual property in multiple products over a number of years, or alternatively, for a single product.

Significant management judgments and estimates are utilized in assessing the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than the originally forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Material differences may result in the amount and timing of expenses for any period if management makes different judgments or utilizes different estimates in evaluating these qualitative factors. As of December 31, 2015, the Company capitalized $80,000 as a result of the acquisition of licensing rights for two gaming applications.

During the year ended December 31, 2016, the Company capitalized an additional $10,000 and amortized $50,000. As of December 31, 2016, the unamortized capitalized licensing rights amounted to $40,000 relating to one gaming application with an estimated life of five years, which approximates the term of the license.

Advertising Costs

Advertising, marketing and promotional costs are expensed as incurred and included in general and administrative expenses.

Advertising, marketing and promotional expense was $350,000 and $125,000 for the years ended December 31, 2016, and 2015, respectively and was reflected as part of Other General and Administrative Expenses on the accompanying consolidated statements of operations.

Research and Development Costs

Costs incurred for research and development are expensed as incurred. During the year ended December 31, 2016, the Company incurred $416,000 in research and development costs paid to an independent gaming software developer for the Pocket Starships game. There was no such expense in 2015.

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of ASU 2014-09 on the Company’s financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018.

Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of ASU 2016-02 on the Company's financial statements and disclosures.

In March 2016, the FASB issued the ASU 2016-09, *Compensation - Stock Compensation (Topic 718)*: Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU require, among other things, that all income tax effects of awards be recognized in the income statement when the awards vest or are settled. The ASU also allows for an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and allows for a policy election to account for forfeitures as they occur. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted for any entity in any interim or annual period. The Company is currently evaluating the expected impact that the standard could have on its financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 2 - TRADING SECURITIES

Trading securities are purchased with the intent of selling them in the short term. Trading securities are recorded at market value and the difference between market value and cost of the securities is recorded as an unrealized gain or loss in the statement of operations. Gains from the sales of such marketable securities will be utilized to fund payment of obligations and to provide working capital for operations and to finance future growth, including, but not limited to: conducting our ongoing business, conducting strategic business development, marketing analysis, due diligence investigations into possible acquisitions, and research and development and implementation of the Company's business plans generally.

The Company's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value based on quoted market price (level 1) on the balance sheet in current assets, with the change in fair value during the period included in earnings.

Investments in securities are summarized as follows:

Year	Fair Value at Beginning of Year	Purchases	Proceeds from Sale	Loss on Sale	Contributed Capital	Unrealized Loss	Fair Value at December 31, 2016
2016	$ 324,000	$ 510,000	$ (783,000)	$ (95,000)	$ 160,000	$ (57,000)	$ 59,000
2015	$ 6,026,000	$ —	$ (3,061,000)	$ (1,460,000)	$ —	$ (1,181,000)	$ 324,000

Realized gains and losses are determined on the basis of specific identification. During the years ended December 31, 2016 and 2015, sales proceeds and gross realized gains and losses on securities classified as available-for-sale securities and trading securities were:

	December 31, 2016	December 31, 2015
Sales proceeds	$783,000	$3,061,000
Gross realized (losses)	$(95,000)	$(1,460,000)
Gross realized gains	—	—
Loss on sale of trading securities	$(95,000)	$(1,460,000)

The following table discloses the assets measured at fair value on a recurring basis and the methods used to determine fair value:

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	$ 59,000	$ 59,000	$ -	$ -
Money market funds	36,000	36,000	-	-
Total	$ 95,000	$ 95,000	$ -	$ -

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	$ 324,000	$ 324,000	$ -	$ -
Money market funds	333,000	333,000	-	-
Total	$ 657,000	$ 657,000	$ -	$ -

Generally, for all trading securities and available-for-sale securities, fair value is determined by reference to quoted market prices (level 1).

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2016	December 31, 2015
Equipment	$ 151,000	$ 131,000
Furniture and fixtures	116,000	87,000
Leasehold improvements	381,000	381,000
	648,000	599,000
Less: accumulated depreciation and amortization	(437,000)	(324,000)
Property and Equipment, Net	$ 211,000	$ 275,000

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was $113,000 and, $98,000 respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

On February 23, 2015, the Company acquired Franklin Networks, Inc. (Franklin) from Mark McGarrity and another minority shareholder. Subsequently, on March 2, 2015, Mr. McGarrity was hired as Chief Information Officer of the Company. See Note 9.

During the months of April, May and June, 2015 all activities of Franklin were conducted from shared business offices of an officer of the Company. The Company paid $2,500 per month for the use of these facilities for a total of $7,500 and was reflected as part of Loss from discontinued operations on the accompanying consolidated statements of operations. As of December 31, 2015, the Company owed this officer a total of $7,000 in unpaid rent and other fees which was reported as related party accounts payable on the accompanying balance sheet.

During the months of April, May, June and July 2015, the Company used consulting services of a company owned by an officer of the Company in the amount of $38,000, of which $30,000 was reflected as part of Other General and Administrative Expenses on the accompanying consolidated statements of operations and $8,000 was reflected as part of Loss from discontinued operations on the accompanying consolidated statements of operations.

On October 3, 2016, the Company sold trading securities valued at $340,000 to Berkshire Capital Management Co., Inc. ("Berkshire") for $500,000. Berkshire is controlled by Joseph Fiore, majority shareholder and chairman of the board of directors of the Company. The Company reported the $160,000 difference between the value of the trading securities and cash sale price as contributed capital.

The Company paid a total of $60,000 during the years ended December 31, 2016 and 2015 to a management and consulting firm owned by Mr. Joseph Fiore, majority shareholder and chairman of the board of directors of the Company. The payment pertains to services rendered for the Company's restaurant business, Eat at Joes.

NOTE 5 - INCOME TAXES

The Company did not provide any Federal and State income tax for the years ended December 31, 2016 and 2015 due to the Company's net losses.

