

SPYR, INC.

FORM 10-K (Annual Report)

Filed 03/31/21 for the Period Ending 12/31/20

Address	8547 E. ARAPAHOE RD. #J527 GREENWOOD VILLAGE, CO, 80112
Telephone	303-991-8000
CIK	0000829325
Symbol	SPYR
SIC Code	5810 - Retail-Eating and Drinking Places
Industry	Internet Services
Sector	Technology
Fiscal Year	12/31

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

Form 10-K

(Mark One)

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

For the fiscal year ended: **December 31, 2020**

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

(State or other jurisdiction of incorporation or organization)

75-2636283

(I.R.S. Employer Identification No.)

**8547 E. Arapahoe Rd STE J527
Greenwood Village, CO**

(Address of principal executive offices)

80112

(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

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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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

Non-accelerated filer

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates, as of June 30, 2020, the last business day of the registrant’s most recently completed second fiscal quarter, was \$4,989,863 based on 99,797,263 non affiliate shares outstanding at \$0.05 per share.

As of March 30, 2021, there were 214,537,631 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 553,710 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.
Form 10-K

For the Fiscal Year Ended December 31, 2020

TABLE OF CONTENTS

		<u>Page</u>
<u>PART I</u>		
Item 1.	Business	4
Item 1A.	Risk Factors	6
Item 1B.	Unresolved Staff Comments	6
Item 2.	Properties	6
Item 3.	Legal Proceedings	6
Item 4.	Mine Safety Disclosures	7
<u>PART II</u>		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	8
Item 6.	Selected Financial Data	8
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	8
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk	14
Item 8.	Financial Statements and Supplementary Data	14
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	43
Item 9A.	Controls and Procedures	43
Item 9B.	Other Information	44
<u>PART III</u>		
Item 10.	Directors, Executive Officers and Corporate Governance	44
Item 11.	Executive Compensation	46
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	48
Item 13.	Certain Relationships and Related Transactions, and Director Independence	48
Item 14.	Principal Accountant Fees and Services	49
<u>PART IV</u>		
Item 15.	Exhibits, Financial Statement Schedules	49
Item 16.	Form 10-K Summary	50

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 OTC Markets under the symbol "SPYR."

The primary focus of SPYR, Inc. (the "Company") is to be a technology company that through its subsidiary, Applied Magix Inc. (discussed in more detail below), develops and resells Apple® ecosystem compatible products with an emphasis on the smart home market, while at the same time continuing to identify and target acquisitions, which will grow its footprint in the technology industry and expand the products it offers consumers, including companies developing artificial intelligence and smart-technology products.

The Company has the following wholly owned subsidiaries:

- Applied Magix a Nevada corporation ("Applied Magix");
- SPYR APPS, LLC a Nevada Limited Liability Company;
- E.A.J.: PHL, Airport Inc. a Pennsylvania corporation; and
- Branded Foods Concepts, Inc. a Nevada corporation.

Applied Magix

On October 20, 2020, we entered into a stock purchase agreement with Dr. Harald Zink and Richard Kelly Clark, sole shareholders of Applied Magix, a Nevada corporation, pursuant to which we acquired all of the issued and outstanding shares of Applied Magix.

Through our wholly owned subsidiary Applied Magix we are a registered Apple® developer, and reseller of Apple ecosystem compatible products and accessories with an emphasis on the smart home market. As such, we are in the global "Internet of Things" (IoT) market, and more specifically, the segment of the market related to the development, manufacture and sale of devices and accessories specifically built on Apple's HomeKit® framework. These products work within the Apple® HomeKit® ecosystem and are exclusive to the Apple market and its consumers. Apple® HomeKit® is a system that lets users control smart home devices, so long as they are compatible with the HomeKit® ecosystem, giving users control over smart thermostat, lights, locks and more in multiple rooms, creating comfortable environments and remote control of other connected devices.

Apple® HomeKit® app for iOS lets users securely control, organize and manage any smart home devices labeled as a "Works with Apple HomeKit" accessory. In the app, users can organize accessories by room, manage multiple accessories at the same time, control a home with Siri, and more.

SPYR APPS, LLC

On March 24, 2015, the Company organized its wholly owned subsidiary SPYR APPS®, LLC, a Nevada Limited Liability Company, to engage in the development and publication of electronic games that are downloaded for free by users of mobile devices such as cellular telephones and tablets, including those using Apple's iOS and Google's Android mobile operating systems.

Historically, through our wholly owned subsidiary, SPYR APPS®, LLC, we engaged in the development, publication and co-publication of mobile electronic games, seeking to generate revenue through those games by way of advertising and in-app purchases. Contracting with a third-party developer, we released three games: "Plucky," "Plucky Rush" and Rune Guardian in April, May and December 2015, respectively. Also, in 2015, we entered into a publishing and marketing agreement with Spectacle Games Publishing, for its "Massively Multiplayer Online Role Playing Game," "Pocket Starships." In 2016 we obtained an exclusive option to purchase all assets pertaining to Pocket Starships and on October 23, 2017, we restructured and exercised the option by entering into a definitive agreement pursuant to which we acquired all of the game related assets of Pocket Starships. As a result, we acquired rights to retain 100% of the revenue generated from the game and owned outright all of the assets related to the game. The acquisition included, among other assets, all Pocket Starships related intellectual property, the userbase, artwork, software, internet domains, game store accounts (such as App Store, Play Store, Amazon, and Facebook Gameroom), web portal accounts (Facebook, VK.com, Kongregate, etc.) and internet domains (www.pocketstarships.com). In 2017 we signed an agreement with CBS Consumer Products to incorporate Start Trek intellectual property into Pocket Starships. Also, in 2017, we entered into an agreement with Reset Studios, LLC for the development of two new idle tapper games, the first of which was Steven Universe: Tap Together. As of December 31, 2019, the Cartoon Network license for the Steven Universe IP was terminated and the game was removed from the stores. As of December 31, 2020, all of our games have been removed from the game stores. Pursuant to current accounting guidelines, the assets and liabilities of SPYR APPS LLC as well as the results of its operations are presented in these financial statements as discontinued operations.

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 assets and liabilities of E.A.J.: PHL, Airport Inc. as well as the results of its operations are presented in these financial statements as discontinued operations.

Operating Losses

The Company has incurred net losses from operations of \$3,057,000 and \$1,965,000 for the years ended December 31, 2020 and 2019, respectively. Such operating losses reflect developmental and other administrative costs for 2020 and 2019. 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 in manufacturing, marketing and sales of Apple® HomeKit® products.

Our Business and Strategy

Our primary business operation is focused on the development of our wholly owned subsidiary Applied Magix Inc., a registered Apple® developer, and reseller of Apple® ecosystem compatible products and accessories with an emphasis on the smart home market. As such, we are in the global “Internet of Things” (IoT) market, and more specifically, the segment of the market related to the development, manufacture and sale of devices and accessories specifically built on Apple’s HomeKit® framework. These products work within the Apple® HomeKit® ecosystem and are exclusive to the Apple market and its consumers. Apple® HomeKit® is a system that lets users control smart home devices, so long as they’re compatible with the HomeKit® ecosystem, giving users control over smart thermostat, lights, locks and more in multiple rooms, creating comfortable environments and remote control of other connected devices. Our strategy is two-fold. First, we intend to resell, under our Applied Magix brand, a variety of chargers, cables, cords, charging docks, cases, cameras, adaptors and other accessories used in the Apple® ecosystem in various internet marketplaces. Secondly, we are developing an Applied Magix branded hardware device for use with the Apple HomeKit® framework, that will allow users to program and securely control and manage multiple smart home devices labeled as a “Works with Apple HomeKit” accessory through the Apple® HomeKit® app for iOS. To date, our strategy is in the development stage. We have yet to begin sales efforts for our branded Apple® ecosystem compatible products and accessories, and our Apple HomeKit® hardware device is in development.

We will also continue to identify and target acquisitions, which will grow our footprint in the technology industry and expand the products we offer consumers, including companies developing artificial intelligence and smart-technology products.

The Company intends to utilize cash on hand, shareholder loans and other forms of financing such as the sale of additional equity and debt securities, capital leases and other credit facilities to conduct its ongoing business, and to also conduct strategic business development, marketing analysis, due diligence investigations into possible acquisitions, and product development costs and implementation of our business plans generally. The Company also seeks to diversify, through acquisition or otherwise, in other related and/or unrelated business areas and is exploring opportunities to do so.

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 Apple® HomeKit® market is highly competitive and rapidly changing. Our ability to compete depends upon many factors within and outside our control, including the timely development and introduction of the Apple® HomeKit® products we market and sell, along with the related enhancements, functionality, performance, reliability, customer service and support and marketing efforts. We expect additional competition from other emerging companies. Many of our existing and potential competitors are substantially larger than us and have significantly greater financial, technical and marketing resources that will compete for available Apple® HomeKit® products and development. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the Apple® HomeKit® market. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressure will not have a material adverse effect on our business, operating results and financial condition.

Employees

As of the date of this filing, the Company had 6 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

Our Offices

All administrative activities of the Company are conducted remotely given the COVID-19 pandemic. Our mailing address is 8547 E. Arapahoe Rd., #J527, Greenwood Village, CO 80112.

The Company leases approximately 5,169 square feet at 4643 South Ulster Street, Denver, Colorado pursuant to an amended lease dated May 21, 2015. Under the lease, the Company pays annual base rent on an escalating scale ranging from \$143,000 to \$152,000. On May 1, 2020 and July 29, 2020, the Company entered into amended lease agreements with its landlord. Under the terms of the amendments, the landlord agreed to waive rent, certain rent adjustments and parking for the period April 1, 2020 through August 31, 2020 and extend the term of the lease by five months. The lease term date, which was December 31, 2020, is now May 31, 2021.

Our plan is to allow the above described lease to expire and continue to operate remotely until such time as we determined formal office space is needed. Should we require additional space at that time, or prior thereto, we believe that such space can be secured on commercially reasonable terms.

ITEM 3. 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. Information about material legal proceedings follows:

Settlements

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 alleged 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 alleged that Mr. Fiore and the Company unlawfully benefited through the sales of those securities. The Commission also alleged 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 sought 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.

Pursuant to a settlement agreement among the parties, on April 14, 2020, final judgment was entered in the case: Securities and Exchange Commission vs. Joseph A. Fiore, Berkshire Capital Management, Inc. and Eat at Joes, Inc., n/k/a SPYR, Inc., case number 7:18-cv-05474-KMK filed in the U.S. District Court for the Southern District of New York.

