

SPYR, INC.

FORM 10-K/A (Amended Annual Report)

Filed 08/30/22 for the Period Ending 12/31/21

Address	6700 WOODLANDS PARKWAY, STE. 230, #331 THE WOODLANDS, TX, 77382
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/A
(Amendment No. 1)**

(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, 2021**

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.)

**6700 Woodlands Parkway, Ste. 230, #331
The Woodlands, TX**

(Address of principal executive offices)

77382

(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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant 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 December 31, 2021, was \$7,658,511.

As of December 31, 2021, there were 245,050,988 shares of the Registrant's common stock, par value \$0.0001, issued, 107,636 shares of Series A Convertible preferred stock (convertible to 26,909,028 common shares), par value \$0.0001, and 20,000 shares of Series E Convertible preferred stock (convertible to 145,599 common shares), par value \$0.0001.

EXPLANATORY NOTE

SPYR, Inc., referred to in this report as “SPYR,” the “Company,” “we,” “us,” and “our,” is filing this Amendment No. 1 on Form 10-K/A (the “Amendment”) to its Annual Report on Form 10-K for the Year ended December 31, 2021, originally filed on April 15, 2022 (the “Original Report”). This Amendment amends and restates Items 7 and 8 Part I and Item 15 of Part II of the Original Report. In Item 8, this Amendment includes our restated consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows for the year ended December 31, 2021 to correct the errors discussed below.

Management identified multiple errors in its financial statements which related to the following. The corrections have the effect of:

1. Stock-based compensation accounting for shares to be issued for services rendered to the Company during the year ended December 31, 2021;
2. Stock-based compensation accounting for shares to certain consultants that were cancelled.
3. A write down of accounts receivable related to the Company’s discontinued operations, and classifying cash accounts as discontinued operations
4. Certain vendor invoices not recognized in the correct accounting period.
5. The fair value estimate as of December 31, 2021 of the derivative liability related to its convertible note agreements.
6. The Company's Form 10-K failed to include the audit report and consent from the Company's previous audit firm Haynie & Co. for the year ended December 31, 2020.

This Amendment amends and restates Item 7 of Part I, which includes our revised discussion of operating results to reflect the impact of the corrections discussed above.

In addition, the Exhibits index in Item 15 of Part II of the Original Report is hereby amended and restated in its entirety, and new certifications of the Company’s principal executive officer and principal financial officer required under Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, dated as of the filing of this Amendment, are filed and furnished, as applicable, as exhibits to this Amendment.

Except as described above, no other changes have been made to the Original Report. This Amendment continues to speak as of the date of the Original Report and does not reflect events occurring after the filing of the Original Report.

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, 2021

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PART I

ITEM 1. BUSINESS

Organization and Nature of Business

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

The Company's common stock is traded on 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

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. On February 2, 2022, we filed a Certificate of Dissolution for SPYR APPS, LLC.

E.A.J.: PHL, Airport Inc.

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 loss from operations of \$5,961,000 and \$3,057,000 for the years ended December 31, 2021 and 2020, respectively. Such operating losses reflect developmental and other administrative costs for 2021 and 2020. 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 3 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 6700 Woodlands Parkway, Ste. 230, #331, The Woodlands, TX 77382.

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 obligations 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 had until April 14, 2021 to satisfy its remaining financial obligation to the Commission, and has since satisfied its payment of the civil penalty of Five Hundred Thousand Dollars (\$500,000).

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, 2021 and December 31, 2020 was approximately \$100,000 and \$95,000, 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 OTC 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.

	2021	High	Low
First Quarter		\$ 0.20	\$ 0.12
Second Quarter		\$ 0.16	\$ 0.05
Third Quarter		\$ 0.07	\$ 0.03
Fourth Quarter		\$ 0.09	\$ 0.02
	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

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 December 31, 2021, there were 134 direct holders of record of our Common Stock. Because shares of the Company's Common Stock are held by depositories, brokers and other nominees, the number of beneficial holders of the Company's shares is substantially larger than the number of stockholders of record.