A reconciliation of the provision for income taxes computed using the US statutory federal income tax rate is as follows:

	December 31, 2016	December 31, 2015
Tax provision at US statutory federal income tax rate	$ (2,320,000)	$ (837,000)
State income tax, net of federal benefit	—	—
Change in valuation allowances	2,320,000	837,000
Provision for Income Taxes	$ —	$ —

The significant components of the Company's deferred tax assets were:

	December 31, 2016	December 31, 2015
Deferred Tax Assets:		
Net operating loss carry forward	$ 3,746,000	$ 1,381,000
Unrealized losses on marketable securities	251,000	518,000
Stock based compensation	197,000	—
Depreciation and other	31,000	6,000
	4,225,000	1,905,000
Less valuation allowance	(4,225,000)	(1,905,000)
Net Deferred Tax Asset	$ —	$ —

Deferred tax assets and liabilities reflect the effects of tax losses, credits and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

As of December 31, 2016, the Company recorded a valuation allowance of $4,225,000 for its deferred tax assets. The Company believes that such assets did not meet the more likely than not criteria to be recoverable through projected future profitable operations in the foreseeable future.

Effective January 1, 2007, the Company adopted FASB guidance that addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The FASB also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of December 31, 2016 and 2015, the Company does not have a liability for unrecognized tax benefits.

The Company's net operating loss carry forward for income tax purposes as of December 31, 2016 was approximately $9,900,000 and may be offset against future taxable income through 2036. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

Uncertain Tax Positions

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. In many cases the Company's uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities. The Company is generally no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2013. However, as of December 31, 2016, the years subsequent to 2013 remain open and could be subject to examination by tax authorities including the U.S. Internal Revenue Service and major state and local tax jurisdictions in the United States.

Interest costs related to unrecognized tax benefits are classified as "Interest expense, net" in the accompanying consolidated statements of operations. Penalties, if any, would be recognized as a component of "General and administrative expenses."

As of December 31, 2016, the Company had no liability for unrecognized tax benefits and no accrual for the payment of related interest and penalties, nor did the Company recognized any interest or penalties expense related to unrecognized tax benefits during the years ended December 31, 2016 or 2015.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Rent

The Company leases approximately 5,169 square feet at 4643 South Ulster Street, Denver, Colorado pursuant to an amended lease dated May 21, 2015 and expiring on December 31, 2020. Under the lease, the Company pays annual base rent on an escalating scale ranging from $142,000 to $152,000.

The Company's wholly-owned subsidiary E.A.J.: PHL, Airport Inc. leases approximately 845 square feet in the Philadelphia Airport, Philadelphia, Pennsylvania, pursuant to a lease dated July 6, 2010. E.A.J.: PHL, Airport Inc. pays $14,000 per month basic rent, plus percentage rent equal to 20% of gross revenues above $1,200,000, under the lease, which expires April 30, 2017.

The minimum future lease payments under these leases for the next five years are:

Year Ended December 31,	Amount	
2017	$	201,000
2018		147,000
2019		150,000
2020		152,000
2021		-
Thereafter		-
Total Five Year Minimum Lease Payments	$	650,000

Rent expense for the years ended December 31, 2016 and 2015 was $424,000 and $358,000, respectively. In addition to the minimum basic rent, rent expense also includes approximately $5,000 per month for other items charged by the landlord in connection with rent.

Legal Proceedings

We are involved in certain legal proceedings that arise from time to time in the ordinary course of our business. Except for income tax contingencies, we record accruals for contingencies to the extent that our management concludes that the occurrence is probable and that the related amounts of loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. A material legal proceeding that is currently pending is as follows:

On October 14, 2015, the Company was named as a defendant in a case filed in the United States District Court for the District of Delaware case: Zakeni Limited v. SPYR, Inc., f/k/a Eat at Joe's., Ltd. The suit relates to the Company's issuance of two convertible debentures in the aggregate principal amount of $1,500,000 in 1998. The plaintiff is seeking payment or conversion of said convertible debentures together with accrued interest and unspecified damages. The Company believes the claim is not a valid debt and is vigorously defending this lawsuit. On December 4, 2015, the Company filed a motion to dismiss the suit based on the statute of limitations. In evaluating a motion to dismiss, the Court is only allowed to view the allegations set forth in the plaintiff's complaint and documents referenced therein, must assume that those allegations are true, and must construe all evidence contained in the referenced documents in a light most favorable to the plaintiff. On August 24, 2016, under this standard, the Court determined that the legal requirements to grant the motion to dismiss had not been fully satisfied and denied the Company's Motion to Dismiss. Accordingly, no final determinations regarding liability have been made, the case will proceed to be litigated in the normal course, and, if the Company elects, it will have the ability to again present its arguments for dismissal prior to trial through a motion for summary judgment, which will allow for a determination to be made based on a legal standard that is slightly less favorable to the plaintiff. If that motion is denied, the Company will still have the opportunity to present all of its arguments and defenses at trial, at which Zakeni will have to prove its case by a preponderance of the evidence. The case is scheduled for trial on January 8, 2018. Based upon available information at this very early stage of litigation, it is still the belief of management and opinion of in-house counsel that the Company will obtain a favorable ruling and no amount will be awarded to the plaintiff in this action. Accordingly, Management believes the likelihood of material loss resulting from this lawsuit to be remote.

Employment Agreements

Pursuant to employment agreements entered in December 2014 and October 2015, the Company agreed to compensate three officers with a base salary in the aggregate of $450,000 per year through 2020. In addition, as part of the employment agreement, the Company also agreed to grant these officers an aggregate of 1.55 million shares of common stock at the beginning of each employment year.

Acquisition Option

In January 2016, the Company started publishing an electronic game called Pocket Starships through an exclusive publishing agreement (the "Publishing Agreement") with Spectacle Games Publishing ("Spectacle"). The exclusive Publishing Agreement runs for a term of five years, expiring on December 17, 2020. Spectacle is a California corporation, holding the exclusive rights to publish and market Pocket Starships, including the ability to sublicense these rights to other parties, pursuant to an agreement with MMOJoe UG. MMOJoe UG, a German limited liability company ("MMOJoe") is the owner and developer of all intellectual property that relates or pertains to the real-time, cross-platform, massively multiplayer on-line electronic game known as Pocket Starships.