On April 23, 2020, Joseph Fiore/Berkshire Capital Management, Inc. satisfied the Company's joint and several liability obligation by paying to the Commission the agreed upon sum of Two Million Dollars pursuant to a settlement agreement between Joseph Fiore/Berkshire Capital Management, Inc. and the Company, which settlement agreement was entered into on April 15, 2020. The Company has until April 14, 2021 to satisfy its remaining financial obligation to the Commission, an agreed upon civil penalty of Five Hundred Thousand Dollars (\$500,000). The \$500,000 liability is reported as part of accounts payable and accrued liabilities on the accompanying condensed consolidated balance sheets as of December 31, 2020 and December 31, 2019 and was recorded as litigation settlement costs on the consolidated statements of operations on the Company's for the year ended December 31, 2019.

In electing to settle with the Commission, the Company neither admitted nor denied liability to any of the Commission's allegations in its complaint, and in consideration for the Commission discontinuing its action, the Company, along with the two other defendants Joseph Fiore and Berkshire Capital Management agreed to be jointly and severally liable for disgorgement of profits and prejudgment interest in the amount of two million dollars, and to each be solely liable to pay a civil penalty in the amount of five hundred thousand dollars.^[1]

Judgments

On or about January 24, 2019, SPYR APPS, LLC entered into an agreement with one of its vendors, Shatter Storm Studios, to whom it owed \$84,250 for artwork related to the Steven Universe game. Pursuant to the terms of that agreement, SPYR APPS, LLC needed to make payment in the amount of \$85,000 to cover the principal owed and attorneys' fees together plus 6% interest in that amount by December 1, 2019. Should SPYR APPS, LLC not make the required payment on or before December 1, 2019, it consented to entry of judgment in favor of Shatter Storm Studios for the amount owed. SPYR APPS, LLC did not make the payment and on January 27, 2020 Shatter Storm Studios initiated Case No. 1:200cv-00217 in the U.S. District Court for the District of Colorado seeking entry of the consent judgment against SPYR APPS, LLC. The judgment was not contested by SPYR APPS, LLC and judgment in the amount of \$85,000 plus post judgment interest at the rate of 6% was entered on March 17, 2020. The balance due as of December 31, 2020 and December 31, 2019 was approximately \$95,000 and \$90,000, respectively, which includes accrued interest and attorneys' fees, has been reported as part of current liabilities of discontinued operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

[1] In addition, an injunction was entered against the Company enjoined it from violating the antifraud, market manipulation, beneficial ownership reporting, and other provisions of the federal securities laws charged in the SEC's complaint.

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 OTC Markets 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.

	<u>High</u>	<u>Low</u>
2020		
First Quarter	\$ 0.03	\$ 0.01
Second Quarter	\$ 0.07	\$ 0.01
Third Quarter	\$ 0.19	\$ 0.04
Fourth Quarter	\$ 0.22	\$ 0.07
2019		
First Quarter	\$ 0.32	\$ 0.05
Second Quarter	\$ 0.39	\$ 0.05
Third Quarter	\$ 0.10	\$ 0.04
Fourth Quarter	\$ 0.06	\$ 0.01

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.

Approximate Number of Equity Security Holders

As of March 30, 2021, there were 148 direct holders of record of our Common Stock. Because shares of the Company's Common Stock are held by depositaries, brokers and other nominees, the number of beneficial holders of the Company's shares is substantially larger than the number of stockholders of record.

The number of shareholders of record of the Company's Common Stock as of March 30, 2021 was approximately 1,626.

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, 2020, and we undertake no duty to update this information.

Plan of Operations

SPYR[®], Inc. acts as a holding company to develop a portfolio of profitable subsidiaries, not limited by any particular industry or business.

With our October 20, 2020, acquisition of Applied Magix, a Nevada corporation (“Applied Magix”), our business model changed to focus on the development of our wholly owned subsidiary Applied Magix Inc., a registered Apple[®] developer, and reseller of Apple[®] ecosystem compatible products and accessories with an emphasis on the smart home market. As such, we are in the global “Internet of Things” (IoT) market, and more specifically, the segment of the market related to the development, manufacture and sale of devices and accessories specifically built on Apple’s HomeKit[®] framework. These products work within the Apple[®] HomeKit[®] ecosystem and are exclusive to the Apple market and its consumers. Apple[®] HomeKit[®] is a system that lets users control smart home devices, so long as they’re compatible with the HomeKit[®] ecosystem, giving users control over smart thermostat, lights, locks and more in multiple rooms, creating comfortable environments and remote control of other connected devices. Our strategy is two-fold. First, we intend to resell, under our Applied Magix brand, a variety of chargers, cables, cords, charging docks, cases, cameras, adaptors and other accessories used in the Apple[®] ecosystem in various internet marketplaces. Secondly, we are developing an Applied Magix branded hardware device for use with the Apple HomeKit[®] framework, that will allow users to program and securely control and manage multiple smart home devices labeled as a “Works with Apple HomeKit” accessory through the Apple[®] HomeKit[®] app for iOS. To date, our strategy is in the development stage. We have yet to begin sales efforts for our branded Apple[®] ecosystem compatible products and accessories, and our Apple HomeKit[®] hardware device is in development.

We will also continue to identify and target acquisitions, which will grow our footprint in the technology industry and expand the products we offer consumers, including companies developing artificial intelligence and smart-technology products.

The Company intends to utilize cash on hand, shareholder loans and other forms of financing such as the sale of additional equity and debt securities, capital leases and other credit facilities to conduct its ongoing business, and to also conduct strategic business development, marketing analysis, due diligence investigations into possible acquisitions, and implementation of our Applied Magix business plans generally. The Company also seeks to diversify, through acquisition or otherwise, in other related and/or unrelated business areas and is exploring opportunities to do so.

Comparison of 2020 To 2019

The consolidated results of continuing operations are as follows:

	<u>Applied Magix</u>	<u>Corporate</u>	<u>Consolidated</u>
For the Years Ended December 31 2020			
Revenues	\$ —	\$ —	\$ —
Related party service revenues	—	185,000	185,000
Labor and related expenses	(945,000)	(1,085,000)	(2,030,000)
Rent	—	(113,000)	(113,000)
Depreciation and amortization	(2,000)	(36,000)	(38,000)
Professional fees	(6,000)	(95,000)	(101,000)
Research and development	(14,000)	—	(14,000)
Other general and administrative	(30,000)	(180,000)	(210,000)
Operating loss	<u>(997,000)</u>	<u>(1,324,000)</u>	<u>(2,321,000)</u>
Interest Expense	—	(247,000)	(247,000)
Loss on disposition of assets	—	(11,000)	(11,000)
Bargain purchase gain on acquisition of subsidiary	—	11,000	11,000
SBA EIDL grant	—	3,000	3,000
Loss on issuance of long-term convertible notes payable	—	(514,000)	(514,000)
Change in Value of derivative liability	—	132,000	132,000
Other expense	—	(626,000)	(626,000)
Loss from continuing operations	<u>\$ (997,000)</u>	<u>\$ (1,950,000)</u>	<u>\$ (2,947,000)</u>

For the Years Ended December 31 2019	Applied Magix	Corporate	Consolidated
Revenues	\$ —	\$ —	\$ —
Related party service revenues	—	302,000	302,000
Labor and related expenses	—	(724,000)	(724,000)
Rent	—	(145,000)	(145,000)
Depreciation and amortization	—	(37,000)	(37,000)
Professional fees	—	(95,000)	(95,000)
Other general and administrative	—	(270,000)	(270,000)
Operating loss	—	(969,000)	(969,000)
Interest Expense	—	(247,000)	(247,000)
Litigation settlement costs	—	(500,000)	(500,000)
Unrealized loss on trading securities	—	(3,000)	(3,000)
Other expense	—	(750,000)	(750,000)
Loss from continuing operations	<u>\$ —</u>	<u>\$ (1,719,000)</u>	<u>\$ (1,719,000)</u>

Results of Operations

For the year ended December 31, 2020 the Company had a loss from continuing operations of \$2,947,000 compared to a loss from continuing operations of \$1,719,000 for the year ended December 31, 2019. This change is due primarily to increases in labor and related expenses of \$1,306,000, depreciation and amortization of \$1,000, professional fees of \$6,000, research and development of \$14,000 and decreases in revenues of \$117,000, rent of \$32,000 and other general and administrative costs of \$60,000 during the year ended December 31, 2020 compared to the year ended December 31, 2019. The Company also had increases in other expenses of \$123,000.

More detailed explanation of the year ended December 31, 2020 and 2019 changes are included in the following discussions.

Total Revenues - For the years ended December 31, 2020 and 2019, the Company had total revenue of \$185,000 and \$302,000, respectively, for a decrease of \$117,000. During the year ended December 31, 2020 the Company received \$185,000 in revenue for professional services rendered to related parties, all of which was received during the period from January 1, 2020 through March 31, 2020. During the year ended December 31, 2019 the Company received \$302,000 in revenue for professional services rendered to related parties. Since March 31, 2020, the Company has not and does not anticipate that it will provide any further professional services to related parties. Our current business is focused on the development of our wholly owned subsidiary, Applied Magix.

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 and directors for services. For the year ended December 31, 2020 the company had total labor and related expenses of \$2,030,000 with \$302,000 being settled in cash, \$393,000 in accrued salaries and \$1,335,000 being paid in restricted common stock and options recorded at fair value. For the year ended December 31, 2019 the company had total labor and related expenses of \$724,000 with \$289,000 being settled in cash, \$292,000 in accrued salaries and \$143,000 being paid in restricted stock recorded at fair value. The cost of labor is expected to increase in conjunction with the expansion of operations.

The cost of rent decreased \$32,000 from \$145,000 for the year ended December 31, 2019 to \$113,000 for the year ended December 31, 2020. The Company leases approximately 5,169 square feet at 4643 South Ulster Street, Denver, Colorado pursuant to an amended lease dated May 21, 2015. Under the lease, the Company pays annual base rent on an escalating scale ranging from \$142,000 to \$152,000. On May 1, 2020 and July 29, 2020, the Company entered into amended lease agreements with its landlord. Under the terms of the amendments, the landlord agreed to waive rent, certain rent adjustments and parking for the period April 1, 2020 through August 31, 2020 and extend the term of the lease by five months. The lease term date, which was December 31, 2020, is now May 31, 2021.

Depreciation and amortization expenses increased by \$1,000 for the year ended December 31, 2020 compared to the year ended December 31, 2019. Depreciation and amortization expenses are attributable to depreciation of the property and equipment and amortization of intangible assets in service during respective periods. We expect depreciation and amortization expenses to increase in 2021 commensurate with the acquisition of additional property, equipment and intangible assets in connection with our planned Applied Magix business operations.

Professional fees increased \$6,000 from \$95,000 for the year ended December 31, 2019 to \$101,000 for the year ended December 31, 2020. Professional fees during 2020 included \$92,000 in legal, accounting and other professional service needs, \$6,000 in consulting services related to our Applied Magix operations, and \$3,000 for public relations. Professional fees during 2019 included \$85,000 in legal, accounting and other professional service needs, \$10,000 for public relations.

Research and development costs during the year ended December 31, 2020 included \$14,000 in connection with the research and testing of products for our Applied Magix operations, compared to \$0 during the year ended December 31, 2019.