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, 2021, 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 2021 to 2020

The consolidated results of continuing operations are as follows:

For the Year Ended December 31, 2021	Applied Magix	Corporate	Consolidated
Revenues	\$ 2,000	\$ -	\$ 2,000
Cost of Goods Sold	(61,000)	-	(61,000)
Labor and related expenses	(401,000)	(1,619,000)	(2,020,000)
Rent	(10,000)	(63,000)	(73,000)
Depreciation and amortization	(7,000)	(6,000)	(13,000)
Professional fees	(22,000)	(310,000)	(332,000)
Research and development	(9,000)	-	(9,000)
Other general and administrative	(216,000)	(193,000)	(409,000)
Operating loss	<u>(724,000)</u>	<u>(2,190,000)</u>	<u>(2,915,000)</u>
Interest Expense	-	(1,139,000)	(1,139,000)
Gain on disposition of assets	-	5,000	5,000
Change in Value of derivative liability	-	(1,586,000)	(1,586,000)
Loss on Conversion of Debt	-	(335,000)	(335,000)
Gain on Forgiveness of Debt	-	145,000	145,000
Impairment on Trading Securities	-	(1,000)	(1,000)
Loss from continuing operations	<u>\$ (724,000)</u>	<u>\$ 5,102,000</u>	<u>\$ (5,826,000)</u>

For the Year Ended December 31, 2020	Applied Magix	Corporate	Consolidated
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>

Results of Operations

For the year ended December 31, 2021, the Company had a loss from continuing operations of \$5,820,000 compared to a loss from continuing operations of \$2,947,000 for the year ended December 31, 2020, an increase of \$1,769,000. This increase is due primarily to an increase in professional fees of \$231,000, and other general and administrative costs of \$193,000. Other factors contributing to the increase include an increase in interest expense of \$1,139,000 for 2021 as compared \$247,000 in 2020, and a loss on the debt modification \$335,000 for 2021 as compared to no loss in 2020. Additionally, there was a decrease in the change in value of derivative liability from a gain of \$132,000 in 2020 to a loss of \$1,586,000 in 2021, representing a total decrease of \$1,718,000.

More detailed explanation of the year ended December 31, 2021 and 2020 changes are included in the following discussions.

Revenues - For the years ended December 31, 2021 and 2020, the Company had non related party revenue of \$2,000 and \$0, respectively. The increase was the result of development stage operations of Applied Magix which began selling its Apple ecosystem products. During the year ended December 31, 2021, the Company had no related party services revenues, as compared to \$185,000 in revenue for professional services rendered to related parties in 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.

Cost of goods sold increased to \$61,000 for the year ended December 31, 2021 compared \$0 for to the year ended December 31, 2020. This increase can be attributed to management's decision to write-off the inventory asset as of year-end due to obsolescence.

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, 2021, the company had total labor and related expenses of \$2,020,000 with \$350,000 being settled in cash, \$649,000 in accrued salaries and \$1,021,000 being paid in restricted common stock and options recorded at fair value. 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.

The cost of rent decreased to \$73,000 for the year ended December 31, 2021 from \$113,000 for the year ended December 31, 2020 a decrease of \$40,000.

The Company leased 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 paid annual base rent on an escalating scale ranging from \$143,000 to \$152,000. In addition to the minimum basic rent, rent expense also includes approximately \$1,000 per month for other items charged by the landlord in connection with rent. 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, was changed to May 31, 2021. On April 1, 2021, the Company entered into a lease termination and payment agreement with the landlord, pursuant to which the Company vacated and surrendered the premises to the landlord and the Company will pay approximately \$67,000 over 18 months commencing April 1, 2021. As of November 1, 2021, the Company was delinquent in its monthly payments and has not made payments to date pursuant to the settlement agreement and had approximately \$42,000 in unpaid rent which was reported as part of accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet as of December 31, 2021.

Effective March 1, 2021, the Company's wholly owned subsidiary Applied Magix, entered into a 6-month lease for 2 workspace offices located at 1230 Rosecrans Ave, Manhattan Beach, California. The lease automatically renews on a continuing basis for an additional 6 months unless cancelled in writing 60 days prior the lease termination date. Under the lease, the Company pays monthly rent of \$1,400.