In June 2016, the Company obtained an exclusive option to purchase all of MMOJoe's assets including but not limited to all assets pertaining to Pocket Starships (the "Option"). Should the Company decide to exercise the Option, it will purchase MMOJoe for cash of $5,000,000 plus $10,000,000 worth of shares of the Company's common stock, valued at the time of closing of the purchase. This exclusive Option is exercisable by the Company at any time, in the Company's sole discretion, through December 31, 2020.

In exchange for the Option, the Company granted MMOJoe stock options to purchase an aggregate of 3.75 million shares of the Company's common stock. The stock options are fully vested, exercisable at a price per share of $1.00, $2.50 and $5.00 and will expire starting in December 31, 2017 through December 31, 2019. Total fair value of the options amounted to $472,000 using the Black-Scholes Option Pricing Model. Total fair value of the options of $472,000 has been recorded as an expense in 2016 due to the uncertainty of such acquisition occurring in the near future.

Publishing Agreement

Since December 17, 2015, the Company has been publishing an electronic game called Pocket Starships through an exclusive 5 year publishing agreement in signed in December 2015. As part of the agreement, the Company agreed to provide Spectacle monthly advances of $30,000 to cover development expenses related to Pocket Starships. In April 2016, the agreement was amended and the advance amount was increased to $120,000 per month starting in May 2016. In May 2016, the agreement was further amended to increase the monthly amount to $130,000 starting in June 2016. As a result, the Company recorded a total of $1,151,000 during the year ended December 31, 2016, of which, $734,000 was reported as part of Other General and Administrative expenses and $416,000 as part of Research and Development expenses in the accompanying statements of operations. The monthly advance is non-refundable but is recoupable from future revenues generated from Pocket Starships. The agreement also provides that the Company provide appropriate marketing, promotional and user acquisition funds for the purpose of marketing Pocket Starships. These amounts are based upon the Company's reasonable discretion determined by analysis of the various metrics and performance indicators. During 2016, the Company recorded a total of $350,000 in marketing and another $116,000 in travel costs. The Company can unilaterally terminate this agreement within 30 days of the one year anniversary of the agreement and each six-month period thereafter by providing written notice to Spectacle. Either party may terminate the agreement in the event of a material breach by the other party that remains uncured after receipt of thirty days written notice.

NOTE 7 – EQUITY TRANSACTIONS

Common Stock:

Year Ended December 31, 2015:

In December 2014 the Company agreed to issue a total of 5,500,000 shares of the Company's restricted common stock as a form of signing bonus to two employees with a fair value of $987,500. The entire fair value of $987,500 was expensed in 2014 and the 5.5 million common shares were subsequently issued in 2015.

During the year ended December 31, 2015, the Company issued an aggregate of 4,780,417 shares of common stock to employees and consultants with a total fair value of $2,341,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $2,341,000 upon issuance. The shares issued were valued at the date of the respective agreements.

In February 2015, the Company issued 2,500,000 shares of the its restricted common stock in exchange for all of the issued and outstanding shares of Franklin Networks, Inc., a Tennessee corporation. In December 2015, the Company cancelled 2,500,000 shares of its restricted common stock due to rescission and unwinding of the acquisition agreement. The value of the shares on the issuance date was $1,700,000 and the value of the shares on the rescission date was $500,000, resulting in a net charge to additional paid in capital of $1,200,000.

Year Ended December 31, 2016:

During the year ended December 31, 2016, the Company issued an aggregate of 1,843,987 shares of common stock to employees with a total fair value of $413,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $413,000 upon issuance. The shares issued were valued at the date of the respective agreements.

During the year ended December 31, 2016, the Company issued an aggregate of 4,509,912 shares of restricted common stock to consultants with a total fair value of $1,951,000. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $1,951,000 upon issuance. The shares issued were valued at the date of the respective agreements.

During the year ended December 31, 2016, the Company issued an aggregate of 100,000 shares of restricted common stock to consultants for cash of $15,000.

In April 2016, the Company cancelled a total of 325,000 shares of common stock issued to an employee pursuant to a settlement and termination agreement. Pursuant to current accounting guidelines, no further accounting was necessary for the cancellation of the 325,000 shares of common stock other than to remove the par value amounting to $33.00.

Common Stock with Vesting Terms:

The following table summarizes common stock with vesting terms activity:

	Number of Shares		Weighted Average Grant Date Fair Value
Non-vested, December 31, 2014	-	$	-
Granted	600,000		0.61
Vested	(270,833)		0.57
Forfeited	-		-
Non-vested, December 31, 2015	329,167	$	0.47
Granted	-		-
Vested	(308,334)		0.47
Forfeited	-		-
Non-vested, December 31, 2016	20,833	$	0.50

In August 2015, the Company granted and issued 100,000 shares of its restricted common stock to an employee pursuant to an employment agreement. The 100,000 shares vest over a period of one year with a fair value of $37,000 at the date of grant.

In February 2015, the Company granted and issued 500,000 shares of its restricted common stock to a consultant pursuant to a consulting agreement. The 500,000 shares are forfeitable and are deemed earned upon completion of service over a period of twenty-four months. The Company recognizes the fair value of these shares as they vest.

During the year ended December 31, 2015, 270,833 of these shares vested and as a result, the Company recognized compensation cost of $61,000.

During the year ended December 31, 2016, another 308,334 of these shares vested and as a result, the Company recognized compensation cost of $273,000. As of December 31, 2016, total unvested shares totaled 20,833 shares with unearned compensation costs of $13,000 which will be recognized in 2017.

When calculating basic net income (loss) per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net income per share, these shares are included in weighted average common shares outstanding as of their grant date.