Other general and administrative expenses decreased \$60,000 for the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease can be attributed primarily to reductions in insurance costs of \$66,000 and various other general and administrative cost reductions of \$24,000 offset by increases in other general and administrative costs associated with our Applied Magix operations of \$30,000.

The Company had interest expense on a related party line of credit, related party short-term advances, convertible notes payable and accrued expenses of \$247,000 for the year ended December 31, 2020. The Company had interest expense on a related party line of credit, related party short-term advances, convertible notes payable and accrued expenses of \$247,000 for the year ended December 31, 2019.

The Company sold certain office equipment for \$9,000 which resulted in a loss on disposition of assets of \$11,000 for the year ended December 31, 2020. The Company did not have a corresponding loss for the year ended December 31, 2019.

The Company recognized a gain on the acquisition of its wholly owned subsidiary Applied Magix of \$11,000 for the year ended December 31, 2020. The Company did not have a corresponding gain for the year ended December 31, 2019.

The Company received a \$3,000 Economic Injury Disaster Loan (EIDL) grant from the U.S. Small Business Administration during the for the year ended December 31, 2020. The Company did not have a corresponding grant for the year ended December 31, 2019.

The Company recognized a loss on the issuance of long-term convertible notes payable in the amount of \$514,000 for the year ended December 31, 2020. The Company did not have a corresponding loss for the year ended December 31, 2019.

The Company recognized a gain on the change in value of a derivative liability related to its long-term convertible notes payable in the amount of \$132,000 for the year ended December 31, 2020. The Company did not have a corresponding loss for the year ended December 31, 2019.

During the year ended December 31, 2019, the Company accrued \$500,000 in connection with litigation and legal settlement liabilities. The \$500,000 liability is reported as part of accounts payable and accrued liabilities on the accompanying consolidated balance sheets as of December 31, 2020 and December 31, 2019 and was recorded as litigation settlement costs on the Company's consolidated statements of operations for the year ended December 31, 2019.

The Company had unrealized losses on trading securities of \$0 for the year ended December 31, 2020 compared to unrealized losses of \$3,000 for the year ended December 31, 2019. Unrealized gains and losses are the result of fluctuations in the quoted market price of the underlying securities at the respective reporting dates.

As of December 31, 2020, the Company had deferred tax assets arising from net operating loss carry-forwards, capital loss carry-overs, unrealized losses on trading securities, and deductible temporary differences of approximately \$25,100,000 compared to \$25,500,000 as of December 31, 2019. During the year ended December 31, 2020, the Company increased its net operating loss carry-forwards by approximately \$1,200,000, had capital losses carry-forwards of approximately \$2,200,000 expire and increased its other deductible temporary differences by approximately \$600,000. 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 \$5,280,000 against these potential future tax benefits. The Company will continue to evaluate the realizability of deferred tax assets quarterly.

Discontinued Operations

Through our wholly owned subsidiary, SPYR APPS[®], LLC, during the year ended December 31, 2015 through December 31, 2020, we engaged in the development, publication and co-publication of mobile electronic games, seeking to generate revenue through those games by way of advertising and in-app purchases. During October, 2020 the Company changed its focus away from this line of business. As of December 31, 2020, all of our games have been removed from the game stores. Pursuant to current accounting guidelines, the assets and liabilities of SPYR APPS LLC as well as the results of its operations are presented in these financial statements as discontinued operations.

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 assets and liabilities of EAJ as well as the results of its operations are presented in the accompanying financial statements as discontinued operations.

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 for the year ended December 31, 2020 of \$3,057,000 and utilized cash in operations of \$521,000. As of December 31, 2020, the Company had current assets of \$577,000, which included cash and cash equivalents of \$510,000, other receivables of \$4,000, prepaid expenses of \$49,000, trading securities of \$1,000, and current assets of discontinued operations of \$13,000.

During the year ended December 31, 2020 the Company met its capital requirements through a combination of collection of receivables, proceeds from long-term convertible notes payable, proceeds of SBA PPP note payable and SBA EIDL grant, and through the use of existing cash reserves.

The Company also entered into an Equity Line of Credit pursuant to an Equity Purchase Agreement with Brown Stone Capital, LP, dated September 30, 2020. Pursuant to the Equity Purchase Agreement, Brown Stone agreed to invest up to \$14,000,000 to purchase the Company’s Common Stock, par value \$0.0001 per share. The purchase price of the common shares is the lesser of the Fixed price or Market price. The Fixed price is \$0.50 per share in years 1 and 2, after the effectiveness of a registration statement, and \$1.00 per share in years 3, 4 and 5 after the effectiveness of a registration statement covering the underlying shares. The Market price is 70% of the three lowest Variable Weighted Average Price (“VWAP”) for the Company’s common stock during the 10 trading day period immediately prior to the conversion date. In addition, the Company and Brown Stone entered into a Registration Rights Agreement, whereby the Company agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, and applicable state securities laws, with respect to the shares of Common Stock issuable for Brown Stone’s investment pursuant to the Equity Purchase Agreement. The Equity Purchase Agreement terminates five years after the Effective Date or conditioned upon the following events: (i) when Brown Stone has purchased the maximum purchase amount; or (ii) in the event a voluntary or involuntary bankruptcy petition is filed concerning the Company; or, (iii) if a Custodian is appointed for the Company or if the Company makes a general assignment for all or substantially all of its property for the benefit of its creditors.

The Company currently does not have sufficient cash and liquidity to meet its anticipated working capital for the next twelve months. The Company will continue to seek additional capital through the sale of its common stock, debt financing and through expansion of its existing and new products. If these goals do not materialize as planned, we believe that the Company can reduce its operating and product development costs and 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 year ended December 31, 2020 and 2019, the Company used cash for operating activities of \$521,000 and \$763,000, respectively. Operating activities consist of corporate overhead and development of Applied Magix products. Decreases are due to decreases in cash-paid operating expenses. See the above results of operations discussion for more details.

Investing Activities – During the year ended December 31, 2020, the Company purchased property and equipment for \$15,000 and sold property and equipment for \$9,000. The Company had no investing activities during the year ended December 31, 2019.

Financing Activities – During the year ended December 31, 2020, the Company borrowed \$1,000,000 pursuant to long-term convertible notes payable from a third-party lender, \$71,000 from the U.S. Small Business Administration pursuant to the Paycheck Protection Program and received a \$3,000 Economic Injury Disaster Loan (EIDL) grant from the U.S. Small Business Administration. In addition, the Company paid \$47,000 in settlement of a short-term convertible note payable to a third-party lender. During the year ended December 31, 2019, the Company borrowed \$749,000 from related party short-term advances.

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 other 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

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.

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.

Derivative Financial Instruments

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses the Black-Scholes Option Pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. The Company's only derivative financial instruments were embedded conversion features associated with long-term convertible notes payable which contain certain provisions that allow for a variable number of shares on conversion.

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

Index to Consolidated Financial Statements

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	15
Consolidated Balance Sheets as of December 31, 2020 and 2019	17
Consolidated Statements of Operations for the years ended December 31, 2020 and 2019	18
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2020 and 2019	19
Consolidated Statements of Cash Flows, for the years ended December 31, 2020 and 2019	20
Notes to Consolidated Financial Statements	22



Certified Public Accountants (a professional corporation)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of SPYR, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SPYR, Inc. (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Consideration of the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recognized recurring losses, negative cash flows from operations, and currently has minimal revenue producing activities. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Complex Financing Transactions

Description of the Matter:

As discussed in Note 8 to the consolidated financial statements, the Company's financing transactions include convertible notes which are convertible into a variable number of shares. As a result, the conversion feature is bifurcated from the debt host and accounted for as a derivative liability. Derivative accounting is complex and involves judgement and estimations.

How We Addressed the Matter in Our Audit:

We reviewed the underlying convertible note agreements, evaluated management's selection of a valuation method, tested the inputs used in the Black-Scholes calculation by agreeing terms of the debt agreements and market information to third-party sites, and recalculated the derivative liability. We also reviewed the Company's debt agreements to determine if there were unidentified derivatives.

Haynie & Company
Salt Lake City, Utah
March 31, 2021

We have served as the Company's auditor since 2018.

SPYR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 510,000	\$ 10,000
Receivable from related parties	—	50,000
Other receivables	4,000	—
Prepaid expenses	49,000	15,000
Trading securities, at market value	1,000	1,000
Current assets of discontinued operations	13,000	27,000
Total Current Assets	<u>577,000</u>	<u>103,000</u>
Property and equipment, net	31,000	59,000
Intangible assets, net	3,000	6,000
Operating lease right-of-use asset	28,000	80,000
Other assets	13,000	13,000
Non-current assets of discontinued operations	75,000	100,000
TOTAL ASSETS	<u><u>\$ 727,000</u></u>	<u><u>\$ 361,000</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,561,000	\$ 1,141,000
Related party short-term advances	1,184,000	1,115,000
Related party line of credit	1,204,000	1,134,000
Short-term convertible notes payable, net	—	550,000
SBA PPP Note Payable, current portion	51,000	—
Operating lease liability - current portion	54,000	92,000
Current liabilities of discontinued operations	767,000	715,000
Total Current Liabilities	<u>4,821,000</u>	<u>4,747,000</u>
SBA PPP Note Payable	20,000	—
Long-term convertible notes payable, net	64,000	—
Derivative liability	1,382,000	—
Total Liabilities	<u>6,287,000</u>	<u>4,747,000</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized		
107,636 Class A shares issued and outstanding as of		
December 31, 2020 and December 31, 2019	11	11
20,000 Class E shares issued and outstanding as of		
December 31, 2020 and December 31, 2019	2	2
Common stock, \$0.0001 par value, 750,000,000 shares authorized		
210,137,631 and 200,880,131 shares issued and		
outstanding as of		
December 31, 2020 and December 31, 2019	21,014	20,088
Additional paid-in capital	55,391,973	53,509,899
Accumulated deficit	(60,973,000)	(57,916,000)
Total Stockholders' Equity (Deficit)	<u>(5,560,000)</u>	<u>(4,386,000)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u><u>\$ 727,000</u></u>	<u><u>\$ 361,000</u></u>

