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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2019

or

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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)	(IRS Employer Identification No.)

4643 S. Ulster St., Suite 1510, Denver, CO 80237
(Address of principal executive offices)

(303) 991-8000
(Registrant's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days
☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Smaller reporting company	☒
Emerging growth company	☐		

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 13, 2019, there were 200,055,131 shares of the Registrant's common stock.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPYR, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		(Restated)
Current Assets:		
Cash and cash equivalents	$ 23,000	$ 24,000
Accounts receivable, net	24,000	62,000
Prepaid expenses	18,000	21,000
Trading securities, at market value	2,000	4,000
Total Current Assets	67,000	111,000
Property and equipment, net	76,000	94,000
Capitalized gaming assets and licensing rights, net	120,000	122,000
Intangible assets, net	7,000	9,000
Operating lease right-of-use asset	99,000	110,000
Other assets	6,000	6,000
TOTAL ASSETS	$ 375,000	$ 452,000
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,184,000	$ 1,145,000
Related party short-term advances	825,000	320,000
Related party line of credit	1,101,000	1,068,000
Convertible note payable, net	591,000	432,000
Operating lease liability - current portion	36,000	39,000
Current liabilities of discontinued operations	22,000	22,000
Total Current Liabilities	3,759,000	3,026,000
Operating lease liability	80,000	92,000
Total Liabilities	3,839,000	3,118,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' (DEFICIT)		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized		
107,636 Class A shares issued and outstanding as of June 30, 2019 and December 31, 2018	11	11
20,000 Class E shares issued and outstanding as of June 30, 2019 and December 31, 2018	2	2
Common Stock, $0.0001 par value, 750,000,000 shares authorized 200,055,131 and 198,305,131 shares issued and outstanding as of June 30, 2019 and December 31, 2018	20,005	19,830
Additional paid-in capital	53,445,982	53,265,157
Accumulated deficit	(56,930,000)	(55,951,000)
Total Stockholders' (Deficit)	(3,464,000)	(2,666,000)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 375,000	$ 452,000

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

SPYR, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Game Revenues	$ 9,000	$ 21,000	$ 34,000	$ 27,000
Related Party Service Revenues	—	—	52,000	—
Total Revenues	9,000	21,000	86,000	27,000
Expenses				
Labor and related expenses	195,000	235,000	521,000	1,121,000
Rent	36,000	39,000	74,000	88,000
Depreciation and amortization	11,000	28,000	22,000	57,000
Professional fees	16,000	518,000	66,000	3,074,000
Research and development	9,000	154,000	26,000	453,000
Other general and administrative	84,000	122,000	164,000	227,000
Total Operating Expenses	351,000	1,096,000	873,000	5,020,000
Operating Loss	(342,000)	(1,075,000)	(787,000)	(4,993,000)
Other Income (Expense)				
Interest Expense	(187,000)	(84,000)	(190,000)	(104,000)
Gain on cancellation of shares	—	113,000	—	113,000
Unrealized loss on trading securities	—	(18,000)	(2,000)	(29,000)
Total Other Income (Expense)	(187,000)	11,000	(192,000)	(20,000)
Loss from continuing operations	(529,000)	(1,064,000)	(979,000)	(5,013,000)
Loss on discontinued operations	—	—	—	(2,000)
Net Loss	$ (529,000)	$ (1,064,000)	$ (979,000)	$ (5,015,000)
Per Share Amounts				
Loss from continuing operations				
Basic and Diluted loss per share	$ —	$ (0.01)	$ —	$ (0.03)
Loss on discontinued operations				
Basic and Diluted loss per share	$ —	$ —	$ —	$ —
Net Loss				
Basic and Diluted loss per share	$ —	$ (0.01)	$ —	$ (0.03)
Weighted Average Common Shares				
Basic and Diluted	199,697,988	192,569,065	199,405,960	189,479,590

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

SPYR, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2019
(Unaudited)

	Preferred Stock								
	Class A		Class E		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at December 31, 2018 (Restated)	107,636	$ 11	20,000	$ 2	198,305,131	$ 19,830	$ 53,265,157	$ (55,951,000)	$ (2,666,000)
Fair value of common stock issued for employee compensation	—	—	—	—	1,250,000	125	130,875	—	131,000
Net loss	—	—	—	—	—	—	—	(450,000)	(450,000)
Balance at March 31, 2019	107,636	11	20,000	2	199,555,131	19,955	53,396,032	(56,401,000)	(2,985,000)
Fair value of common stock issued for conversion of notes payable	—	—	—	—	500,000	50	49,950	—	50,000
Net loss	—	—	—	—	—	—	—	(529,000)	(529,000)
Balance at June 30, 2019	107,636	$ 11	20,000	$ 2	200,055,131	$ 20,005	$ 53,445,982	$ (56,930,000)	$ (3,464,000)

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

SPYR, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2018
(Unaudited)

	Preferred Stock				Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Class A		Class E						
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2017 (Restated)	107,636	$ 11	20,000	$ 2	181,128,950	$ 18,112	$ 46,561,875	$ (48,842,000)	$ (2,262,000)
Common stock issued to related party for cash	—	—	—	—	500,000	50	49,950	—	50,000
Common stock issued for cash	—	—	—	—	4,200,000	420	554,580	—	555,000
Fair value of common stock issued for employee compensation	—	—	—	—	1,250,000	125	624,875	—	625,000
Fair value of common stock, options and warrants issued for services	—	—	—	—	4,441,942	444	1,711,556	—	1,712,000
Vesting of options and warrants granted for services	—	—	—	—	—	—	674,000	—	674,000
Net loss	—	—	—	—	—	—	—	(3,951,000)	(3,951,000)
Balance at March 31, 2018 (Restated)	107,636	11	20,000	2	191,520,892	19,151	50,176,836	(52,793,000)	(2,597,000
Common stock issued for cash	—	—	—	—	2,000,000	200	299,800	—	300,000
Fair value of common stock, options and warrants issued for services	—	—	—	—	1,145,840	115	400,885	—	401,000
Vesting of options and warrants granted for services	—	—	—	—	—	—	35,000	—	35,000
Common stock cancelled on termination of service agreement	—	—	—	—	(625,000)	(62)	(112,938)	—	(113,000)
Debt discount on convertible notes payable	—	—	—	—	—	—	263,000	—	263,000
Net loss	—	—	—	—	—	—	—	(1,064,000)	(1,064,000)
Balance at June 30, 2018	107,636	$ 11	20,000	$ 2	194,041,732	$ 19,404	$ 51,062,583	$ (53,857,000)	$ (2,775,000)