Depreciation and amortization expenses was \$13,000 for the year ended December 31, 2021 compared to \$38,000 for the year ended December 31, 2020, a decrease of \$25,000. 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 decrease in 2022 commensurate with the sale of additional property, equipment, and intangible assets in connection with our planned Applied Magix business operations.

Professional fees increased to \$332,000 for the year ended December 31, 2021 from \$101,000 for the year ended December 31, 2020, an increase of \$231,000. Professional fees during 2021 included \$83,000 in legal, accounting, and other professional service needs, \$22,000 in consulting services related to our Applied Magix operations, and \$123,000 for public relations. 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.

Research and development costs during the year ended December 31, 2021 included \$9,000 in connection with the research and testing of products for our Applied Magix operations, compared to \$14,000 during the year ended December 31, 2020, a decrease of \$5,000.

Other general and administrative expenses increased to \$409,000 for the year ended December 31, 2021 compared \$210,000 for to the year ended December 31, 2020. The increase can be attributed primarily to increases in advertising and promotion costs attributable to Applied Magix.

The Company had interest expense on a line of credit, short-term advances, convertible notes payable and accrued expenses of \$1,139,000 for the year ended December 31, 2021. The Company had interest expense on a line of credit, short-term advances, convertible notes payable and accrued expenses of \$247,000 for the year ended December 31, 2020.

The Company sold certain office equipment for \$10,000 which resulted in a gain on disposition of assets of \$5,000 for the year ended December 31, 2021. The Company sold office equipment for a total of \$9,000 for the year ended December 31, 2020, which resulted in a corresponding loss of \$11,000.

The Company recognized no loss on the issuance of long-term convertible notes payable for the year ended December 31, 2021, compared to \$514,000 for the year ended December 31, 2020.

The Company recognized a loss on the change in value of a derivative liability related to its long-term convertible notes payable in the amount of \$1,586,000 for the year ended December 31, 2021. The Company recognized a gain for the year ended December 31, 2020 in the amount of \$132,000.

During the year ended December 31, 2020, the Company accrued \$500,000 in connection with litigation and legal settlement liabilities. The \$500,000 liability was reported as part of accounts payable and accrued liabilities on the accompanying consolidated balance sheets as of December 31, 2020. There were no such accrued liabilities with litigation and settlement expenses in 2021.

The Company had impairment on trading securities of \$1,000 for the year ended December 31, 2021 compared to no impairment on trading securities for the year ended December 31, 2020. Unrealized gains and losses are the result of fluctuations in the quoted market price of the underlying securities at the respective reporting dates.

At December 31, 2021, the Company expects to receive deferred tax assets arising from net operating loss carry-forwards, capital loss carry-overs, unrealized losses on trading securities, and deductible temporary differences. As of the date of this filing, this amount is indeterminable. 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. 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 had 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. On February 22, 2022, the Company dissolved SPYR APPS[®], LLC. On April 20, 2021, the Company dissolved Branded Food Concepts, Inc.

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, 2021 of \$5,961,000 and utilized cash in operations of \$974,000. As of December 31, 2021, the Company had current assets of \$82,000, which included cash and cash equivalents of \$32,000, prepaid expenses of \$47,000, and current assets of discontinued operations of \$3,000.

During the year ended December 31, 2021 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 Economic Injury Disaster Loan (“EIDL”), 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, 2021 and 2020, the Company used cash for operating activities of \$974,000 and \$521,000 respectively. For the year ended December 31, 2021, net cash used in operating activities from continuing operations of \$974,000 consisted of net loss of \$5,961,000, which included non-cash costs of depreciation and amortization of \$13,000, amortization of debt discounts of \$553,000, loss on discontinued operations of \$135,000, common stock issued for services of \$896,000, common stock issued for employee compensation of \$239,000, loss on debt modification of \$335,000 and loss on change of fair value derivative liability of \$1,586,000. Changes in operating assets and liabilities included changes in accounts payable and accrued liabilities of \$802,000, accrued interest on notes payable of \$209,000 and accrued interest and liquidated damages on convertible notes of \$352,000. For the year ended December 31, 2020, net cash used in operating activities of \$501,000 consisted of net loss of \$3,057,000, which included non-cash costs of depreciation and amortization of \$38,000, amortization of debt discounts of \$50,000, loss on discontinued operations of \$110,000, common stock issued for employee compensation of \$1,335,000 and gain on change of fair value derivative liability of \$132,000. Changes in operating assets and liabilities included changes in accounts payable and accrued liabilities of \$420,000, and accrued interest and liquidated damages on convertible notes of \$59,000.