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,	
	2020	2019
Related party service revenues	\$ 185,000	\$ 302,000
Gross Margin	<u>185,000</u>	<u>302,000</u>
Expenses		
Labor and related expenses	2,030,000	724,000
Rent	113,000	145,000
Depreciation and amortization	38,000	37,000
Professional fees	101,000	95,000
Research and development	14,000	—
Other general and administrative	210,000	270,000
Total Operating Expenses	<u>2,506,000</u>	<u>1,271,000</u>
Operating Loss	<u>(2,321,000)</u>	<u>(969,000)</u>
Other Income (Expense)		
Interest Expense	(247,000)	(247,000)
Loss on disposition of assets	(11,000)	—
Bargain purchase gain on acquisition of subsidiary	11,000	—
SBA EIDL grant	3,000	—
Loss on issuance of long-term convertible notes payable	(514,000)	—
Change in value of derivative liability	132,000	—
Litigation settlement costs	—	(500,000)
Unrealized loss on trading securities	—	(3,000)
Total Other Expense	<u>(626,000)</u>	<u>(750,000)</u>
Loss from continuing operations	(2,947,000)	(1,719,000)
Loss from discontinued operations	(110,000)	(246,000)
Net Loss	<u>\$ (3,057,000)</u>	<u>\$ (1,965,000)</u>
Per Share Amounts		
Loss from continuing operations		
Basic and Diluted earnings per share	\$ (0.01)	\$ (0.01)
Loss from discontinued operations		
Basic and Diluted earnings per share	\$ (0.00)	\$ (0.00)
Net Loss		
Basic and Diluted earnings per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted Average Common Shares		
Basic and Diluted	<u>203,839,473</u>	<u>199,910,816</u>

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

SPYR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2020 and December 31, 2019

	Preferred Stock				Common Stock		Additional	Accumulated	Total
	Class A		Class E		Shares	Amount	Paid-in Capital	Deficit	
	Shares	Amount	Shares	Amount					
Balance at December 31, 2018	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	—	—	—	—	1,550,000	155	142,845	—	143,000
Fair value of common stock and warrants issued for services	—	—	—	—	25,000	3	1,997	—	2,000
Fair value of common stock issued for conversion of notes payable	—	—	—	—	1,000,000	100	99,900	—	100,000
Net loss	—	—	—	—	—	—	—	(1,965,000)	(1,965,000)
Balance at December 31, 2019	<u>107,636</u>	<u>\$ 11</u>	<u>20,000</u>	<u>\$ 2</u>	<u>200,880,131</u>	<u>\$ 20,088</u>	<u>\$ 53,509,899</u>	<u>\$ (57,916,000)</u>	<u>\$ (4,386,000)</u>
Fair value of common stock and options issued for employee and director compensation	—	—	—	—	5,850,000	585	1,334,415	—	1,335,000
Fair value of common stock and warrants issued for conversion of notes payable	—	—	—	—	3,407,500	341	547,659	—	548,000
Net loss	—	—	—	—	—	—	—	(3,057,000)	(3,057,000)
Balance at December 31, 2020	<u>107,636</u>	<u>\$ 11</u>	<u>20,000</u>	<u>\$ 2</u>	<u>210,137,631</u>	<u>\$ 21,014</u>	<u>\$ 55,391,973</u>	<u>\$ (60,973,000)</u>	<u>\$ (5,560,000)</u>

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,	
	2020	2019
Cash Flows From Operating Activities:		
Net loss	\$ (3,057,000)	\$ (1,965,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on discontinued operations	110,000	246,000
Depreciation and amortization	38,000	37,000
Common stock issued for employee compensation	1,335,000	143,000
Amortization of debt discounts on convertible notes payable	50,000	62,000
Loss on disposition of assets	11,000	—
Bargain purchase gain on acquisition of subsidiary	(11,000)	—
SBA EIDL grant	(3,000)	—
Loss on issuance of long-term convertible notes payable	514,000	—
Change in Value of derivative liability	(132,000)	—
Unrealized loss on trading securities	—	3,000
Changes in operating assets and liabilities:		
(Increase) Decrease in receivable from related parties	50,000	(48,000)
Increase in other receivables	(4,000)	—
(Increase) Decrease in prepaid expenses	(34,000)	6,000
(Increase) Decrease in operating lease right-of-use asset	14,000	(9,000)
Increase in other assets	—	(7,000)
Increase in accounts payable and accrued liabilities	420,000	719,000
Increase in accrued interest on short-term advances - related party	69,000	46,000
Increase in accrued interest on line of credit - related party	70,000	66,000
Increase in accrued interest and liquidated damages on convertible notes	59,000	156,000
Net cash used in operating activities from continuing operations	(501,000)	(545,000)
Net cash used in operating activities from discontinued operations	(20,000)	(218,000)
Net Cash Used in Operating Activities	(521,000)	(763,000)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(15,000)	—
Sale of property and equipment	9,000	—
Net Cash Used in Investing Activities	(6,000)	—
Cash Flows From Financing Activities:		
Proceeds from short-term advances - related party	—	749,000
Proceeds from long-term convertible notes	1,000,000	—
Proceeds from SBA EIDL grant	3,000	—
Proceeds from SBA PPP note payable	71,000	—
Payments on short-term convertible notes payable	(47,000)	—
Net Cash Provided by Financing Activities	1,027,000	749,000
Net increase (decrease) in Cash	500,000	(14,000)
Cash and cash equivalents at beginning of period	10,000	24,000
Cash and cash equivalents at end of period	\$ 510,000	\$ 10,000

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,	
	2020	2019
Supplemental Disclosure of Interest and Income Taxes Paid:		
Interest paid during the period	\$ 1,000	\$ 4,000
Income taxes paid during the period	\$ —	\$ —
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
Debt discounts on long-term convertible notes payable	\$ 1,000,000	\$ —
Warrants issued for debt settlement	\$ 96,000	\$ —
Common stock issued for debt conversion	\$ 452,000	\$ 100,000

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

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

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.

Organization

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.

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.

Through our wholly owned subsidiary Applied Magix we are a registered Apple® developer, and reseller of Apple ecosystem compatible products and accessories with an emphasis on the smart home market. As such, we are in the global “Internet of Things” (IoT) market, and more specifically, the segment of the market related to the development, manufacture and sale of devices and accessories specifically built on Apple’s HomeKit® framework. These products work within the Apple® HomeKit® ecosystem and are exclusive to the Apple market and its consumers. Apple® HomeKit® is a system that lets users control smart home devices, so long as they are compatible with the HomeKit® ecosystem, giving users control over smart thermostat, lights, locks and more in multiple rooms, creating comfortable environments and remote control of other connected devices.

Through our wholly owned subsidiary, SPYR APPS®, LLC, during the year ended December 31, 2015 through December 31, 2020, we engaged in the development, publication and co-publication of mobile electronic games, seeking to generate revenue through those games by way of advertising and in-app purchases. During October, 2020 the Company changed its focus away from this line of business. As of December 31, 2020, all of our games have been removed from the game stores. Pursuant to current accounting guidelines, the assets and liabilities of SPYR APPS LLC as well as the results of its operations are presented in these financial statements as discontinued operations.

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 assets and liabilities of EAJ as well as the results of its operations are presented in these financial statements as discontinued operations.

Principles of Consolidation

The consolidated financial statements include the accounts of SPYR, Inc. and its wholly-owned subsidiaries, Applied Magix, a Nevada corporation, SPYR APPS, LLC, a Nevada Limited Liability Company (discontinued operations, see Note 12), E.A.J.: PHL, Airport Inc., a Pennsylvania corporation (discontinued operations, see Note 12), and Branded Foods Concepts, Inc., a Nevada corporation. Intercompany accounts and transactions have been eliminated.

Reclassifications

Certain reclassifications have been made in the 2019 financial statements to conform with the 2020 presentation related to the discontinued operations of SPYR APPS, LLC. See Note 12 Discontinued Operations for additional information.

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.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

As shown in the accompanying financial statements, for the year ended December 31, 2020, the Company recorded a net loss of \$3,057,000 and utilized cash in operations of \$521,000. As of December 31, 2020, our cash balance was \$510,000, other receivables of \$4,000 we had trading securities valued at \$1,000. These issues raise substantial doubt about the Company's ability to continue as a going concern.

The Company intends to utilize cash on hand, shareholder loans and other forms of financing such as the sale of additional equity and debt securities, capital leases and other credit facilities to conduct its ongoing business, and to also conduct strategic business development, marketing analysis, due diligence investigations into possible acquisitions, and implementation of our Applied Magix business plans generally. The Company also plans to diversify, through acquisition or otherwise, in other unrelated business areas and is exploring opportunities to do so.

Historically, we have financed our operations primarily through sales of our common stock and debt financing. The Company will continue to seek additional capital through the sale of its common stock, debt financing and through expansion of its existing and new products. If our financing goals for our products do not materialize as planned and 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 calendar year 2021. 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 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, 2020 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 1,200,480, Options – 5,799,900 and Warrants – 11,100,000) would have had an anti-dilutive effect due to the Company generating a loss for the year ended December 31, 2020.

The basic and fully diluted shares for the year ended December 31, 2019 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 5,096,840, Options – 9,299,900, Warrants – 9,000,000) would have had an anti-dilutive effect due to the Company generating a loss for the year ended December 31, 2019.

Product Research and Development Costs

Costs incurred for product research and development are expensed as incurred. During the years ended December 31, 2020 and 2019, the Company incurred \$14,000 and \$0 in product development costs paid to independent third parties.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Revenue Recognition

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 superseded nearly all existing revenue recognition guidance under prior U.S. GAAP and replaced it with a principles-based approach for determining revenue recognition. The core principle of the standard is the recognition of revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

We adopted this new revenue recognition standard along with its related amendments on January 1, 2018 and have updated our accounting policy for revenue recognition. As expected, at our current level of revenue, the adoption of this new standard did not impact our financial position or results of operations or operating cash flows.

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.

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.

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.

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.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

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
Vehicles	5-10 years
Leasehold improvements	5-6 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 non-amortizing intangible assets 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.

During the year ended December 31, 2020, the Company recorded amortization expense of \$3,000. As of December 31, 2020, total intangible assets amounted to \$20,000 which consist of website development costs. There were no indications of impairment based on management’s assessment of these assets as of December 31, 2020. 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.

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

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

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.

Derivative Financial Instruments

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses the Black-Scholes Option Pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. As of December 31, 2020, the Company's only derivative financial instruments were embedded conversion features associated with long-term convertible notes payable which contain certain provisions that allow for a variable number of shares on conversion.

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. 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, prepaid expenses, accounts payable and accrued expenses, related party short-term advances, related party line of credit and convertible notes payable approximate their fair value because of the short maturity of those instruments.

The Company's trading securities and money market funds are measured at fair value using level 1 fair values.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Advertising Costs

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

Advertising, marketing and promotional expense was \$8,000 and \$0 for the years ended December 31, 2020, and 2019, respectively and was reflected as part of Other General and Administrative Expenses on the accompanying consolidated statements of operations.

Litigation Settlement Costs

Material litigation settlement costs expected to be incurred in connection with loss contingencies are estimated and included in “Accounts payable and accrued liabilities” and reported as “Litigation settlement costs”.

Leases

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. See Note 9 “Operating Leases” for additional required disclosures.