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

SPYR, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2019	2018
Cash Flows From Operating Activities:		(Restated)
Net loss for the period	$ (979,000)	$ (5,015,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on discontinued operations	—	2,000
Depreciation and amortization	22,000	57,000
Common stock issued for employee compensation	131,000	625,000
Common stock, options and warrants issued for services	—	2,113,000
Vesting of options and warrants granted for services	—	709,000
Gain on cancellation of common stock	—	(113,000)
Amortization of debt discount on convertible notes payable	62,000	53,000
Unrealized loss on trading securities	2,000	29,000
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivables	38,000	(14,000)
Decrease in prepaid expenses	3,000	9,000
Decrease in other assets	—	10,000
Increase in accounts payable and accrued liabilities	39,000	31,000
Decrease in operating lease liability	(4,000)	(7,000)
Increase in accrued interest on short-term advances - related party	16,000	—
Increase in accrued interest on line of credit - related party	33,000	29,000
Increase in accrued interest on convertible notes payable	10,000	6,000
Increase in liquidated damages on convertible notes payable	137,000	—
Net Cash Used in Operating Activities from Continuing Operations	(490,000)	(1,476,000)
Net Cash Used in Operating Activities from Discontinued Operations	—	(2,000)
Net Cash Used in Operating Activities	(490,000)	(1,478,000)
Cash Flows From Investing Activities:		
Net Cash Used in Investing Activities	—	—
Cash Flows From Financing Activities:		
Proceeds from sale of common stock	—	905,000
Proceeds from short-term advances - related party	489,000	55,000
Proceeds from line of credit - related party	—	200,000
Proceeds from convertible notes payable	—	400,000
Net Cash Provided by Financing Activities	489,000	1,560,000
Net Increase (Decrease) in Cash	(1,000)	82,000
Cash and cash equivalents at beginning of period	24,000	86,000
Cash and cash equivalents at end of period	$ 23,000	$ 168,000
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:		
Partial conversion of notes payable to common stock	$ 50,000	$ —

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC. The condensed consolidated balance sheet as of December 31, 2018 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company's financial position and results of operations for the interim periods reflected. Except as noted, all adjustments contained herein are of a normal recurring nature. Results of operations for the fiscal periods presented herein are not necessarily indicative of fiscal year-end results.

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, E.A.J.: PHL, Airport Inc., a Pennsylvania corporation (discontinued operations, see Note 6), and Branded Foods Concepts, Inc., a Nevada corporation. Intercompany accounts and transactions have been eliminated.

Going Concern

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, however, the issues described below raise substantial doubt about the Company's ability to do so.

As shown in the accompanying financial statements, for the six months ended June 30, 2019, the Company recorded a net loss from continuing operations of $979,000 and utilized cash in continuing operations of $490,000. As of June 30, 2019, our cash balance was $23,000 and we had trading securities of $2,000. These issues raise substantial doubt about the Company's ability to continue as a going concern.

The Company plans to expand its mobile games and application development and publishing activities, such as Pocket Starships and *Steven Universe*: Tap Together, through acquisition and/or development of its own intellectual property and publishing agreements with developers.

Historically, we have financed our operations primarily through private sales of our trading securities, through sales of our common stock, and through related party loans. 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.

The ability of the Company to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements and expansion of its operations. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through the next twelve months. However, management cannot make any assurances that such financing will be secured.

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 trading securities, fixed assets, intangible assets, capitalized licensing rights, amounts of potential liabilities, and valuation of issuance of equity securities. Actual results could differ from those estimates.

Earnings (Loss) Per Share

The basic and fully diluted shares for the three months ended June 30, 2019 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 1,107,420, Options – 12,449,900, Warrants – 9,000,000) would have had an anti-dilutive effect due to the Company generating a loss for the three months ended June 30, 2019.

The basic and fully diluted shares for the three months ended June 30, 2018 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 312,520, Options – 13,740,000, Warrants – 5,300,000) would have had an anti-dilutive effect due to the Company generating a loss for the three months ended June 30, 2018.

The basic and fully diluted shares for the six months ended June 30, 2019 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 1,107,420, Options – 12,449,900, Warrants – 9,000,000) would have had an anti-dilutive effect due to the Company generating a loss for the six months ended June 30, 2019.

The basic and fully diluted shares for the six months ended June 30, 2018 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 312,520, Options – 13,740,000, Warrants – 5,300,000) would have had an anti-dilutive effect due to the Company generating a loss for the six months ended June 30, 2018.

Capitalized Gaming Assets and Licensing Rights

During the six months ended June 30, 2019 and 2018, the Company recorded amortization expense of $2,000 and $17,000, respectively. As of June 30, 2019 and December 31, 2018, the accumulated amortization was $4,000 and $2,000, respectively and the unamortized capitalized gaming assets and licensing rights amounted to $120,000 and $122,000 respectively.

Software Development Costs

Costs incurred for software development are expensed as incurred. During the six months ended June 30, 2019 and 2018, the Company incurred $26,000 and $453,000 in software development costs paid to independent gaming software developers.

Recent Accounting Standards

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 adopted ASU 2016-02 on January 1, 2019. Pursuant to this new standard, the Company has recorded an operating right-of-use asset and operating lease liability in the accompanying condensed consolidated balance sheets as of June 30, 2019 and December 31, 2018.

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting", which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. The amendments in ASU 2018-07 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted this guidance effective January 1, 2019, and it did not have any impact on the Company's consolidated financial statements.