Investing Activities – During the year ended December 31, 2021, the Company sold property and equipment for \$10,000. The Company sold property and equipment for \$9,000 during the year ended December 31, 2020 and purchased property and equipment for \$15,000.

Financing Activities – During the year ended December 31, 2021, the Company borrowed \$215,000 from long-term notes payable, \$198,000 from short-term notes payable and \$73,000 from the U.S. Small Business Administration pursuant to the Paycheck Protection Program; 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 EIDL 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.

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. The Company's only revenue stream is currently from transactions as a registered reseller of Apple® ecosystem compatible products, accessories and related applications with an emphasis on the smart home market. The Company has had minimal sales to date. The Company's revenue is recognized at a point in time when the sale of the product is completed. There is no significant financing component from the Company's sales.

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 Binomial Valuation 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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
SPYR, Inc. and Its Subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SPYR, Inc. and its subsidiaries (“the Company”) as of December 31, 2021 and the related statements of operations, stockholders’ deficit, cash flows and the related notes to consolidated financial statements (collectively referred to as the consolidated financial statements) for the year ended December 31, 2021. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Restatement of 2021 Financial Statements

As discussed in Note 1 to the consolidated financial statements, the December 31, 2021 consolidated financial statements have been restated to correct misstatements.

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 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. 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.

The Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has an accumulated deficit, recurring losses, and expects continuing future losses. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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.

Discontinued operations – Restaurant and Digital Media:

As described in Note 16 to the consolidated financial statements, the Company has determined that its restaurant and digital medial subsidiaries meet the criteria for discontinued operations in the consolidated financial statements as of December 31, 2021.

Significant and complex judgements are required in evaluating discontinued operations recognition particularly when the possible transaction is approaching or in excess of one year from the initial accounting recognition as a discontinued operation.

The principal audit procedures related to the evaluation of discontinued operations classification as of December 31, 2021 included the following:

- We evaluated and tested the design and implementation of the Company’s controls related to the evaluation and approval of complex, significant and usual transactions, and the related accounting;
- Obtained management's discontinued operations analysis including assessment of the specific facts and circumstances around legal, regulatory, and economic factors that were relevant in the Company’s analysis as of December 31, 2021;
- Evaluated the basis for management's conclusions against the framework for evaluating discontinued operations with a focus on disruptions in the sale of their insurance subsidiary due to legal, regulatory, and economic factors;
- Obtained supporting documentation for management's current status and sales efforts related to the restaurant and digital media.
- Evaluated management’s ability and intent to execute management’s plans based on prior experience.

Convertible Notes

As discussed in Note 10 and 11 to the consolidated financial statements, the Company had various debt instruments which included conversion features requiring bifurcation and separate accounting. Management evaluated the required accounting, significant estimates, and judgments around the valuation for these embedded derivatives. These embedded derivatives were initially measured at fair value and have subsequently been remeasured to fair value at each reporting period and at settlement.

There is no current observable market for these types of features and, as such, the Company determined the fair value of the embedded derivatives using a binomial option pricing model to measure the fair value of the bifurcated derivative. As a result, a high degree of auditor judgment and effort was required in performing audit procedures to evaluate the conclusions reached by management as well as the inputs to the Company’s binomial option pricing model.

Our principal audit procedures performed to address this critical audit matter included the following:

- We obtained an understanding of the controls and processes surrounding the evaluation, initial measurement and revaluation of the bifurcated derivatives.
- We evaluated management’s assessment and the conclusions reached to ensure these instruments were recorded in accordance with the relevant accounting guidance.

We evaluated the fair value of the bifurcated derivatives that included testing the valuation models and assumptions utilized by management. We reviewed and tested the fair value model used, significant assumptions, and underlying data used in the model.