Recent Accounting Standards

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, “*Financial Instruments – Credit Losses.*” This ASU sets forth a current expected credit loss model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. In November 2019, the effective date of this ASU was deferred until fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company is in the process of determining the potential impact of adopting this guidance on its 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 - TRADING SECURITIES

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,
2020	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,000
2019	\$ 4,000	\$ —	\$ —	\$ —	\$ —	\$ (3,000)	\$ 1,000

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

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

	Fair Value at December 31, 2020	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	\$ 1,000	\$ 1,000	\$ -	\$ -
Money market funds	1,000	1,000	-	-
Total	\$ 2,000	\$ 2,000	\$ -	\$ -

	Fair Value at December 31, 2019	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	\$ 1,000	\$ 1,000	\$ -	\$ -
Money market funds	1,000	1,000	-	-
Total	\$ 2,000	\$ 2,000	\$ -	\$ -

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, 2020	December 31, 2019
Equipment	\$ 22,000	\$ 28,000
Furniture & fixtures	33,000	112,000
Vehicles	10,000	—
Leasehold improvements	—	107,000
	65,000	247,000
Less: accumulated depreciation	(34,000)	(188,000)
Property and Equipment, Net	\$ 31,000	\$ 59,000

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$38,000 and \$37,000, respectively.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

NOTE 4 - RELATED PARTY TRANSACTIONS

On September 5, 2017, the Company obtained a revolving line of credit from Berkshire Capital Management Co., Inc. which is controlled by the Company's former chairman of the board. 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. The loan was fully drawn as of February 2018, at which time the Company had borrowed \$1,000,000 and accrued interest of approximately \$16,000. Repayment on the loan is due December 31, 2021. As of December 31, 2020, the Company has borrowed \$1,000,000 and accrued interest of approximately \$204,000.

During 2018 and 2019, the Company has received an additional \$1,062,000 in the form of short-term advances from Berkshire Capital Management Co., Inc. The last advance occurred on September 30, 2019, at which time the Company had borrowed \$1,062,000. No further advances are expected from Berkshire Capital Management Co., Inc. The Company has accrued interest on these short-term advances at 6% per annum. The short-term advances are due upon demand. As of December 31, 2020, the Company has borrowed \$1,062,000 and accrued interest of approximately \$122,000.

During the year ended December 31, 2019, the Company, received \$70,000 in revenue for professional services rendered to a related Limited Liability Company whose managers are also officers of SPYR, Inc. and whose majority owner is Berkshire Capital Management Co., Inc. During the year ended December 31, 2020, no professional services were rendered to this Limited Liability Company and no revenue was received therefrom.

During the year ended December 31, 2019, the Company, received \$232,000 in revenue for professional services rendered to Berkshire Capital Management Co., Inc. During the period from January 1 through March 31, 2020, the Company, received \$185,000 in revenue for professional services rendered to Berkshire Capital Management Co., Inc. During the period April 1, 2020 through December 31, 2020, no professional services were rendered to Berkshire Capital Management Co., Inc. and no revenue was received therefrom.

NOTE 5 - INCOME TAXES

The Company did not provide for any Federal and State income tax for the years ended December 31, 2020 and 2019 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,	
	2020	2019
Tax provision at US statutory federal income tax rate	\$ 96,000	\$ (371,000)
State income tax, net of federal benefit	—	—
Change in valuation allowances	(96,000)	371,000
Provision for Income Taxes	\$ —	\$ —

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

	December 31,	
	2020	2019
Deferred Tax Assets:		
Net operating loss carry forward	\$ 4,969,000	\$ 4,722,000
Capital loss carry over	163,000	630,000
Accrued expenses	151,000	39,000
Depreciation and other	(3,000)	(15,000)
	5,280,000	5,376,000
Less valuation allowance	(5,280,000)	(5,376,000)
Net Deferred Tax Asset	\$ —	\$ —

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

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, 2020, the Company recorded a valuation allowance of \$5,280,000 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, 2020 and 2019, 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, 2020 was approximately \$23,600,000, of which \$18,300,000 and may be offset against future taxable income through 2037 and \$5,300,000 can be carried forward indefinitely. Utilization of the Company's net operating losses may be subject to substantial annual limitation if the Company experiences a 50% change in ownership, as provided by the Internal Revenue Code and similar state provisions. Such an ownership change would substantially increase the possibility of net operating losses expiring before complete utilization.

In December 2017, new tax known as Tax Cut and Jobs Act of 2017 was enacted. The new tax law includes significant changes to the U.S. corporate tax systems including a rate reduction from 35% to 21% beginning in January of 2018, a change in the treatment of foreign earnings going forward, a deemed repatriation transition tax, and changes to allow net operating losses to be carried forward indefinitely. In addition, net operating losses arising after December 31, 2017 will be limited to the lesser of the available net operating loss or 80% of the pre-net operating loss taxable income.

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 2017. However, as of December 31, 2020, the years subsequent to 2016 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, 2020, the Company had no liability for unrecognized tax benefits and no accrual for the payment of related interest and penalties, nor did the Company recognize any interest or penalties expense related to unrecognized tax benefits during the years ended December 31, 2020 or 2019.

NOTE 6 – SMALL BUSINESS ADMINISTRATION DEBT

On May 12, 2020 the Company received a Paycheck Protection Program loan from the U.S. Small Business Administration in the approximate amount of \$71,000. The loan agreement provides for six months principal and interest deferral. The interest rate is 1%. Under the terms of the loan, up to 100% of the loan may be forgiven conditioned upon meeting certain requirements for the use of funds. Any amount not forgiven must be repaid in eighteen monthly consecutive principal and interest payments. As of December 31, 2020, the balance due on this note was approximately \$71,000.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

NOTE 7 – 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 at \$104,000 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature was 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. 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. On August 25, 2020 the holder converted \$101,500 of the outstanding principal balance into common shares of the Company at a conversion price of \$0.20 per share for a total of 507,500 shares. On September 30, 2020, the Company amended the note to provide for a conversion of \$150,000 of the outstanding principal and interest due into common shares of the Company at a conversion price of \$0.125 per share for a total of 1,200,000 shares, and amend the warrants by adjusting the exercise price to \$0.25 per share. The Company accrued approximately \$120,000 in interest, liquidated damages and debt settlement costs for this note through October 22, 2020. On October 22, 2020, the Company completed the issuance of the 1,200,000 shares and the note was considered paid in full.

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 December 31, 2019 and was 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 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 was recorded as a discount to the debt agreement. The noteholder was also granted detachable 5-year warrants to purchase 200,000 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. On May 10, 2019, the Company amended the note to extend the due date to September 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. On October 11, 2019, the Company amended the note to extend the due date to December 31, 2019, provide for a partial conversion of \$50,000 of the outstanding principal balance into common shares of the Company at a conversion price of \$0.10 per share for a total of 500,000 shares, and waive any prior alleged or actual defaults under the note. On August 25, 2020, the Company amended the note to extend the due date to March 31, 2021, provide for a partial conversion of \$50,000 of the outstanding principal balance into common shares of the Company at a conversion price of \$0.10 per share for a total of 500,000 shares, and waive any prior alleged or actual defaults under the note. On September 30, 2020, the Company amended the note to provide for a conversion of \$150,000 of the outstanding principal balance into common shares of the Company at a conversion price of \$0.125 per share for a total of 1,200,000 shares, and amend the warrants by increasing the number of warrant shares to 1,000,000 at an adjusted exercise price to \$0.25 per share. The Company accrued approximately \$134,000 in interest, liquidated damages and debt settlement costs for this note through October 21, 2020. On October 21, 2020, the Company completed the issuance of the 1,200,000 shares and payment of the \$47,000 cash and the note was considered paid in full.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

On September 30, 2020, the Company entered into a Stock Purchase Agreement with a third-party investor. By virtue of the Stock Purchase Agreement, in two separate closings, the Company agreed to sell, in each closing, an 8% \$500,000 Convertible Promissory Note and Warrant to purchase one million common shares. Each Convertible Promissory Note bears 8% interest and matures five year after issuance. Amounts due under the Convertible Promissory Note are convertible into the Registrant's common stock at the lower of \$0.25 per share or 70% of the average of the three lowest Variable Weighted Average Price ("VWAP") for the Registrant's common stock for the twenty trading days prior to an election to convert. The Warrants are exercisable for five-years at an exercise price of \$0.25 per share or, subject to the Registrant filing a registration statement including the shares of common stock that may be issued upon exercise of the Warrant, in a cashless exercise. The first closing occurred October 5, 2020 upon the receipt by the Company of a check for \$500,000. The Company received two payments in the amount of \$250,000 each on November 20, 2020 and November 24, 2020 in connection with the second closing. Total proceeds from the issuance of these convertible notes payable was \$1,000,000. The Company determined that the conversion features of these notes represented embedded derivatives since the notes are convertible into a variable number of shares upon conversion. The conversion features were valued at \$1,514,000 at the time of closing and the Company recognized a derivative liability of \$1,514,000 with corresponding debt discounts of \$1,000,000 and a loss on issuance of long-term convertible notes payable of \$514,000. The company recorded amortization of debt discounts, recognized as interest expense, in the amount of \$50,000 and accrued interest of \$14,000 during the year ended December 31, 2020. At December 31, 2020, the principal balance together with accrued interest is recorded on the Company's consolidated balance sheet net of discounts at \$64,000.

The following table summarized the Company's convertible notes payable as of December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
Beginning Balance	\$ 550,000	\$ 432,000
Proceeds from the issuance of convertible notes, net of issuance discounts	—	—
Repayments	(47,000)	—
Conversion of notes payable into common stock	(548,000)	(100,000)
Amortization of discounts	50,000	62,000
Liquidated damages	(53,000)	134,000
Debt settlement costs	96,000	—
Accrued Interest	16,000	22,000
Convertible notes payable, net	\$ 64,000	\$ 550,000
Convertible notes, short term	\$ —	\$ 340,000
Accrued interest and damages, short term	—	210,000
Debt discounts, short term	—	—
Short-term convertible notes payable, net	\$ —	\$ 550,000
Convertible notes, long-term	\$ 1,000,000	—
Accrued interest and damages, long-term	14,000	—
Debt discounts, long-term	(950,000)	—
Long-term convertible notes payable, net	\$ 64,000	\$ —

NOTE 8 - DERIVATIVE LIABILITY

The Company determined that the conversion features of the long-term convertible notes payable represented embedded derivatives since the notes are convertible into a variable number of shares upon conversion. Accordingly, the notes are not considered to be conventional debt and the embedded conversion feature is bifurcated from the debt host and accounted for as a derivative liability. Accordingly, the fair value of these derivative instruments is recorded as liabilities on the balance sheet with the corresponding amount recorded as a discount to each note and any excess of the fair value of the derivative component over the face amount of the note recorded as an expense on the date of issuance. Discounts are amortized from the date of issuance to the maturity dates of the notes. Fair value of derivative liabilities is evaluated at the end of each reporting period with any change in value reported in other income or expenses on the statements of operations for the period.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

The following table represents the Company's derivative liability activity for the year ended December 31, 2020:

	Year Ended December 31, 2020
Derivative liability balance, December 31, 2019	\$ —
Issuance of derivative liability during the period	1,514,000
Change in derivative liability during the period	(132,000)
Derivative liability balance, December 31, 2020	\$ 1,382,000

The table below represents the average assumptions used in valuing the derivative liability at December 31, 2020:

	Year Ended December 31, 2020
Expected life in years	4.76 – 4.90
Stock price volatility	180.45% - 182.99%
Risk free interest rate	0.17%
Expected dividends	—
Forfeiture rate	—

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Equity Line of Credit

The Company entered into a five-year Equity Line of Credit pursuant to an Equity Purchase Agreement with Brown Stone Capital, LP, dated September 30, 2020. Pursuant to the agreement, Brown Stone agreed to invest up to \$14,000,000 to purchase the Company's Common Stock, par value \$0.0001 per share. The purchase price of the common shares is the lesser of the Fixed price or Market price. The Fixed price is \$0.50 per share in years 1 and 2, after the effectiveness of a registration statement, and \$1.00 per share in years 3, 4 and 5 after the effectiveness of this registration statement. The Market price is 70% of the three lowest Variable Weighted Average Price ("VWAP") for the Company's common stock during the 10 trading day period immediately prior to the conversion date. In addition, the Company and Brown Stone entered into a Registration Rights Agreement, whereby the Company agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, and applicable state securities laws, with respect to the shares of Common Stock issuable for Brown Stone's investment pursuant to the Equity Purchase Agreement. As of December 31, 2020, no shares have been sold pursuant to this agreement.