<u>Options:</u>

The following table summarizes common stock options activity:

	Options		Weighted Average Exercise Price
December 31, 2015	—	$	—
Granted	12,900,000		2.83
Exercised	—		—
Cancelled	—		—
Forfeited	—		—
Outstanding, December 31, 2016	12,900,000	$	2.83
Exercisable, December 31, 2016	4,400,000	$	2.83

In June 2016, the Company granted options to purchase 3.75 million shares of common stock valued at $472,000 pursuant to the planned acquisition of MMOJoe (see Note 6). The stock options are fully vested, exercisable at a price per share of $1.00, $2.50 and $5.00 and will expire starting December 31, 2017 through December 31, 2019.

In August 2016, the Company granted an employee options to purchase a total of 7.5 million shares of common stock with an exercise price per share of $1.00, $2.50 and $5.00. The options are fully vested upon grant but are only exercisable in three tranches starting in January 2017, 2018 and 2019. Total fair value of the options at grant date amounted to $201,000 computed using the Black-Scholes Option Pricing Model. The Company determined the appropriate treatment is to recognize the fair value of the options over the service period, which would be when the options are fully exercisable. The first tranche of 1 million shares became exercisable on January 1, 2017 with a fair value of the options at grant date of $28,000 computed using the Black-Scholes Option Pricing Model. During the year ended December 31, 2016, the Company recognized compensation expense of $28,000. Subsequent to December 31, 2016, the employment agreement was terminated, all options cancelled, and no further compensation expense for these options will be recognized.

In October 2016, the Company granted an employee options to purchase a total of 1.5 million shares of common stock with an exercise price per share of $1.00, $2.50 and $5.00 and will expire starting December 31, 2017 through December 31, 2019. The options are fully vested upon grant but are only exercisable in three tranches starting in October 2016 and January 2018 and 2019. Total fair value of the options at grant date amounted to $145,000 computed using the Black-Scholes Option Pricing Model. The Company determined the appropriate treatment is to recognize the fair value of the options over the service period, which would be when the options are fully exercisable. During the year ended December 31, 2016, the Company recognized compensation expense of $62,000. As of December 31, 2016, future unamortized costs amounted to approximately $82,000.

In October, 2016, the Company signed and investor relations consulting agreement with a third party granting options to purchase 50,000 shares of restricted common stock per month beginning October 24, 2016 through October 24, 2017 with an exercise price of $1.00 per share that will expire 36 months from date of grant. The options are granted monthly and fully vested and exercisable upon grant. As of December 31, 2016, 150,000 options were granted. Total fair value of the options at their respective grant dates amounted to $59,000 computed using the Black-Scholes Option Pricing Model. During the year ended December 31, 2016, the Company fully recognized the $59,000 compensation expense.

The weighted average exercise prices, remaining lives for options granted, and exercisable as of December 31, 2016, were as follows:

	Outstanding Options			Exercisable Options	
Options Exercise Price Per Share	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$1.00	2,150,000	1.21 - 3	$1.00	1,150,000	$1.00
$2.50	2,750,000	2.21 - 2.5	$2.50	750,000	$2.50
$5.00	8,000,000	3.21 - 3.5	$5.00	2,500,000	$5.00
	12,900,000		$3.97	4,400,000	$3.40

At December 31, 2016, the Company's closing stock price was $0.62 per share and the aggregate intrinsic value of the options outstanding at December 31, 2016 was $0. There were no stock options issued or outstanding during the year ended December 31, 2015.

Warrants:

The following table summarizes common stock warrants activity:

	Warrants	Weighted Average Exercise Price
December 31, 2015	—	$ —
Granted	200,000	0.50
Exercised	—	—
Cancelled	—	—
Forfeited	—	—
Outstanding, December 31, 2016	200,000	$ 0.50
Exercisable, December 31, 2016	200,000	$ 0.50

In October and November 2016, pursuant to advisory services agreement, the Company granted warrants to purchase a total of 200,000 shares of restricted common stock with an exercise price of $1.00 and will expire 12 months after date of grant. The options are fully vested and exercisable upon grant. Total fair value of the options at grant date amounted to $50,000 computed using the Black-Scholes Option Pricing Model and was fully recognized on the date of grant.

	Outstanding Warrants			Exercisable Warrants	
Warrants Exercise Price Per Share	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$0.50	200,000	1	$0.50	200,000	$0.50
	200,000		$0.50	200,000	$0.50

At December 31, 2016, the Company's closing stock price was $0.62 per share and the aggregate intrinsic value of the warrants outstanding at December 31, 2016 was $24,000. There were no stock warrants issued or outstanding during the year ended December 31, 2015.

The table below represents the average assumptions used in valuing the stock options and warrants granted in fiscal 2016:

	Year Ended December 31, 2016
Expected life in years	0.61 – 3.5
Stock price volatility	132% - 156%
Risk free interest rate	0.62 % - 1.54%
Expected dividends	-
Forfeiture rate	-

The assumptions used in the Black Scholes models referred to above are based upon the following data: (1) the contractual life of the underlying non-employee options is the expected life. The expected life of the employee option is estimated by considering the contractual term of the option, the vesting period of the option, the employees' expected exercise behavior and the post-vesting employee turnover rate. (2) The expected stock price volatility was based upon the Company's historical stock price over the expected term of the option. (3) The risk free interest rate is based on published U.S. Treasury Department interest rates for the expected terms of the underlying options. (4) The expected dividend yield was based on the fact that the Company has not paid dividends to common shareholders in the past and does not expect to pay dividends to common shareholders in the future. (5) The expected forfeiture rate is based on historical forfeiture activity and assumptions regarding future forfeitures based on the composition of current grantees.

NOTE 8 – SEGMENT REPORTING

The Company operated in one segment as of the beginning of 2015, but concurrent with the organization of SPYR APPS, LLC on March 24, 2015, it operates in two segments: Digital Media and Restaurant, which provide different products or services.

Digital Media Segment - Through our wholly owned subsidiaries SPYR APPS, LLC and SPYR APPS Oy, we develop, publish and co-publish mobile games, and then generate revenue through those games by way of advertising and in-app purchases. The Company also recognizes revenues from fees received pursuant to licensing rights acquired during 2015 for two gaming applications.