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 - RELATED PARTY TRANSACTIONS

During 2017, the Company obtained a revolving line of credit from Berkshire Capital Management Co., Inc. Berkshire is controlled by Joseph Fiore, majority shareholder and former chairman of the board of directors of the Company. The line of credit allows the Company to borrow up to $1,000,000 with interest at 6% per annum. The loan is secured by a first lien on all the assets of the Company and its wholly owned subsidiary SPYR APPS, LLC. Repayment on the loan is due October 31, 2019. As of June 30, 2019, the Company has borrowed $1,000,000 and accrued interest of $101,000.

During 2018, the Company issued 500,000 shares of restricted common stock to the father of an executive officer of the Company for cash of $50,000.

During 2018 the Company received $313,000 in the form of short-term advances from Berkshire Capital Management Co., Inc. The short-term advances are due upon demand. During the six months ended June 30, 2019, the Company received an additional $489,000 in short-term advances. As of June 30, 2019, the Company has received a total of $802,000 in short-term advances and accrued interest of $23,000.

During the six months ended June 30, 2019, the Company, received $52,000 in revenue for professional services rendered to a related Company whose directors are also officers of SPYR, Inc. and whose majority shareholder is Berkshire Capital Management Co., Inc.

NOTE 3 – CONVERTIBLE NOTES

On April 20, 2018, (modified May 22, 2018) the Company issued a $165,000 (originally $158,000) convertible note with original issue discount (OID) of $15,000 and bearing interest at 8% per annum. The amended maturity date of the note was June 1, 2019 and was convertible on or after October 17, 2018 into the Company’s restricted common stock at $0.20 per share at the holder’s request. The OID is recorded as a discount to the debt agreement. The Company determined the note to contain a beneficial conversion feature valued as $104,000 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 3-year warrants to purchase 200,000 shares of the company’s restricted common stock at an exercise price of $0.375 per share, 200,000 shares of the company’s restricted common stock at an exercise price of $0.50 per share, and 100,000 shares of the company’s restricted common stock at an exercise price of $0.625 per share. The warrants were valued at $126,000 using the Black-Scholes pricing model and were recorded as a discount to the debt agreement. The noteholder was also issued 116,000 shares of the company’s restricted common stock valued at $34,000 based upon the closing price of the Company stock on the date of the modified agreement and recorded as a discount to the debt agreement. During the year ended December 31, 2018 the Company accrued interest for this note in the amount of $9,000. On May 10, 2019, the Company amended the note to extend the due date to June 1, 2019, provide for a partial conversion of $25,000 of the outstanding principal balance into common shares of the Company at a conversion price of $0.10 per share for a total of 250,000 shares, and waive any prior alleged or actual defaults under the note. As of June 30, 2019, the note is in default for late payment. During the six months ended June 30, 2019 the Company has accrued interest for this note in the amount of $85,000, which includes $78,000 in liquidated damages and default interest. At June 30, 2019, the principal balance together with total accrued interest is recorded on the Company’s consolidated balance sheet net of discounts at $234,000.

On May 22, 2018, the Company issued a $275,000 convertible note with original issue discount (OID) of $25,000 and bearing a one-time interest charge at 8%. The amended maturity date of the note was June 1, 2019 and is convertible into the Company's restricted common stock at $0.25 per share at the holder's request. The OID is recorded as a discount to the debt agreement. The Company has determined the note to contain a beneficial conversion feature valued as $40,000 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5-year warrants to purchase 500,000 shares of the company's restricted common stock at an exercise price of $2.00 per share. The warrants were valued at $45,000 using the Black-Scholes pricing model and were recorded as a discount to the debt agreement. The noteholder was also issued 200,000 shares of the company's restricted common stock valued at $58,000 based upon the closing price of the Company stock on the date of the agreement and recorded as a discount to the debt agreement. During the year ended December 31, 2018 the Company accrued interest for this note in the amount of $20,000 and liquidated damages of $25,000. On May 10, 2019, the Company amended the note to extend the due date to June 1, 2019, provide for a partial conversion of $25,000 of the outstanding principal balance into common shares of the Company at a conversion price of $0.10 per share for a total of 250,000 shares, and waive any prior alleged or actual defaults under the note. As of June 30, 2019, the note is in default for late payment. During the six months ended June 30, 2019 the Company has accrued interest for this note in the amount of $62,000, which includes $60,000 in liquidated damages. At June 30, 2019, the principal balance together with total accrued interest is recorded on the Company's consolidated balance sheet net of discounts at $357,000.

The following table summarized the Company's convertible notes payable as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Beginning Balance	$ 432,000	$ —
Proceeds from the issuance of convertible notes, net of issuance discounts	—	137,000
Repayments	—	—
Conversion of notes payable into common stock	(50,000)	—
Amortization of discounts	62,000	241,000
Liquidated damages	137,000	25,000
Accrued Interest	10,000	29,000
Ending Balance	$ 591,000	$ 432,000
Convertible notes, short term	$ 390,000	$ 440,000
Debt discounts	$ —	$ 62,000

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Operating Leases

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 $143,000 to $152,000. The Company adopted ASC 842 for this lease using a modified retrospective transition approach as of the beginning of the January 2018. As a result of the adoption, prior periods have been restated to include the recorded operating right-of use asset and operating lease liability in the accompanying condensed consolidated balance sheets as December 31, 2018 and the decrease in operating lease liability in the accompanying condensed consolidated statements of cash flows for the six months ended June 30, 2018.

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 June 18, 2018 the Company was named as a defendant in a case filed in the United States District Court for the Southern District of New York: Securities and Exchange Commission vs. Joseph A. Fiore, Berkshire Capital Management Co., Inc., and Eat at Joe's, Ltd. n/k/a SPYR, Inc.("Defendants"). Joseph A. Fiore was the Chairman of our Board of Directors and is a significant shareholder. Mr. Fiore resigned from his positions as Chairman of the Board and as a Director of the Company effective August 1, 2018. The suit alleges that Mr. Fiore, during 2013 and 2014, while he was the Company's Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors, engaged in improper conduct on behalf of the defendants named in the case related to the Company's sales of securities in Plandai Biotechnology, Inc. The Commission alleges that Mr. Fiore and the Company unlawfully benefited through the sales of those securities. The Commission also alleges that from 2013 to 2014, the Company's primary business was investing and that it failed to register as an investment company, resulting in an alleged violation of Section 7(a) of the Investment Company Act of 1940. The suit seeks to disgorge Joseph A. Fiore, Berkshire Capital Management Co., Inc., and the Company of alleged profits on the sale of the securities and civil fines related to the Company's failure to register as an investment company with the Commission.