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. Under the lease, the Company pays annual base rent on an escalating scale ranging from \$143,000 to \$152,000. On May 1, 2020 and July 29, 2020, the Company entered into amended lease agreements with its landlord. Under the terms of the amendments, the landlord agreed to waive rent, certain rent adjustments and parking for the period April 1, 2020 through August 31, 2020 and extend the term of the lease by five months. The lease term date, which was December 31, 2020, is now May 31, 2021.

Rent expense for the years ended December 31, 2020 and 2019 was \$113,000 and \$145,000, respectively. In addition to the minimum basic rent, rent expense also includes approximately \$700 per month for other items charged by the landlord in connection with rent.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Balance sheet information related to leases as of December 31, 2020:

Assets	
Operating lease right-of-use asset	\$ 28,000
Liabilities	
Operating lease liability – current portion	\$ 54,000
Operating lease liability – long-term portion	—

Other information related to leases as of December 31, 2020.

Operating lease cost	\$ 64,000
Weighted average remaining lease term – Operating leases	5 months
Weighted average discount rate – Operating leases	6%

Maturities of operating lease liabilities as of December 31, 2020 were as follows:

Year	Amount
2021	\$ 64,000
Total minimum future lease payments	64,000
Present value adjustment	(10,000)
Present value of lease liability	\$ 54,000

Contingent Liabilities

During the year ended December 31, 2019, the Company accrued a contingent liability for anticipated litigation and legal settlement liabilities, which has been reported as part of accounts payable and accrued liabilities on the accompanying consolidated balance sheet and litigation settlement costs on the accompanying consolidated statements of operations in the amount of \$500,000 as of December 31, 2019.

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. Information about material legal proceedings follows:

Settlements

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 alleged 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 alleged that Mr. Fiore and the Company unlawfully benefited through the sales of those securities. The Commission also alleged 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 sought 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.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Pursuant to a settlement agreement among the parties, on April 14, 2020, final judgment was entered in the case: *Securities and Exchange Commission vs. Joseph A. Fiore, Berkshire Capital Management, Inc. and Eat at Joes, Inc., n/k/a SPYR, Inc.*, case number 7:18-cv-05474-KMK filed in the U.S. District Court for the Southern District of New York.

On April 23, 2020, Joseph Fiore/Berkshire Capital Management, Inc. satisfied the Company's joint and several liability obligation by paying to the Commission the agreed upon sum of Two Million Dollars pursuant to a settlement agreement between Joseph Fiore/Berkshire Capital Management, Inc. and the Company, which settlement agreement was entered into on April 15, 2020. The Company has until April 14, 2021 to satisfy its remaining financial obligation to the Commission, an agreed upon civil penalty of Five Hundred Thousand Dollars (\$500,000). The \$500,000 liability is reported as part of accounts payable and accrued liabilities on the accompanying condensed consolidated balance sheets as of December 31, 2020 and December 31, 2019 and was recorded as litigation settlement costs on the consolidated statements of operations for the year ended December 31, 2019.

In electing to settle with the Commission, the Company neither admitted nor denied liability to any of the Commission's allegations in its complaint, and in consideration for the Commission discontinuing its action, the Company, along with the two other defendants Joseph Fiore and Berkshire Capital Management agreed to be jointly and severally liable for disgorgement of profits and prejudgment interest in the amount of two million dollars, and to each be solely liable to pay a civil penalty in the amount of five hundred thousand dollars.^[2]

Judgments

On or about January 24, 2019, SPYR APPS, LLC entered into an agreement with one of its vendors, Shatter Storm Studios, to whom it owed \$84,250 for artwork related to the Steven Universe game. Pursuant to the terms of that agreement, SPYR APPS, LLC needed to make payment in the amount of \$85,000 to cover the principal owed and attorneys' fees together plus 6% interest in that amount by December 1, 2019. Should SPYR APPS, LLC not make the required payment on or before December 1, 2019, it consented to entry of judgment in favor of Shatter Storm Studios for the amount owed. SPYR APPS, LLC did not make the payment and on January 27, 2020 Shatter Storm Studios initiated Case No. 1:200cv-00217 in the U.S. District Court for the District of Colorado seeking entry of the consent judgment against SPYR APPS, LLC. The judgment was not contested by SPYR APPS, LLC and judgment in the amount of \$85,000 plus post judgment interest at the rate of 6% was entered on March 17, 2020. The balance due as of December 31, 2020 and December 31, 2019 was approximately \$95,000 and \$90,000, respectively, which includes accrued interest and attorneys' fees, has been reported as part of current liabilities of discontinued operations.

Employment Agreements

Pursuant to employment agreements entered in December 2014 and October 2015, the Company agreed to compensate three officers with an initial base salary in the aggregate of \$450,000 per year with rolling five-year terms until terminated. In addition, as part of the employment agreements, the Company also agreed to grant these officers an aggregate of 1.55 million shares of restricted common stock at the beginning of each employment year.

Pursuant to employment agreements entered in October 2020, the Company agreed to compensate the two former owners of Applied Magix with an initial base salary in the aggregate of \$300,000 for one year. In addition, as part of the employment agreements, the Company also agreed to grant these officers an aggregate of 2 million shares of restricted common stock as a signing bonus and 5 million options to purchase shares of restricted common stock.

[2] In addition, an injunction was entered against the Company enjoined it from violating the antifraud, market manipulation, beneficial ownership reporting, and other provisions of the federal securities laws charged in the SEC's complaint.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Covid-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the company, the Company is anticipating potential reductions in revenue, labor and supply shortages, difficulty meeting debt covenants, delays in collecting receivables and paying liabilities and changes in the fair value of assets and liabilities. Our necessity for fund raising activities make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including potential credit losses on receivables and investments; impairment losses related to long-lived assets; and contingent obligations.

NOTE 10 – EQUITY TRANSACTIONS

Common Stock:

Year Ended December 31, 2019

During the year ended December 31, 2019, the Company issued an aggregate of 1,550,000 shares of restricted common stock to employees with a total fair value of \$143,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$143,000 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 year ended December 31, 2019, the Company issued an aggregate of 25,000 shares of restricted common stock to consultants with a total fair value of \$2,000. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$2,000 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 year ended December 31, 2019, the Company issued an aggregate of 1,000,000 shares of common stock in conversion of notes payable with a total fair value of \$100,000. As a result, the Company reduced the balance due on the notes by \$100,000 upon issuance.

Year Ended December 31, 2020

During the year ended December 31, 2020, the Company issued an aggregate of 5,850,000 shares of restricted common stock to employees and directors with a total fair value of \$1,335,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$1,335,000 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 year ended December 31, 2020, the Company issued an aggregate of 3,407,500 shares of common stock in conversion of notes payable with a total fair value of \$548,000. As a result, the Company reduced the balance due on the notes by \$548,000 upon issuance.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Options:

The following table summarizes common stock options activity:

	Options		Weighted Average Exercise Price
Outstanding, January 1, 2019	12,449,900	\$	1.64
Granted	—		—
Exercised	—		—
Expired	(3,150,000)		4.81
Outstanding, December 31, 2019	9,299,900	\$	0.57
Granted	5,000,000		0.99
Exercised	—		—
Expired	(8,500,000)		4.76
Outstanding, December 31, 2020	5,799,900	\$	0.88
Exercisable, December 31, 2019	9,299,900	\$	0.57
Exercisable, December 31, 2020	5,799,900	\$	0.88

The weighted average grant date fair value of options granted during the years ended December 31, 2020 and 2019, was \$0.99 and \$0.00 respectively.

During the year ended December 31, 2020, the Company granted stock options to employees to purchase a total of 5,000,000 shares of the Company's restricted common stock. The options are fully vested, exercisable at prices ranging from \$0.25 to \$1.50 per share and will expire over 2.5 years. The fair values of the options are recorded at their grant dates computed using the Black-Scholes Option Pricing Model. During the year ended December 31, 2020, the Company recognized \$561,000 in compensation expense on the issuance of these options. As of December 31, 2020, there was no additional unearned compensation costs to be recorded.

The weighted average exercise prices, remaining lives for options granted, and exercisable as of December 31, 2020 were as follows:

Options Exercise Price Per Share	Outstanding Options			Exercisable Options	
	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$0.25	1,000,000	0.80	\$0.25	1,000,000	\$0.25
\$0.50	1,300,000	1.30	\$0.50	1,300,000	\$0.50
\$1.00	2,099,900	0.10 – 1.80	\$1.00	2,099,900	\$1.00
\$1.50	1,400,000	2.30	\$1.50	1,400,000	\$1.50
	<u>5,799,900</u>		<u>\$0.88</u>	<u>5,799,900</u>	<u>\$0.88</u>

On December 31, 2020, the Company's closing stock price was \$0.08 per share. As all outstanding options had an exercise price greater than \$0.08 per share, there was no intrinsic value of the options outstanding as of December 31, 2020.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Warrants:

The following table summarizes common stock warrants activity:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2019	9,000,000	\$ 0.46
Granted	100,000	0.50
Exercised	—	—
Expired	(100,000)	0.50
Outstanding, December 31, 2019	9,000,000	\$ 0.46
Granted	2,800,000	0.25
Exercised	0	—
Expired	(700,000)	0.08
Outstanding, December 31, 2020	11,100,000	\$ 0.39
Exercisable, December 31, 2019	9,000,000	\$ 0.46
Exercisable, December 31, 2020	11,100,000	\$ 0.39

In April 2018, in combination with a 12-month convertible promissory note, as amended, the Company granted warrants to purchase a total of 500,000 shares of restricted common stock with an exercise price of \$0.25 and will expire April 20, 2021. The warrants are fully vested and exercisable upon grant. The proceeds of the note were allocated between the note and the warrants based on the relative fair values which resulted in proceeds of \$61,000 allocated to the warrants and recorded as paid in capital and debt discount. The debt discount was amortized over the life of the note as interest expense. During the year ended December 31, 2020 and 2019, the Company recognized \$0 and \$18,000, respectively, of debt discount interest. During the year ended December 31, 2020, pursuant to a debt settlement agreement, the Company amended the exercise price of the warrants and recorded \$9,000 in debt settlement costs, recognized as interest expense.