Restaurant Segment - Through our wholly owned subsidiary E.A.J.: PHL, Airport, Inc. we own and operate one "American Diner" theme restaurant called "Eat at Joe's ® located in the Philadelphia International Airport. Eat at Joe's menu includes a variety of dishes including omelets, waffles and hotcakes, sandwiches, hot dogs, burgers, traditional Philly Steak sandwiches, custom wraps, fresh salads and a full complement of beverages and deserts, all made with top quality, fresh ingredients and all prepared to order.

Our lease in the Philadelphia Airport is scheduled to expire in April 2017 and will not be renewed, and concurrent with expiration of the lease the restaurant the will close. The Company's plan is to divest itself from its restaurant division and is considering spinning off the business, and issuing a stock dividend to its shareholders of record as of May 19, 2017, however, there is no assurance this can be completed. The Company is also exploring opportunities to license or franchise the name "Eat at Joe's" as well as merger and acquisition targets of other businesses in the food service industries.

Revenue and expenses earned and charged between segments are eliminated in consolidation. Corporate expenses, interest income, interest expense, gains and losses on trading or marketable securities and income taxes are managed on a total company basis.

Information related to these segments is as follows:

REPORTABLE SEGMENTS
YEAR ENDED DECEMBER 31, 2016

	Digital Media	Restaurants	Corporate	Consolidated
Revenues	$ 139,000	$ 1,413,000	$ —	$ 1,552,000
Cost of sales	—	421,000	—	421,000
Research and Development	416,000	—	—	416,000
General and administrative	2,519,000	949,000	4,333,000	7,801,000
Depreciation and amortization	51,000	68,000	47,000	166,000
Operating loss	$ (2,847,000)	$ (25,000)	$ (4,380,000)	$ (7,252,000)
Current assets	$ 290,000	$ 387,000	$ 2,892,000	$ 3,569,000
Property and equipment, net	8,000	30,000	173,000	211,000
Intangible assets	—	—	18,000	18,000
Other non-current assets	40,000	17,000	5,000	62,000
Total assets	$ 338,000	$ 434,000	$ 3,088,000	$ 3,860,000

REPORTABLE SEGMENTS
YEAR ENDED DECEMBER 31, 2015

	Digital Media	Restaurants	Corporate	Consolidated
Revenues	$ 6,000	$ 1,591,000	$ —	$ 1,597,000
Cost of sales	—	473,000	—	473,000
General and administrative	414,000	918,000	3,675,000	5,007,000
Depreciation and amortization	—	74,000	24,000	98,000
Operating income (loss)	$ (408,000)	$ 126,000	$ (3,699,000)	$ (3,981,000)
Current assets	$ 29,000	$ 284,000	$ 6,992,000	$ 7,305,000
Property and equipment, net	6,000	97,000	172,000	275,000
Intangible assets	—	—	21,000	21,000
Other non-current assets	80,000	17,000	5,000	102,000
Total assets	$ 115,000	$ 398,000	$ 7,190,000	$ 7,703,000

NOTE 9 – DISCONTINUED OPERATIONS

On February 23, 2015 the Company entered into an agreement whereby, the Company issued an aggregate of 2.5 million shares of its restricted common stock valued at $1,700,000, in exchange for all of the issued and outstanding shares of Franklin Networks, Inc., a Tennessee corporation (“Franklin”), an internet company that began operations in September 2014. The acquisition of Franklin had been accounted for as a purchase and the operations of Franklin have been consolidated since the date of the acquisition. The $1.7 million purchase price was allocated based upon the fair value of the acquired assets which consisted of intangible assets of $671,000, deferred tax liability of $118,000 and goodwill of $1,147,000, as determined by management with the assistance of an independent valuation firm.

On December 31, 2015, the Company and the former owners of Franklin agreed to unwind the agreement and return the original consideration exchanged in the contract. Pursuant to ASC 2014-08, Reporting of Discontinued Operations, the Company reported the gain (loss) from operations as a gain (loss) from discontinued operations in the accompanying statements of operations since the Company considered its decision to rescind the Franklin acquisition as a strategic shift that has a major effect in the Company’s operations and financial results.

During the year ended December 31, 2016, the Company incurred additional expenses of $4,494 related to the winding-up of Franklin. During the year ended December 31, 2015, Franklin generated a loss from operations of $2,344,000. The following table provides additional detail of these losses which are reflected as a loss on discontinued operations.

	December 31, 2016	December 31, 2015
Revenues	$ —	$ 388,000
General and administrative	4,000	2,732,000
Loss from discontinued operations	$ (4,000)	$ (2,344,000)

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

There are not and have not been any disagreements between the Company and its accountants on any matter of accounting principles, practices or financial statements disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Management of the Company is responsible for maintaining disclosure controls and procedures that are designed to ensure that financial information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the timeframes specified in the Securities and Exchange Commission's rules and forms, consistent with Items 307 and 308 of Regulation S-K.

In addition, the disclosure controls and procedures must ensure that such financial information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

As of December 31, 2016, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") was carried out under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer, and other persons carrying out similar functions for the Company. Based on the evaluation of the Company's disclosure controls and procedures, the Company concluded that during the period covered by this report, such disclosure controls and procedures were effective.

The Company continues to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. In addition, the Company evaluates and assesses its internal controls and procedures regarding its financial reporting, utilizing standards incorporating applicable portions of the Public Company Accounting Oversight Board's *2009 Guidance for Smaller Public Companies in Auditing Internal Controls Over Financial Reporting* as necessary and on an on-going basis.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of the prevention or detection of misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Controls Over Financial Reporting:

The Company has no reportable changes to its internal controls over financial reporting for the period covered by this report.