The Company vehemently denies any wrongdoing. The allegations demonstrate a fundamental misunderstanding of existing precedent and a mischaracterization of the facts and transactions at issue, which were not violative of any securities laws, rules or regulations. Based upon available information at this very early stage of litigation, management believes that the Company will obtain a favorable ruling. Accordingly, Management believes the likelihood of material loss resulting from this lawsuit to be remote.

On November 2, 2018, counsel for Defendants filed a joint motion to dismiss the SEC's suit in its entirety, primarily on the basis that the SEC's complaint fails to allege facts sufficient to state viable causes of action. All three defendants assert that the SEC has failed to satisfy its heightened pleadings requirement for stating viable claims for market manipulation. All three Defendants also sought dismissal based upon the expiration of the applicable statute of limitations and based upon the SEC's alleged failure to file suit within the statutory deadline for doing so as codified under the Dodd-Frank Act of 2010. This failure, Defendants argue, deprives the SEC of jurisdiction to pursue its claims against all Defendants. In addition to the foregoing, the Company further moved for dismissal of the alleged Section 7(a) Investment Company Act violation based upon the SEC's failure to establish that the Company fit the statutory definition of an Investment Company, as that term is defined under the Investment Company Act; i.e., the Company met one of the statutory exceptions to what is and is not an Investment Company for purposes of having to register as such under the Act. The Company cannot accurately estimate when it expects a decision on its motion to dismiss, as it has been fully briefed and pending for more than seven months, but expects a ruling within the next several months.

The Company is being represented by Alex Spiro, Esq., a partner with the firm of Quinn Emmanuel, Urquhart & Sullivan, LLP and Marc S. Gottlieb, Esq., a partner with the firm of Ortoli Rosenstadt LLP.

NOTE 5 – EQUITY TRANSACTIONS

Common Stock:

Six Months Ended June 30, 2018

During the three months ended March 31, 2018, the Company issued 500,000 shares of restricted common stock to the father of an executive officer of the Company for cash of $50,000.

During the three months ended March 31, 2018, the Company issued an aggregate of 4,200,000 shares of restricted common stock to third parties for cash of $555,000.

During the three months ended March 31, 2018, the Company issued an aggregate of 1,250,000 shares of restricted common stock to employees with a total fair value of $625,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $625,000 upon issuance. The shares issued were valued at the date earned under the respective agreement based upon closing market price of the Company's common stock.

During the three months ended March 31, 2018, the Company issued an aggregate of 4,441,942 shares of restricted common stock to consultants with a total fair value of $1,712,000. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $1,712,000 upon issuance. The shares issued were valued at the date earned under the respective agreements based upon closing market price of the Company's common stock.

During the three months ended June 30, 2018, the Company issued an aggregate of 2,000,000 shares of restricted common stock to third parties for cash of $300,000.

During the three months ended June 30, 2018, the Company issued an aggregate of 1,145,840 shares of restricted common stock to consultants with a total fair value of $401,000. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $401,000 upon issuance. The shares issued were valued at the date earned under the respective agreements based upon closing market price of the Company's common stock.

During the three months ended June 30, 2018, the Company cancelled an aggregate of 625,000 shares of restricted common stock on termination of a third-party service agreement with a total fair value on the date of termination of $207,000. The Company recorded a gain on cancellation of $113,000 for the portion of shares (375,000) issued during 2017 and reversed expenses of $94,000 for the portion of shares (250,000) issued during 2018. The shares issued were valued at the termination date of the agreement based upon closing market price of the Company's common stock.

Six Months Ended June 30, 2019

During the three months ended March 31, 2019, the Company issued an aggregate of 1,250,000 shares of restricted common stock to employees with a total fair value of $131,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire $131,000 upon issuance. The shares issued were valued at the date earned under the respective agreement based upon closing market price of the Company's common stock.

During the three months ended June 30, 2019, the Company issued an aggregate of 500,000 shares of common stock in conversion of notes payable with a total fair value of $50,000. As a result, the Company reduced the balance due on the notes by $50,000 upon issuance.

Options:

The following table summarizes common stock options activity:

	Options	Weighted Average Exercise Price
December 31, 2018	12,449,900	$ 1.64
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding, June 30, 2019	12,449,900	$ 1.64
Exercisable, June 30, 2019	12,449,900	$ 1.64

The weighted average exercise prices, remaining lives for options granted, and exercisable as of June 30, 2019 were as follows:

	Outstanding Options			Exercisable Options	
Options Exercise Price Per Share	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$0.50	8,000,000	1.17	$0.50	8,000,000	$0.50
$1.00	1,449,900	0.32 – 2.61	$1.00	1,449,900	$1.00
$5.00	3,000,000	0.50	$5.00	3,000,000	$5.00
	12,449,900		$1.64	12,449,900	$1.64

At June 30, 2019, the Company's closing stock price was $0.09 per share. As all outstanding options had an exercise price greater than $0.09 per share, there was no intrinsic value of the options outstanding at June 30, 2019.

Warrants:

The following table summarizes common stock warrants activity:

	Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2018	9,000,000	$ 0.46
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding, June 30, 2019	9,000,000	$ 0.46
Exercisable, June 30, 2019	9,000,000	$ 0.46

The weighted average exercise prices, remaining lives for warrants granted, and exercisable as of June 30, 2019, were as follows:

	Outstanding and Exercisable Warrants	
Warrants Exercise Price Per Share	Shares	Life (Years)
$0.01	600,000	1.51
$0.15	1,200,000	1.54
$0.25	1,000,000	4.03
$0.375	200,000	1.81
$0.40	1,200,000	1.54
$0.50	3,000,000	0.33 – 4.03
$0.625	100,000	1.81
$0.75	1,250,000	1.92 – 4.03
$1.00	250,000	1.92
$2.00	200,000	3.90
	9,000,000	

At June 30, 2019, the Company's closing stock price was $0.09 per share. The Company had 600,000 warrants outstanding with exercise prices less than $0.09 with an intrinsic value of $48,000 at June 30, 2019.