In May 2018, in combination with an 8-month convertible promissory note, as amended, the Company granted warrants to purchase a total of 1,200,000 shares of restricted common stock with an exercise prices of \$0.25 and will expire May 22, 2023. The warrants are fully vested and exercisable upon grant. The proceeds of the note were allocated between the note and the warrants based on the relative fair values which resulted in proceeds of \$32,000 allocated to the warrants and recorded as paid in capital and debt discount. The debt discount will be amortized over the life of the note as interest expense. During the year ended December 31, 2020 and 2019, the Company recognized \$0 and \$3,000, respectively, of debt discount interest. During the year ended December 31, 2020, pursuant to a debt settlement agreement, the Company increased the number of warrants amended the exercise price of the warrants and recorded \$87,000 in debt settlement costs, recognized as interest expense.

In October 2019, pursuant to advisory services agreement, the Company granted warrants to purchase a total of 100,000 shares of restricted common stock with an exercise price of \$0.50 and expiration date of October 30, 2020. The warrants are fully vested and exercisable upon grant. Total fair value of the options at grant date amounted to \$1,000 computed using the Black-Scholes Option Pricing Model and was fully recognized on the date of grant.

In October and November 2020, in combination with a 5-year convertible promissory note, the Company granted warrants to purchase a total of 2,000,000 shares of restricted common stock with an exercise prices of \$0.25 and will expire on various dates between October 5, 2025 and November 24, 2025. The warrants are fully vested and exercisable upon grant. The proceeds of the note were allocated between the note, the warrants, and the derivative liability which resulted in proceeds of \$0 allocated to the warrants.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

The weighted average exercise prices, remaining lives for warrants granted, and exercisable as of December 31, 2020, were as follows:

Warrants Exercise Price Per Share	Outstanding and Exercisable Warrants	
	Shares	Life (Years)
\$0.15	1,200,000	0.03
\$0.25	4,500,000	0.30 – 4.90
\$0.40	1,200,000	0.03
\$0.50	2,700,000	0.41 – 2.53
\$0.75	1,250,000	0.41 – 2.53
\$1.00	1,250,000	0.41
	<u>11,100,000</u>	

At December 31, 2020, the Company's closing stock price was \$0.08 per share. As all outstanding warrants had an exercise price greater than \$0.08 per share, there was no intrinsic value of the options outstanding at December 31, 2020.

The table below represents the average assumptions used in valuing the stock options and warrants granted in fiscal 2019:

	Year Ended December 31, 2019
Expected life in years	1.00
Stock price volatility	215%
Risk free interest rate	1.53%
Expected dividends	—
Forfeiture rate	—

The table below represents the average assumptions used in valuing the stock options and warrants granted in fiscal 2020:

	Year Ended December 31, 2020
Expected life in years	1.00 – 5.00
Stock price volatility	177% - 246%
Risk free interest rate	0.12 % - 0.22%
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.

Shares Reserved:

At December 31, 2020, the Company has reserved 80,000,000 shares of common stock in connection with convertible notes with detachable warrants, 100,000,000 shares of common stock in connection with shares underlying an equity line of credit and 3,500,000 shares of common stock underlying warrants issued in connection with the court approved settlement agreement for a total of 183,500,000 reserved shares of common stock.

NOTE 11 - PREFERRED STOCK

The Class A Preferred Stock carries the following rights and preferences:

Dividends

The Company shall, in its discretion, determine when and if dividends will be paid on the Class A Preferred Shares, and whether it will be paid in cash, shares of Common Stock, or a combination of both. All Class A Preferred Stockholders shall be treated the same with respect to the payment of dividends. In the event the Company elects to pay a portion or all of the dividends on the Class A Preferred Stock by issuing shares of the Company's Common Stock, the shares of common stock issued as dividends will be restricted, unregistered shares, and will be subject to the same transfer restrictions that apply to the shares of Class A Preferred Stock. The dividend is payable as may be determined by the Board of Directors, out of funds legally available therefor. The Class A Preferred Stock will have priority as to dividends over the Common Stock.

Voting Rights

The holders of the Class A Preferred Stock shall vote for the election of directors, and shall have full voting rights, except that each Class A Preferred share shall entitle the holder to exercise ten thousand (10,000) votes for each one (1) Class A Preferred Share held.

Redemptive Rights

The Class A Preferred Stock shall not be redeemable.

Conversion Rights

The holders of the Class A Preferred Stock will be entitled at any time to convert their shares of Class A Preferred Stock into shares of the Company's Common Stock at the rate of one (1) share of Class A Preferred Stock be converted into common shares of the Company at an agreed price of forty cents (\$0.40) per share (the "Conversion Price"), which, based upon the recorded fair value of the Class A Preferred Stock, results in a conversion ratio of 1 share of Class A Preferred Stock to approximately 250 shares of common stock. No fractional shares will be issued.

The Conversion Ratio of the Class A Preferred Stock shall be adjusted in certain circumstances, including the payment of a stock dividend on shares of the Common Stock and combinations and subdivisions of the Common Stock.

In the case of any share exchange, capital reorganization, consolidation, merger or reclassification, whereby the Common Stock is converted into other securities or property, the Company will make appropriate provisions so that the holder of each share of Class A Preferred Stock then outstanding, will have the right thereafter to convert such share of Class A Preferred Stock into the kind and amount of shares of stock and other securities and property receivable upon such consolidation, merger, share exchange, capital reorganization or reclassification by a holder of the number of shares of Common Stock into which such shares of Class A Preferred Stock might have been converted immediately prior to such consolidation, merger, share exchange, capital reorganization or reclassification. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, the Conversion Ratio shall be proportionately increased in the case of subdivision of shares. If the shares of Common Stock are combined, consolidated or reverse split into a smaller number of shares of Common Stock, the Conversion Ratio shall be proportionally decreased. The kind and type of Common Shares issuable upon conversion of the Class A Preferred Stock both before and after combination, consolidation or reverse split of the Common Shares shall be the same.

The same transfer restrictions imposed on the Class A Preferred Stock shall be applicable to the Common Stock into which the Class A Preferred Stock is converted, although for purposes of Rule 144 as presently in effect, the holding period requirement may be met by adding together the period in which the Class A Preferred Stock is held and the period in which the Common Stock into which the Class A Preferred Stock is converted, is held.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

Other Provisions

The shares of Class A Preferred Stock to be issued and any Common Shares into which it is converted, shall be duly and validly issued, fully paid and non-assessable. The holders of the Class A Preferred Stock shall not have pre-emptive rights with respect to any shares of capital stock of the Company or any other securities of the Company convertible into Common Stock or rights or options to purchase any such shares.

The Class E Convertible Preferred Stock carries the following rights and preferences:

- * No dividends.
- * Convertible to common stock based upon proceeds received upon issuance of the shares, divided by the average closing bid price for the Company's common stock for the 5 trading days prior to the conversion date, and is adjustable to prevent dilution. At December 31, 2020, the 20,000 Class E preferred shares were convertible to 1,200,480 common shares.
- * Convertible at the Option of the Company at par value only after repayment of the shareholder loans from Joseph Fiore and subject to the holder's option to convert.
- * Entitled to vote 1,000 votes per share of Series E Convertible Preferred Shares.
- * Entitled to liquidation preference at par value.
- * Is senior to all other share of preferred or common shares issued past, present and future.

NOTE 12 – 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 assets and liabilities of our discontinued restaurant operations as of December 31, 2020 and December 31, 2019 consisted of \$0 assets and \$22,000 in accounts payable and accrued liabilities.

The results of operations of our discontinued restaurant for the years ended December 31, 2020 and 2019, included in the consolidated statements of operations as discontinued operations, consisted of no operations for the year ended December 31, 2020 and 2019.

Digital Media

Historically, through our wholly owned subsidiary, SPYR APPS®, LLC, we engaged in the development, publication and co-publication of mobile electronic games, seeking to generate revenue through those games by way of advertising and in-app purchases. As of December 31, 2020, all of our games have been removed from the game stores and the Company decided not to continue this line of business. Pursuant to current accounting guidelines, the assets and liabilities of SPYR APPS LLC as well as the results of its operations were presented in these financial statements as discontinued operations.

The assets and liabilities of our discontinued digital media operations as of December 31, 2020 and December 31, 2019 were as follows:

	December 31, 2020	December 31, 2019
Assets:		
Accounts receivable, net	\$ 13,000	\$ 27,000
Capitalized gaming assets and licensing rights, net	75,000	100,000
Total Assets	\$ 88,000	\$ 127,000
Liabilities:		
Accounts payable and accrued liabilities	\$ 745,000	\$ 693,000
Total Liabilities	\$ 745,000	\$ 693,000

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 AND 2019

The results of operations of our discontinued digital media operations for the years ended December 31, 2020 and 2019, included in the consolidated statements of operations as discontinued operations, consisted of the following:

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues:	\$ 4,000	\$ 51,000
Expenses		
Labor and related expenses	8,000	193,000
Rent	—	1,000
Depreciation and amortization	—	24,000
Professional fees	—	2,000
Research and Development	—	(34,000)
Other general and administrative	34,000	71,000
Total operating expenses	42,000	257,000
Operating loss	(38,000)	(206,000)
Other income (expense)		
Interest expense	(52,000)	(40,000)
Gain on disposition of assets	5,000	—
Write down of assets	(25,000)	—
Loss on discontinued operations	\$ (110,000)	\$ (246,000)

NOTE 13 - SUBSEQUENT EVENTS

Effective January 1, 2021, the Company entered into Independent Director Agreements with two of its directors pursuant to which the Company agreed to issue 600,000 shares (300,000 each) of the Company's restricted common stock as compensation for their service. The shares vest quarterly in equal amounts on the first day of each quarter, over a period of 12 months, with the initial 150,000 (75,000 each) amount vesting on January 1, 2021. The 150,000 vested shares were issued March 2, 2021.

On January 6, 2021, the Company amended its revolving line of credit with Berkshire Capital Management Co., Inc. to extend the repayment date from December 31, 2020 to December 31, 2021.

On January 19, 2021 the Company filed an S-8 Registration Statement to register 10,000,000 of the Company's common stock to be given to participants in our Equity Incentive Plan and on January 25, 2021, the company issued 3,000,000 to a consultant pursuant to the plan.