The Company will continually enhance and test its internal controls over financial reporting on a continuing basis. Additionally, the Company's management, under the control of its Chief Executive Officer and Chief Financial Officer, will increase its review of its disclosure controls and procedures on an ongoing basis. Finally, the Company plans to designate, in conjunction with its Chief Financial Officer, individuals responsible for identifying reportable developments and the process for resolving compliance issues related to them. The Company believes these actions will focus necessary attention and resources in its internal accounting functions.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following table sets forth the name, age, and position of each executive officer and director of the Company:

Director's Name	Age	Office	Term Expires
James R. Thompson, Esq	55	President, Chief Executive Officer & General Counsel	January 31, 2020
Joseph Fiore	55	Chairman of the Board of Directors	Next annual meeting
Jennifer Duettra, Esq	39	Executive Vice President, Assistant General Counsel & Secretary	January 31, 2020
Barry D. Loveless, CPA	50	Chief Financial Officer	October 15, 2020
Mark McGarrity	37	Chief Information Officer	March 31, 2016
James Mylock, Jr.	50	Director	Next annual meeting
Tim Matula	56	Director	Next annual meeting

James R. Thompson - Effective February 1, 2015, James R. Thompson, Esq., was appointed the Company's President and Chief Executive Officer for a term of five years. There was no arrangement or understanding between Mr. Thompson and any other person pursuant to which he was selected as an officer. There exist no family relationship between any director, executive officer, and Mr. Thompson. Since graduating law school in 1986, Mr. Thompson has been engaged in the private practice of law with an emphasis in the areas of business, real estate and construction law, representing clients in both transactional and litigation matters. Prior to completing his legal studies, Mr. Thompson was awarded a Bachelor of Science Degree in Business Administration from the University of Denver in 1983. Since the beginning of the Company's last fiscal year, Mr. Thompson was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

Joseph Fiore - Joseph Fiore is the Company's Chairman. In 1982, Mr. Fiore formed East Coast Equipment and Supply Co., Inc., a restaurant supply company that he still owns. Between 1982 and 1993, Mr. Fiore established 9 restaurants (2 owned and 7 franchised) which featured a 1950's theme restaurant concept offering a traditional American menu. Since the beginning of the Company's last fiscal year, Mr. Fiore was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

Jennifer Duettra - Effective February 9, 2015, Jennifer Duettra was appointed the Company's Vice President and Assistant General Counsel for a term of five years. Effective April 1, 2015, Jennifer Duettra was appointed the Company's Secretary. There was no arrangement or understanding between Ms. Duettra and any other person pursuant to which she was selected as an officer. There exists no family relationship between any director, executive officer, and Ms. Duettra. Since graduating from Harvard Law School in 2004, Ms. Duettra has been actively engaged in the practice of law. Prior to completing her law studies, Ms. Duettra attended Colorado State University where in 2001 she was awarded a Bachelor of Arts Degree in Speech Communication and Political Science. Since the beginning of the Company's last fiscal year, Ms. Duettra was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

Barry D. Loveless - Effective October 16, 2015, Barry D. Loveless was appointed the Company's Chief Financial Officer for a term of five years. There was no arrangement or understanding between Mr. Loveless and any other person pursuant to which he was selected as an officer. There exists no family relationship between any director, executive officer, and Mr. Loveless. Mr. Loveless is a licensed Certified Public Accountant, graduating with a Bachelor of Arts degree in Accounting from the University of Utah in 1992. Mr. Loveless completed his Masters of Professional Accountancy degree from the

University of Utah in 1993. Mr. Loveless has practiced as a licensed Certified Public Accountant since 1995. Since 1998, Mr. Loveless served as an officer and shareholder of Robison, Hill & Co. While at Robison, Hill & Co. Mr. Loveless focused on providing professional accounting services for various public company clients including financial statement audits and registration statements along with the annual, interim and information filings required by the Securities Exchange Commission. He is a member of the American Institute of Certified Public Accountants and the Utah Association of Certified Public Accountants. Since the beginning of the Company's last fiscal year, Mr. Loveless was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

Mark McGarrity - Beginning March 2, 2015, Mark McGarrity, assumed duties as the Company's Chief Information Officer. There was no arrangement or understanding between Mr. McGarrity and any other person pursuant to which he was selected as an officer. There exist no family relationship between any director, executive officer, and Mr. McGarrity. Mr. McGarrity was formerly the owner and Chief Executive Officer of Franklin Networks, Inc. While at Franklin, Mr. McGarrity was primarily involved in the growth of Franklin's digital publishing initiatives and web properties. Since the beginning of the Company's last fiscal year, Mr. McGarrity was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

James Mylock, Jr. has worked with Joseph Fiore in marketing and business development since graduating from the State University of New York at Buffalo in 1990. Since the beginning of the Company's last fiscal year, Mr. Mylock was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

Tim Matula joined Shearson Lehman Brothers as a financial consultant in 1992. In 1994 he joined Prudential Securities and when he left Prudential in 1997, he was Associate Vice President, Investments, Quantum Portfolio Manager. Since the beginning of the Company's last fiscal year, Mr. Matula was not involved in any transaction with any related person, promoter or control person of the Company that is required to be disclosed pursuant to Item 404 of Regulation S-K.

The Company's Certificate of Incorporation provides that the board of directors shall consist of from one to nine members as elected by the shareholders. Each director shall hold office until the next annual meeting of stockholders and until his successor shall have been elected and qualified.

Board Meetings and Committees

The Directors and Officers will not receive remuneration from the Company for attendance at Board Meetings or participation on Committees until a subsequent offering has been successfully completed, or cash flow from operations permits, all in the discretion of the Board of Directors. Directors may be paid their expenses, if any, of attendance at such meetings of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefore. No compensation has been paid to the Directors. The Board of Directors may designate from among its members an executive committee and one or more other committees. No such committees have been appointed.

Compliance with Section 16(a) of the Exchange Act

Based solely upon a review of forms 3, 4, and 5 and amendments thereto, furnished to the Company during or respecting its last fiscal year, no director, officer, beneficial owner of more than 10% of any class of equity securities of the Company or any other person known to be subject to Section 16 of the Exchange Act of 1934, as amended, failed to file on a timely basis reports required by Section 16(a) of the Exchange Act for the last fiscal year.