Shares Reserved:

At June 30, 2019, the Company has reserved 30,000,000 shares of common stock in connection with 2 convertible notes with detachable warrants and 3,500,000 shares of common stock in connection with the court approved settlement agreement for a total of 33,500,000 reserved shares of common stock.

NOTE 6 – DISCONTINUED OPERATIONS

Restaurant

Through our other wholly owned subsidiary, E.A.J.: PHL Airport, Inc., we owned and operated the restaurant "Eat at Joe's®," which was located in the Philadelphia International Airport since 1997. Our lease in the Philadelphia Airport expired in April 2017. Concurrent with expiration of the lease the restaurant closed. Pursuant to current accounting guidelines, the restaurant segment is reported as discontinued operations.

The following table summarizes the assets and liabilities of our discontinued restaurant segment's discontinued operations as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Assets:		
Total Assets	$ —	$ —
Liabilities:		
Accounts payable and accrued liabilities	$ 22,000	$ 22,000
Total Liabilities	$ 22,000	$ 22,000

The following table summarizes the results of operations of our discontinued restaurant for the six months ended June 30, 2019 and 2018 and is included in the consolidated statements of operations as discontinued operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues	$ —	$ —	$ —	$ —
Cost of sales	—	—	—	—
Gross Margin	—	—	—	—
Expenses				
Labor and related expenses	—	—	—	—
Rent	—	—	—	1,000
Depreciation and amortization	—	—	—	—
Professional fees	—	—	—	—
Other general and administrative	—	—	—	1,000
Total Operating Expenses	—	—	—	2,000
Operating Income (Loss)	—	—	—	(2,000)
Other Income (Expense)				
Loss on disposal of assets	—	—	—	—
Income (Loss) on discontinued operations	$ —	$ —	$ —	$ (2,000)

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the Company received $110,000 in the form of short-term advances from Berkshire Capital Management Co., Inc. The short-term advances are due upon demand.

Subsequent to June 30, 2019, the due date on Company's line of credit from Berkshire Capital Management Co., Inc. was extended to October 31, 2019.

ITEM 2. 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 Condensed Consolidated Financial Statements and supplementary data referred to in this Form 10-Q.

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-Q that could cause actual results to differ materially from those projected. Unless otherwise expressly indicated, the information set forth in this Form 10-Q is as of June 30, 2019, and we undertake no duty to update this information.

Plan of Operations

Through our wholly owned subsidiary SPYR APPS, LLC, d/b/a SPYR GAMES 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 2019 to help with the development and marketing of existing and future games and applications.

During the past two years we have invested in the Company's future by working closely with the development team at Spectacle Games to optimize game play and expand the availability of our game Pocket Starships to more users through new and existing game portals, social networking sites and app stores throughout the world. During 2017, we signed an agreement with CBS Consumer Products that will allow the incorporation of intellectual property (IP) from various Star Trek television series into future Pocket Starships updates and expansions, which agreement has since expired and the Company intends to seek a renewal thereof. In Pocket Starships, players can build and pilot several ships and forge alliances on their quest for galactic domination. Players can perform or initiate various activities ranging from fighting pirates to participating in Faction Alerts. With the future release of an expansion, those playing Pocket Starships will be able to explore new sectors and assuming the CBS license is renewed, engage in exciting battles with the Borg and will be able to staff their ships with their favorite Star Trek characters from the Star Trek TV series franchise – including *Star Trek: The Next Generation*, *Star Trek: Deep Space Nine*, and *Star Trek: Voyager*, through a trading card expansion.

In addition, working together with third-party developers, we have developed. *Steven Universe*: Tap Together, a new tapper game featuring characters and storylines from *Steven Universe*, a popular animated television series on Cartoon Network. *Steven Universe*: Tap Together was launched globally on the Google Play Store on August 2, 2018 and on the IOS App Store on August 9, 2018. After the launch of the game, the original developer the Company was working with went out of business, but the Company executed a new development agreement, effective July 23, 2019, with a new developer to continue supporting, updating and expanding the game. Under this new arrangement, Company management believes that the game will begin to realize its potential and generate revenue.

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 utilize the services of game developers for further development, enhancement and maintenance of the games as needed to meet the needs of the users and maximize revenue into the future. In addition to our plans for Pocket Starships and the *Steven Universe*: Tap Together, 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. The Company may also decide to expand and/or diversify, through acquisition or otherwise, in other related or unrelated business areas if opportunities present themselves. The Company has also identified an acquisition target, a mobile game, and the Company is currently negotiating with the owner for the purchase of the asset.

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2019 TO 2018

The consolidated results of continuing operations for the six months ended June 30, 2019 and 2018 are as follows:

	Digital Media	Corporate	Consolidated
Six Months Ended June 30, 2019			
Revenues	$ 34,000	52,000	$ 86,000
Labor and related expenses	(98,000)	(423,000)	(521,000)
Rent	(1,000)	(73,000)	(74,000)
Depreciation and amortization	(4,000)	(18,000)	(22,000)
Professional fees	—	(66,000)	(66,000)
Research and development	(26,000)	—	(26,000)
Other general and administrative	(35,000)	(129,000)	(164,000)
Operating loss	(130,000)	(657,000)	(787,000)
Other expense	(19,000)	(173,000)	(192,000)
Loss from continuing operations	$ (149,000)	$ (830,000)	$ (979,000)
Six Months Ended June 30, 2018			
Revenues	$ 27,000	$ —	$ 27,000
Labor and related expenses	(149,000)	(972,000)	(1,121,000)
Rent	(15,000)	(73,000)	(88,000)
Depreciation and amortization	(36,000)	(21,000)	(57,000)
Professional fees	(167,000)	(2,907,000)	(3,074,000)
Research and development	(453,000)	—	(453,000)
Other general and administrative	(95,000)	(132,000)	(227,000)
Operating loss	(888,000)	(4,105,000)	(4,993,000)
Other expense	(15,000)	(5,000)	(20,000)
Loss from continuing operations	$ (903,000)	$ (4,110,000)	(5,013,000)

Results of Operations

For the six months ended June 30, 2019 the Company had a loss from continuing operations of $979,000 compared to a loss from continuing operations of approximately $5,013,000 for the six months ended June 30, 2018. This change is due primarily to decreases in labor and related expenses of $600,000, rent of $14,000, depreciation and amortization of $35,000, professional fees of $3,008,000, research and development of $427,000 and other general and administrative costs $63,000 during the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Other items contributing to the change included increases in revenue of $59,000. The Company also had increased interest expense of $86,000.