On February 1, 2021, the Company issued 1.25 million shares of common stock with a fair value of \$200,000 pursuant to existing employment and consulting agreements.

On February 2, 2021, the Company began the process of submitted for PPP loan forgiveness, which as of the date of this filing is pending SBA review.

On February 3, 2021 the Company filed an S-1 Registration Statement to register 10,000,000 of the Company's common stock to be sold in a Direct Public offering as a fixed price of \$0.25 per share. The S-1 was declared effective February 11, 2021.

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, 2020, 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 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 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.

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	59	President, Chief Executive Officer & General Counsel	January 31, 2025
Jennifer Duettra, Esq	43	Executive Vice President, Assistant General Counsel & Secretary	January 31, 2025
Barry D. Loveless, CPA	54	Chief Financial Officer	October 15, 2024
John Formichella	52	Director	October 31, 2021
Tim Matula	58	Director	December 31, 2021
Tad Mailander	65	Director	December 31, 2021

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. Effective January 10, 2020, the Board of Directors approved and the Company executed an amendment making the term of James R. Thompson's employment agreement a rolling five year term consistent with the corresponding provisions of the employment agreements for Ms. Duettra and Mr. Loveless. There was no arrangement or understanding between Mr. Thompson 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. 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.

Jennifer Duettra - Effective February 9, 2015, Jennifer Duettra was appointed the Company's Vice President and Assistant General Counsel for a rolling 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 rolling 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.

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.

John Formichella is a U.S. trained attorney and a leading expert in the Technology, Media & Telecommunications sector. He has more than 23 years of sophisticated technology transactional experience (5 in Taiwan, 18 in Thailand), covering technology development and licensing projects, data privacy issues, infrastructure and business process outsourcings, systems integrations, Enterprise Resource Planning (ERP) implementations, cloud computing and web hosting arrangements, data center and co-location agreements and telecommunications procurements. Mr. Formichella has also served as an advisor to local chambers of commerce and US Embassies in Thailand and Taiwan, and governmental bodies regarding Technology, Media & Telecommunications matters, including both the Office of the United States Trade Representative and United States Department of State in connection with international trade and telecommunications, and has provided testimony to members of the United States Senate on fact-finding missions in Thailand. Additionally, Mr. Formichella served as the Vice President/General Counsel of Wherever.net Holding Corporation, a NASDAQ-listed telecommunications company based in Hong Kong. As General Counsel, he was responsible for legal affairs of the listed company and for seven subsidiaries across the Asia-Pacific and the United States.

Tad Mailander serves as independent director. Mr. Mailander is an attorney licensed to practice before all of the Courts in the State of California. Mr. Mailander has been in practice since 1991 and is a member of the State Bar of California, the bars of the United States District Court for the Southern District of California, and the United States Court of Appeal for the Ninth Circuit.

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

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such persons.

Based solely on our review of such forms furnished to us, and written representations from certain reporting persons, James R. Thompson filed Form 4 late for four transactions which was corrected by filing form 5 on March 13, 2020. Jennifer Duettra filed Form 4 late for four transactions which was corrected by filing form 5 on March 13, 2020. Barry D Loveless filed Form 3 late for 7 transactions which was corrected by filing form 3 on March 25. Otherwise, we believe that all filing requirements applicable to our other executive officers, directors and greater than 10% stockholders during the fiscal year ended December 31, 2020 were satisfied.

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 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 year ended 2020 and 2018.

Summary Compensation Table								
Name & Principal Position	Year	Salary \$		Stock Awards \$		All Others \$		Total \$
James R. Thompson	2020	\$ 285,000	(1)	\$ 20,000	(6)	\$ -		\$ 305,000
Chief Executive Officer & General Counsel	2019	\$ 258,000	(2)	\$ 105,000	(7)	\$ -		\$ 363,000
Barry D. Loveless	2020	\$ 157,000	(3)	\$ 238,000	(8)	\$ -		\$ 395,000
Chief Financial Office	2019	\$ 157,000	(4)	\$ 12,000	(9)	\$ -		\$ 169,000
Jennifer D Duettra	2020	\$ 125,000	(5)	\$ 185,000	(10)	\$ -		\$ 310,000
Executive Vice President, Assistant General Counsel & Secretary	2019	\$ 125,000		\$ 26,250	(11)	\$ -		\$ 151,000

(1) 2020 Salary includes \$232,000 unpaid accrued salaries for the year ended December 31, 2020.

(2) 2019 Salary includes \$258,000 unpaid accrued salaries for the year ended December 31, 2019.

(3) 2020 Salary includes \$76,000 unpaid accrued salaries for the year ended December 31, 2020.

(4) 2019 Salary includes \$13,000 unpaid accrued salaries for the year ended December 31, 2019.

(5) 2020 Salary includes \$58,000 unpaid accrued salaries for the year ended December 31, 2020.

(6) 2020 Stock Award includes 1,000,000 shares of restricted common stock valued at fair value on grant date February 1, 2020.

(7) 2019 Stock Award includes 1,000,000 shares of restricted common stock valued at fair value on grant date February 1, 2019.

(8) 2020 Stock Award includes 1,300,000 shares of restricted common stock valued at fair value on grant date October 2020.

(9) 2019 Stock Award includes 300,000 shares of restricted common stock valued at fair value on grant date October 16, 2019.

(10) 2020 Stock Award includes 1,250,000 shares of restricted common stock valued at fair value on grant date February and October 2020.

(11) 2019 Stock Award includes 250,000 shares of restricted common stock valued at fair value on grant date February 1, 2019.

Employment Agreements

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. Effective January 10, 2020, the Board of Directors approved and the Company executed an amendment making the term of James R. Thompson's employment agreement a rolling five year term consistent with the corresponding provisions of the employment agreements for Ms. Duettra and Mr. Loveless. 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 with annual predetermined increases 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 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 rolling 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, increased to \$125,000 on February 1, 2016, 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, 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 rolling 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, increased to \$155,000 on October 16, 2016, 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.

Compensation of Directors

Effective October 31, 2020 the Company entered into an independent director agreement with John P. Formichella in which Mr. Formichella agreed to serve on the Board of Directors of the Company for one year. The Company agreed to issue to Mr. Formichella 300,000 shares of the Company's restricted common stock.

Effective January 1, 2021 the Company entered into an independent director agreement with Tad Mailander in which Mr. Mailander agreed to serve on the Board of Directors of the Company for one year. The Company agreed to issue to Mr. Mailander 300,000 shares of the Company's restricted common stock. The shares vest quarterly in equal amounts on the first day of each quarter, over a period of 12 months, with the initial amount vesting on January 1, 2021.

Effective January 1, 2021 the Company entered into an independent director agreement with Tim Matula in which Mr. Matula agreed to serve on the Board of Directors of the Company for one year. The Company agreed to issue to Mr. Matula 300,000 shares of the Company's restricted common stock. The shares vest quarterly in equal amounts on the first day of each quarter, over a period of 12 months, with the initial amount vesting on January 1, 2021.

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 214,537,631 shares of issued and outstanding Common Stock of the Company as of March 30, 2021, 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
The 4811149 Irrevocable Trust	Common Stock	59,100,919 *	28%
Tim Matula	Common Stock	11,075,000	5%
James R. Thompson	Common Stock	12,000,000	6%
Jennifer Duettra	Common Stock	3,250,000	2%
Barry D. Loveless	Common Stock	3,100,000	1%
John Formichella	Common Stock	300,000	Less than 1%
Tad Mailander	Common Stock	1,575,000	1%
All Executive Officers and Directors as a Group (6 persons)	Common Stock	29,900,000	15%

* Includes 31,638,209 shares of common stock, 107,636 shares of Series A preferred stock (convertible to 26,909,000 common shares), and 20,000 shares of Series E preferred stock (convertible to 553,710 common shares).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On September 5, 2017, the Company obtained a revolving line of credit from Berkshire Capital Management Co., Inc. which is controlled by the Company's former chairman of the board. 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. The loan was fully drawn as of February 2018, at which time the Company had borrowed \$1,000,000 and accrued interest of approximately \$16,000. Repayment on the loan is due December 31, 2021. As of December 31, 2020, the Company has borrowed \$1,000,000 and accrued interest of approximately \$204,000.

During 2018 and 2019, the Company has received an additional \$1,062,000 in the form of short-term advances from Berkshire Capital Management Co., Inc. The last advance occurred on September 30, 2019, at which time the Company had borrowed \$1,062,000. No further advances are expected from Berkshire Capital Management Co., Inc. The Company has accrued interest on these short-term advances at 6% per annum. The short-term advances are due upon demand. As of December 31, 2020, the Company has borrowed \$1,062,000 and accrued interest of approximately \$122,000.

During the year ended December 31, 2019, the Company, received \$70,000 in revenue for professional services rendered to a related Limited Liability Company whose managers are also officers of SPYR, Inc. and whose majority owner is Berkshire Capital Management Co., Inc. During the year ended December 31, 2020, no professional services were rendered to this Limited Liability Company and no revenue was received therefrom.

During the year ended December 31, 2019, the Company, received \$232,000 in revenue for professional services rendered to Berkshire Capital Management Co., Inc.

During the period from January 1 through March 31, 2020, the Company, received \$185,000 in revenue for professional services rendered to Berkshire Capital Management Co., Inc. During the period April 1, 2020 through December 31, 2020, no professional services were rendered to Berkshire Capital Management Co., Inc. and no revenue was received therefrom.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed to us by Haynie & Company for professional services rendered during the years ended December 31, 2020 and 2019:

Service	2020	2019
Audit Fees	\$ 60,000	\$ 60,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$ 60,000	\$ 60,000

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 Haynie & Company 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 2020 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

Index to Consolidated Financial Statements	Page
Report of Independent Registered Public Accounting Firm	15
Consolidated Balance Sheets as of December 31, 2020 and 2019	17
Consolidated Statements of Operations for the years ended December 31, 2020 and 2019	18
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2020 and 2019	19
Consolidated Statements of Cash Flows, for the years ended December 31, 2020 and 2019	20
Notes to Consolidated Financial Statements	22

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)
10.2	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.

ITEM 16. FORM 10-K SUMMARY. None.

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, 2021

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.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/S/ James R. Thompson</u> James R. Thompson	President & Chief Executive Officer (Principal Executive Officer)	March 31, 2021
<u>/S/ Barry D. Loveless</u> Barry D. Loveless	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2021
<u>/S/ Tim Matula</u> Tim Matula	Director	March 31, 2021
<u>/S/ Tad Mailander</u> Tad Mailander	Director	March 31, 2021
<u>/S/ John P Formichella</u> John P. Formichella	Director	March 31, 2021

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, 2020 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, 2021

/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, 2020 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, 2021

/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, 2020 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, 2021

/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, 2020 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, 2021

/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.