Audit Committee Financial Expert

The Company's board of directors does not have an "audit committee financial expert," within the meaning of such phrase under applicable regulations of the Securities and Exchange Commission, serving on its audit committee. The board of directors believes that all members of its audit committee are financially literate and experienced in business matters, and that one or more members of the audit committee are capable of: (i) understanding generally accepted accounting principles ("GAAP") and financial statements; (ii) assessing the general application of GAAP principles in connection with our accounting for estimates, accruals and reserves; (iii) analyzing and evaluating our financial statements; (iv) understanding our internal controls and procedures for financial reporting; and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert. However, the board of directors believes that there is not any audit committee member who has obtained these attributes through the experience specified in the SEC's definition of "audit committee financial expert." Further, like many small companies, it is difficult for the Company to attract and retain board members who qualify as "audit committee financial experts," and competition for these individuals is significant. The board believes that its current audit committee is able to fulfill its role under SEC regulations despite not having a designated "audit committee financial expert."

ITEM 11. EXECUTIVE COMPENSATION

Our primary objective for of our senior officer compensation is to attract, motivate and retain qualified officers to lead the Company in the pursuit of its business goals and combine strategic thinking, creative talent, and strict corporate governance in order to position the Company to capitalize on a wide variety of business opportunities without being limited by any single industry or platform.

Compensation for executive officers is based upon their individual employment contracts with such base salary and annual bonuses as may be determined by the Chairman of the Board from time to time, payable in accordance with the regular practices of the Company.

The following table set forth the compensation of the Company's executive officers for the years ended 2016 and 2015.

Summary Compensation Table

Name & Principal Position	Year		Salary $	Stock Awards $	All Others $	Total $
James R. Thompson	2016	(1)	$208,532	$150,000	$ -	$358,532
Chief Executive Officer &	2015	(2)	$191,206	$1,392,725	$ -	$1,583,931
General Counsel						
Barry D. Loveless	2016	(3)	$154,909	$136,500	$ -	$291,409
Chief Financial Officer	2015	(4)	$34,495	$162,000	$37,500	$233,995
Jennifer D Duettra	2016	(5)	$130,225	$37,500	$ -	$167,725
Executive Vice President,	2015	(6)	$117,036	$213,525	$ -	$330,561
Assistant General Counsel &						
Secretary						

(1) Stock Award includes 1,000,000 shares of restricted common stock valued at fair value on grant date February 1, 2016.
(2) Stock Award includes 5,000,000 shares of restricted common stock valued at fair value on grant date December 22, 2014 and 1,000,000 shares of restricted common stock valued at fair value on grant date February 1, 2015.
(3) Stock Award includes 300,000 shares of restricted common stock valued at fair value on grant date October 16, 2016.
(4) Stock Award includes 600,000 shares of restricted common stock valued at fair value on grant date October 16, 2015. Other compensation includes amounts paid while serving as an independent contracted Chief Financial Officer during the period April 30, 2015 to October 15, 2015.
(5) Stock Award includes 250,000 shares of restricted common stock valued at fair value on grant date February 1, 2016.
(6) Stock Award includes 500,000 shares of restricted common stock valued at fair value on grant date December 29, 2014 and 250,000 shares of restricted common stock valued at fair value on grant date February 1, 2015.

Employment Agreements

Effective January 1, 1997, the Company entered into an employment Agreement with Joseph Fiore (the "Fiore Employment Agreement") under which Joseph Fiore serves as chairman of the board of the Company. Pursuant to the Fiore Employment Agreement, Mr. Fiore was to be paid $50,000 in 1997 and $75,000 in 1998. In addition, Mr. Fiore was to receive family health insurance coverage until age 70 and life insurance coverage until age 70 with a death benefit of $1,000,000 and the use of an automobile, with all expenses associated with the maintenance and operation of the automobile paid by the Corporation. Mr. Fiore deferred all salaries and benefits under this agreement until the Company reaches profitability.

Effective February 1, 2015 the Company entered into an employment Agreement with James R. Thompson in which Mr. Thompson agreed to render services and assume fiduciary duties to protect and advance the best interests of the Company as Chief Executive Officer of the Company for a period of five years. Mr. Thompson's duties include, but are not limited to: employing and terminating key employees, signing agreements and otherwise committing the Company consistent with policies and budgets established by the Company. The Company agreed to compensate Mr. Thompson with a base salary of $180,000 paid in accordance with the regular payroll practices of the Company for executives, less such deductions or amounts as are required to be deducted or withheld by applicable laws or regulations. In addition, at the beginning of each employment year, the Company agreed to issue to Mr. Thompson One Million (1,000,000) shares of the Company's common stock. All common stock issued to Mr. Thompson was agreed to be restricted pursuant to Rule 144, and contained additional restrictions on Mr. Thompson's re-sale limiting his sales to no more than 10,000 shares per day, plus an additional 10,000 shares per day for every 250,000 shares of daily trading volume. The Company also agreed to pay Mr. Thompson a signing bonus in the amount of $360,000.00 and to issue to Mr. Thompson 5,000,000 shares of the Company's restricted common stock.

Effective February 1, 2015 the Company entered into an employment Agreement with Jennifer Duettra in which Ms. Duettra agreed to render services as Vice President and Assistant General Counsel to the Company for a period of five years. Ms. Duettra's duties include, but are not limited to: providing such services and fiduciary duties as are necessary and desirable to protect and advance the best interests of the Company, signing agreements, and otherwise committing the Company consistent with policies and budgets established by the Company. The Company agreed to compensate Ms. Duettra with an annual base salary of $120,000.00 paid in accordance with the regular payroll practices of the Company for executives, less such deductions or amounts as are required to be deducted or withheld by applicable laws or regulations. In addition, at the beginning of each employment year, the Company agreed to issue to Ms. Duettra 250,000 shares of the Company's common stock. All common stock issued to Ms. Duettra was agreed to be restricted pursuant to Rule 144, and contained additional restrictions limiting Ms. Duettra's sales to no more than 5,000 shares per day for every 250,000 shares of daily trading volume. The Company also agreed to pay Ms. Duettra a signing bonus in the amount of $25,000.00, and issue to her 500,000 shares of the Company's restricted common stock.