More detailed explanation of the six months ended June 30, 2019 and 2018 changes are included in the following discussions.

Total Revenues - For the six months ended June 30, 2019 and 2018, the Company had total revenue of $86,000 and $27,000, respectively, for an increase of $59,000. This change is due to the launch of our new game *Steven Universe*: Tap Together on August 2, 2018 which contributed to game revenues of $34,000 for the six months ended June 30, 2019 compared to game revenues $27,000 for the six months ended June 30, 2018. Additionally, during the six months ended June 30, 2019, the Company, received $52,000 in revenue for professional services rendered to a related Limited Liability Company whose mangers are also officers of SPYR, Inc. and whose majority owner is Berkshire Capital Management Co., Inc. Management plans to expand its mobile application and game development and monetization efforts and believes through continued promotion and user acquisition of *Steven Universe*: Tap Together, anticipated updates to Pocket Starships, and the acquisition of a new games during 2019 will bring increased revenues in the coming year.

Labor and related expenses include the costs of salaries, wages, leased employees, contract labor, and the fair value of common stock and options granted to employees for services. For the six months ended June 30, 2019 the company had total labor and related expenses of $521,000 with $252,000 being settled in cash and $131,000 being paid in restricted stock recorded at fair value, and accrued salaries of $138,000. For the six months ended June 30, 2018 the company had total labor and related expenses of $1,121,000 with $426,000 being settled in cash and $636,000 being paid in restricted stock and vesting of options recorded at fair value, and accrued salaries of $59,000. The cost of labor is expected to increase in conjunction with expansion of the digital media operations.

The cost of rent decreased $14,000 from $88,000 for the six months ended June 30, 2018 to $74,000 for the six months ended June 30, 2019. 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. From July 2017 through March 31, 2018 we leased office space in Berlin, Germany for EUR 3,570 ($4,100) per month. The Berlin office was used by leased employees hired by the Company for the operation of our Pocket Starships game. From October 17, 2016 to February 28, 2019 the Company leased shared office space for one employee in Redmond, Washington on a month to month basis at costs escalating from $225 to $325 per month per desk.

Depreciation and amortization expenses decreased by approximately $35,000 for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Depreciation and amortization expenses are attributable to depreciation of the $247,000 of property and equipment and amortization of gaming assets and capitalized licensing rights in service during respective periods.

Professional fees decreased $3,008,000 from $3,074,000 for the six months ended June 30, 2018 to $66,000 for the six months ended June 30, 2019. Professional fees during the six months ended June 30, 2019 included $59,000 legal, accounting and other professional service needs and $7,000 for public relations. Professional fees during the six months ended June 30, 2018 included $207,000 in legal, accounting and other professional service needs, $46,000 for public relations, and $10,000 in consulting services related to our digital media operations. The remaining amount is due to the granting of 5,587,782 shares of restricted common stock, 420,000 options and 2,900,000 warrants to purchase restricted common stock issued to third parties for consulting services, public relations and other professional fees with a total fair value of $2,811,000.

Research and development costs during the six months ended June 30, 2019 included $26,000 in connection with fees paid to game developers for the development of its current and soon to be released games, compared to research and development costs of $453,000 during the six months ended June 30, 2018.

Other general and administrative expenses decreased $63,000 for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The decrease can be attributed primarily to reductions in marketing costs of $22,000, travel costs of $29,000, business development of $14,000, and game operating of $19,000 and various other general and administrative cost reductions of $6,000 offset by increases in insurance costs of $27,000.

The Company had interest expense on a related party line of credit, related party short-term advances, convertible notes payable and accrued expenses of $190,000 for the six months ended June 30, 2019. The company had interest expense on a related party line of credit, convertible notes payable and accrued expenses of $104,000 for the six months ended June 30, 2018.

During the six months ended June 30, 2018 the Company cancelled an aggregate of 625,000 shares of restricted common stock on termination of a third-party service agreement with a total fair value on the date of termination of $207,000. The Company recorded a gain on cancellation of $113,000 during the six months ended June 30, 2018. The company did not have a gain on cancellation of shares for the six months ended June 30, 2019.

The Company had unrealized losses on trading securities of $2,000 for the six months ended June 30, 2019 compared to unrealized losses of $29,000 for the six months ended June 30, 2018. Unrealized gains and losses are the result of fluctuations in the quoted market price of the underlying securities at the respective reporting dates.

COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2019 TO 2018

The consolidated results of continuing operations for the three months ended June 30, 2019 and 2018 are as follows:

	Digital Media	Corporate	Consolidated
Three Months Ended June 30, 2019			
Revenues	$ 9,000	$ —	$ 9,000
Labor and related expenses	(48,000)	(147,000)	(195,000)
Rent	—	(36,000)	(36,000)
Depreciation and amortization	(2,000)	(9,000)	(11,000)
Professional fees	—	(16,000)	(16,000)
Research and development	(9,000)	—	(9,000)
Other general and administrative	(17,000)	(67,000)	(84,000)
Operating loss	(67,000)	(275,000)	(342,000)
Other expense	(10,000)	(177,000)	(187,000)
Loss from continuing operations	$ (77,000)	$ (452,000)	$ (529,000)
Three Months Ended June 30, 2018			
Revenues	$ 21,000	$ —	$ 21,000
Labor and related expenses	(68,000)	(167,000)	(235,000)
Rent	(2,000)	(37,000)	(39,000)
Depreciation and amortization	(18,000)	(10,000)	(28,000)
Professional fees	(64,000)	(454,000)	(518,000)
Research and development	(154,000)	—	(154,000)
Other general and administrative	(49,000)	(73,000)	(122,000)
Operating loss	(334,000)	(741,000)	(1,075,000)
Other expense	(9,000)	20,000	11,000
Loss from continuing operations	$ (343,000)	$ (721,000)	$ (1,064,000)

Results of Operations

For the three months ended June 30, 2019 the Company had a loss from continuing operations of $529,000 compared to a loss from continuing operations of approximately $1,064,000 for the three months ended June 30, 2018. This change is due primarily to decreases in labor and related expenses of $40,000, rent of $3,000, depreciation and amortization of $17,000, professional fees of $502,000, research and development of $145,000 and other general and administrative costs of $38,000 during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. Other items contributing to the change included decreases in revenue of $12,000. The Company also had increased interest expense of $103,000.

More detailed explanation of the three months ended June 30, 2019 and 2018 changes are included in the following discussions.

Total Revenues - For the three months ended June 30, 2019 and 2018, the Company had total revenue of $9,000 and $21,000, respectively, for a decrease of $12,000. This change is due to the launch of our new game *Steven Universe*: Tap Together on August 2, 2018 which contributed to game revenues of $9,000 for the three months ended June 30, 2019 compared to game revenues $21,000 for the three months ended June 30, 2018. Management plans to expand its mobile application and game development and monetization efforts and believes through continued promotion and user acquisition of *Steven Universe*: Tap Together, anticipated updates to Pocket Starships, and the acquisition of a new games during 2019 will bring increased revenues in the coming year.

Labor and related expenses include the costs of salaries, wages, leased employees, contract labor, and the fair value of common stock and options granted to employees for services. For the three months ended June 30, 2019 the company had total labor and related expenses of $195,000 with $125,000 being settled in cash and accrued salaries of $70,000. For the three months ended June 30, 2018 the company had total labor and related expenses of $235,000 with $230,000 being settled in cash and $5,000 being paid in restricted stock and vesting of options recorded at fair value. The cost of labor is expected to increase in conjunction with expansion of the digital media operations.

The cost of rent decreased $3,000 from $39,000 for the three months ended June 30, 2018 to $36,000 for the three months ended June 30, 2019. 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. From July 2017 through March 31, 2018 we leased office space in Berlin, Germany for EUR 3,570 ($4,100) per month. The Berlin office was used by leased employees hired by the Company for the operation of our Pocket Starships game. From October 17, 2016 to February 28, 2019 the Company leased shared office space for one employee in Redmond, Washington on a month to month basis at costs escalating from $225 to $325 per month per desk.

Depreciation and amortization expenses decreased by approximately $17,000 for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. Depreciation and amortization expenses are attributable to depreciation of the $247,000 of property and equipment and amortization of gaming assets and capitalized licensing rights in service during respective periods.

Professional fees decreased $502,000 from $518,000 for the three months ended June 30, 2018 to $16,000 for the three months ended June 30, 2019. Professional fees during the three months ended June 30, 2019 included $15,000 legal, accounting and other professional service needs and $1,000 for public relations. Professional fees during the three months ended June 30, 2018 included $70,000 in legal, accounting and other professional service needs, $17,000 for public relations, and $1,000 in consulting services related to our digital media operations. The remaining amount is due to the granting of 1,145,840 shares of restricted common stock and 1,000,000 warrants to purchase restricted common stock issued to third parties for consulting services, public relations and other professional fees with a total fair value of $431,000.

Research and development costs during the three months ended June 30, 2019 included $9,000 in connection with fees paid to game developers for the development of its current and soon to be released games, compared to research and development costs of $154,000 during the three months ended June 30, 2018.

Other general and administrative expenses decreased $38,000 for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The decrease can be attributed primarily to reductions in marketing costs of $18,000, business development of $14,000, travel costs $6,000 and game operating of $10,000 and various other general and administrative cost reductions of $6,000 offset by increases in insurance costs of $16,000.

The Company had interest expense on a related party line of credit, related party short-term advances, convertible notes payable and accrued expenses of $187,000 for the three months ended June 30, 2019. The company had interest expense on a related party line of credit, convertible notes payable and accrued expenses of $84,000 for the three months ended June 30, 2018.

The Company had unrealized losses on trading securities of $0 for the three months ended June 30, 2019 compared to unrealized losses of $18,000 for the three months ended June 30, 2018. Unrealized gains and losses are the result of fluctuations in the quoted market price of the underlying securities at the respective reporting dates.

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 six months ended June 30, 2019 of $979,000. As of June 30, 2019, the Company had current assets of $67,000, which included cash and cash equivalents of $23,000, accounts receivable of $24,000, prepaid expenses of $18,000 and trading securities of $2,000.

During the six months ended June 30, 2019, the Company has met its capital requirements through a combination of collection of receivables and related party short-term advances of $489,000.

The Company currently does not have sufficient cash and liquidity to meet its anticipated working capital for the next twelve months.The Company expects future development and expansion will be financed through cash flows from operations and other forms of financing such as the sale of additional equity and debt securities, capital leases and other credit facilities. 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.

The Company may also decide to expand and/or diversify, through acquisition or otherwise, in other related or unrelated business areas if opportunities present themselves.

Operating Activities - For the six months ended June 30, 2019, the Company used cash in operating activities from continuing operations of $490,000. For the six months ended June 30, 2018, the Company used cash in operating activities of $1,478,000. Operating activities consist of corporate overhead and development of our mobile games and applications. Decreases are due to increased revenues combined with decreases operating expenses. See the above results of operations discussion for more details.

Financing Activities - During the six months endedJune 30, 2019, the Company borrowed $489,000 from related party short-term advances.During the six months ended June 30, 2018, the Company sold 6,700,000 shares of restricted common stock to third parties and one related party for $905,000, borrowed $55,000 from related party short-term advances, borrowed $200,000 from a related party line of credit, and borrowed $400,000 from convertible debt from third-party lenders.