Effective October 16, 2015 the Company entered into an employment Agreement with Barry D. Loveless in which Mr. Loveless agreed to render services as Chief Financial Officer to the Company for a period of five years. Mr. Loveless's duties include, but are not limited to: providing such services and fiduciary duties as are provided by a Chief Financial Officer of a publicly traded fully reporting company in compliance with the 1934 Securities and Exchange Act, the 2002 Sarbanes-Oxley Act, and the Rules and Regulations promulgated by the Securities and Exchange Commission. The Company agreed to compensate Mr. Loveless with an annual base salary of $150,000.00 paid in accordance with the regular payroll practices of the Company for executives, less such deductions or amounts as are required to be deducted or withheld by applicable laws or regulations. In addition, at the beginning of each employment year, the Company agreed to issue to Mr. Loveless 300,000 shares of the Company's common stock. All common stock issued to Mr. Loveless was agreed to be restricted pursuant to Rule 144, and contained additional restrictions limiting Mr. Loveless's sales to no more than 5,000 shares per day for every 250,000 shares of daily trading volume. The Company also agreed to pay Mr. Loveless a signing bonus in the amount of 300,000 shares of the Company's restricted common stock.

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

Principal Shareholders

The table below sets forth information as to each person owning of record or who was known by the Company to own beneficially more than 5% of the 153,637,026 shares of issued and outstanding Common Stock of the Company as of December 31, 2016, and information as to the ownership of the Company's Stock by each of its directors and executive officers and by the directors and executive officers as a group. Except as otherwise indicated, all shares are owned directly, and the persons named in the table have sole voting and investment power with respect to shares shown as beneficially owned by them.

Name and Address of Beneficial Owners & Directors	Nature of Ownership	# of Shares Owned		Percent
Joseph Fiore	Common Stock	99,872,820	*	63%
Tim Matula	Common Stock	11,000,000		7%
James R. Thompson	Common Stock	7,000,000		4%
James Mylock, Jr.	Common Stock	4,760,184		3%
Jennifer Duettra	Common Stock	1,000,000		1%
Barry D. Loveless	Common Stock	900,000		1%
All Executive Officers and Directors as a Group (7 persons)	Common Stock	124,533,004	**	79%

* Includes 72,802,684 shares of common stock, 107,636 shares of Series A preferred stock (convertible to 26,909,028 common shares), and 20,000 shares of Series E preferred stock (convertible to 161,108 common shares).

** Includes 97,462,868 shares of common stock, 107,636 shares of Series A preferred stock (convertible to 26,909,028 common shares), and 20,000 shares of Series E preferred stock (convertible to 161,108 common shares).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On October 3, 2016, the Company sold trading securities with a cost basis of $510,000 and a fair value of $340,000 to Berkshire Capital Management Co., Inc. ("Berkshire") for $500,000. Berkshire is controlled by Joseph Fiore, majority shareholder and chairman of the board of directors of the Company. The Company reported the $170,000 difference between the cost basis of and the sold date fair value as a loss on sale. The Company and recorded the difference between the sold date fair value and cash sale price as contributed.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed to us by Weinberg & Company, P.A. for professional services rendered during the years ended December 31, 2016 and 2015:

Service	2016	2015
Audit Fees	$ 93,000	$ 77,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$ 93,000	$ 77,000

Audit Fees. Consists of fees billed for professional services rendered for the audits of our consolidated financial statements, reviews of our interim consolidated financial statements included in quarterly reports, services performed in connection with filings with the Securities & Exchange Commission and related comfort letters and other services that are normally provided by Weinberg & Company, P.A. in connection with statutory and regulatory filings or engagements.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee is to pre-approve all audit and non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services as allowed by law or regulation. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specifically approved amount. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval and the fees incurred to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

The Audit Committee pre-approved 100% of the Company's 2016 audit fees, audit-related fees, tax fees, and all other fees to the extent the services occurred after May 6, 2004, the effective date of the Securities and Exchange Commission's final pre-approval rules.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES

The following documents are filed as part of this report.

1. **All Financial Statements**

2. **Financial Statement Schedules**

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

3. **Exhibits required by Item 601 of Regulation S-K**

The following exhibits are included as part of this report:

Exhibit Number	Exhibit Description
3.1	Articles of Incorporation (1)
3.2	By-laws (1)
3.3	Amended Articles of Incorporation (1)
10.1	Lease Information Form between E.A.J.: PHL, Airport Inc. and Marketplace Redwood Limited Partnership(1)
10.2	Registration of trade name for Eat at Joe's(1)
10.2	Registration Rights Agreement(1)
10.3	Franklin Networks Acquisition Agreement (1)
14	Code of Ethics (1)
21	Subsidiaries of the Company(1)
31**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32***	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

** Filed herewith
*** Furnished Herewith
(1) Incorporated by reference.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 31, 2017

SPYR, INC.

By: /S/ James R. Thompson
James R. Thompson
President & Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and dates indicated.

Name	Title	Date
/S/ James R. Thompson James R. Thompson	President & Chief Executive Officer (Principal Executive Officer)	March 31, 2017
/S/ Barry D. Loveless Barry D. Loveless	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2017
/S/ Joseph Fiore Joseph Fiore	Chairman & Director	March 31, 2017
/S/ James Mylock, Jr. James Mylock, Jr.	Director	March 31, 2017
/S/ Tim Matula Tim Matula	Director	March 31, 2017

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, James R. Thompson, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2016 of SPYR, 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 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.

March 31, 2017

/S/ James R. Thompson
James R. Thompson
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Barry D. Loveless, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2016 of SPYR, 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 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.

5. The registrants 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.

March 31, 2017

/S/ Barry D. Loveless
Barry D. Loveless
Chief Financial Officer,
(Principal Financial and Accounting 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

In connection with the Annual Report of SPYR, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission (the “Report”), I, James R. Thompson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

March 31, 2017

/S/ James R. Thompson
James R. Thompson
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Annual Report of SPYR, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Barry D. Loveless, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

March 31, 2017

/S/ Barry D. Loveless
Barry D. Loveless
Chief Financial Officer,
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.