Government Regulations - The Company is subject to all pertinent Federal, State, and Local 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 quarterly and annual 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

We determine revenue recognition by: (1) identifying the contract, or contracts, with our customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to performance obligations in the contract; and (5) recognizing revenue when, or as, we satisfy performance obligations by transferring the promised goods or services.

Game Revenues

Through our wholly owned subsidiary SPYR APPS, LLC, d/b/a SPYR GAMES, 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 Google and Amazon.

We operate our games as live services that allow players to play for free. Within these games players can purchase virtual items to enhance their game-playing experience. Our identified performance obligation is to display the virtual items within the game. Payment is required at time of purchase and the purchase price is a fixed amount.

Players can purchase our virtual items through various widely accepted payment methods offered in the games, including Apple iTunes accounts, Google Play accounts, Facebook local currency payments, PayPal and credit cards. Payments from players for virtual items are non-refundable and relate to non-cancellable contracts that specify our obligations.

For revenue earned through app stores, players utilize the app store's local currency-based payments program to purchase virtual items in our games. For all payment transactions on these app store platforms, the app store remits to us 70% of the price we request to be charged to the player for each transaction, which represents the transaction price. We recognize revenue net of the amounts retained by the app stores for platform and payment processing fees.

Service Revenues

Our professional services arrangements are either fixed-fee billing or time-and-material billing arrangements. In fixed-fee billing arrangements, we agree to a predetermined fee for a predetermined set of professional services. We set the fee based upon our estimate of the time and costs necessary to complete the engagements. Under time-and-materials billing arrangements, the fee is based on the number of hours worked at the agreed upon billing rates. We recognize service revenue upon completion of the service.

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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure 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 June 30, 2019, 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. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (Revised 2013) in Internal Control over Financial Reporting - Guidance for Smaller Public Companies. Based on the evaluation of the Company's disclosure controls and procedures, Management concluded that during the period covered by this report, such disclosure controls and procedures were not effective, due to certain identified material weaknesses. These identified material weaknesses include, (i) insufficient accounting staff, (ii) inadequate segregation of duties, (iii) limited checks and balances in processing cash and other transactions, and (iv) the lack of independent directors and independent audit committee.

The Company is committed to improving its disclosure controls and procedures and the remediation of identified control weaknesses. As capital becomes available, Management plans to increase the accounting and financial reporting staff, add independent directors to the Board of Directors and establish an independent audit committee. We cannot provide assurance that these procedures will be successful in identifying material errors that may exist in the financial statements, nor can we make assurances that additional material weaknesses in its internal control over financial reporting will not be identified in the future.

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 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.

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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 18, 2018 the Company was named as a defendant in a case filed in the United States District Court for the Southern District of New York: Securities and Exchange Commission vs. Joseph A. Fiore, Berkshire Capital Management Co., Inc., and Eat at Joe's, Ltd. n/k/a SPYR, Inc. ("Defendants"). Joseph A. Fiore was the Chairman of our Board of Directors and is a significant shareholder. Mr. Fiore resigned from his positions as Chairman of the Board and as a Director of the Company effective August 1, 2018. The suit alleges that Mr. Fiore, during 2013 and 2014, while he was the Company's Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors, engaged in improper conduct on behalf of the defendants named in the case related to the Company's sales of securities in Plandai Biotechnology, Inc. The Commission alleges that Mr. Fiore and the Company unlawfully benefited through the sales of those securities. The Commission also alleges that from 2013 to 2014, the Company's primary business was investing and that it failed to register as an investment company, resulting in an alleged violation of Section 7(a) of the Investment Company Act of 1940. The suit seeks to disgorge Joseph A. Fiore, Berkshire Capital Management Co., Inc., and the Company of alleged profits on the sale of the securities and civil fines related to the Company's failure to register as an investment company with the Commission.

The Company vehemently denies any wrongdoing. The allegations demonstrate a fundamental misunderstanding of existing precedent and a mischaracterization of the facts and transactions at issue, which were not violative of any securities laws, rules or regulations. The Company will answer these allegations in court.

On November 2, 2018, counsel for Defendants filed a joint motion to dismiss the SEC's suit in its entirety, primarily on the basis that the SEC's complaint fails to allege facts sufficient to state viable causes of action. All three defendants assert that the SEC has failed to satisfy its heightened pleadings requirement for stating viable claims for market manipulation. All three Defendants also sought dismissal based upon the expiration of the applicable statute of limitations and based upon the SEC's alleged failure to file suit within the statutory deadline for doing so as codified under the Dodd-Frank Act of 2010. This failure, Defendants argue, deprives the SEC of jurisdiction to pursue its claims against all Defendants. In addition to the foregoing, the Company further moved for dismissal of the alleged Section 7(a) Investment Company Act violation based upon the SEC's failure to establish that the Company fit the statutory definition of an Investment Company, as that term is defined under the Investment Company Act; i.e., the Company met one of the statutory exceptions to what is and is not an Investment Company for purposes of having to register as such under the Act. The Company cannot accurately estimate when it expects a decision on its motion to dismiss, as it has been fully briefed and pending for more than seven months, but expects a ruling within the next several months.

The Company is being represented by Alex Spiro, Esq., a partner with the firm of Quinn Emmanuel, Urquhart & Sullivan, LLP and Marc S. Gottlieb, Esq., a partner with the firm of Ortoli Rosenstadt LLP.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

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

During the three months ended June 30, 2019, the Company issued an aggregate of 500,000 shares of common stock in conversion of notes payable with a total fair value of $50,000. The Company relied upon the Section 4(a)(2) exemption from registration provided by Rule 506(b) of Regulation D.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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)
10.2	Registration Rights 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 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: August 14, 2019

SPYR, INC.

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

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

EXHIBIT 31.1

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

I, James R. Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2019 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.

August 14, 2019

/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 quarterly report on Form 10-Q for the quarter ended June 30, 2019 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.

August 14, 2019

/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 Quarterly Report of SPYR (the "Company") on Form 10-Q for the quarter ended June 30, 2019 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.

August 14, 2019

/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 Quarterly Report of SPYR, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2019 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.

August 14, 2019

/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.