The firm has served this client since January 2022.

/s/ L&L CPAS, PA

L&L CPAS, PA

Certified Public Accountants

Plantation, FL

The United States of America

April 15, 2022, except for the effects of the restatement described in Note 1, as to which the date is August 30, 2022



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
(Audited)

	December 31, 2021 (As Restated)	December 31, 2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 32,000	\$ 510,000
Other Receivables	-	4,000
Prepaid Expenses	47,000	49,000
Trading Securities, at Market Value	-	1,000
Current Assets of Discontinued Operations	3,000	13,000
Total Current Assets	82,000	577,000
Non-Current Assets:		
Property and Equipment, net	16,000	31,000
Intangible Assets, net	-	3,000
Operating Lease Right-of-Use Asset	-	28,000
Other Assets	1,000	13,000
Non-Current Assets of Discontinued Operations	-	75,000
TOTAL ASSETS	\$ 99,000	\$ 727,000
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,825,000	\$ 1,061,000
Settlement Liability	-	500,000
Short-Term Advances	-	1,184,000
Line of Credit	-	1,204,000
Related Party Notes Payable, current portion	524,000	-
Notes Payable, current portion	38,000	-
Short-Term Convertible Notes Payable, net of discount	206,000	-
SBA PPP Note Payable, current portion	-	51,000
Operating Lease Liability, current portion	-	54,000
Current Liabilities of Discontinued Operations	815,000	767,000
Total Current Liabilities	3,408,000	4,821,000
Other Liabilities:		
Notes Payable	2,534,000	-
SBA PPP Note Payable	-	20,000
Long-Term Convertible Notes Payable, net of discount	286,000	64,000
Derivative Liability	1,907,000	1,382,000
Total Liabilities	8,135,000	6,287,000
Stockholders' Deficit:		
Preferred Stock, Class A, \$0.0001 par value, 10,000,000 shares authorized; 107,636 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively	11	11
Preferred Stock, Class E, \$0.0001 par value, 10,000,000 shares authorized; 20,000 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively	2	2
Common Stock, \$0.0001 par value, 750,000,000 shares authorized; 245,050,988 and 210,137,631 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively	24,505	21,014
Common stock to be issued	425,097	-
Additional Paid-In Capital	58,448,385	55,391,973
Accumulated Deficit	(66,934,000)	(60,973,000)
Total Stockholder's Deficit	(8,036,000)	(5,560,000)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	\$ 99,000	\$ 727,000

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

SPYR, Inc. and Subsidiaries
Consolidated Statements of Operations
(Audited)

	For The Years Ended	
	December 31,	
	2021	2020
	(As Restated)	
Revenues	\$ 2,000	\$ -
Related Party Service Revenues	-	185,000
Cost of Goods Sold	(61,000)	-
Gross Profit (Loss)	<u>(59,000)</u>	<u>185,000</u>
Expenses:		
Labor and Related Expenses	2,020,000	2,030,000
Rent	73,000	113,000
Depreciation and Amortization	13,000	38,000
Professional Fees	332,000	101,000
Research and Development	9,000	14,000
Other General and Administrative	409,000	210,000
Total Operating Expenses	<u>2,856,000</u>	<u>2,506,000</u>
Operating Loss	(2,915,000)	(2,321,000)
Other Income (Expenses)		
Interest Expense	(1,139,000)	(247,000)
Gain (Loss) on Disposition of Assets	5,000	(11,000)
Gain on Forgiveness of Debt	145,000	-
Loss on Debt Modification	(335,000)	-
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	(1,586,000)	132,000
Impairment on Trading Securities	(1,000)	-
Total Other Income (Expenses)	<u>(2,911,000)</u>	<u>(626,000)</u>
Loss from Continuing Operations	(5,826,000)	(2,947,000)
Loss from Discontinued Operations	(135,000)	(110,000)
Net Loss	<u>\$ (5,961,000)</u>	<u>\$ (3,057,000)</u>
Basic and diluted loss per common share	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding	<u>221,315,426</u>	<u>203,839,473</u>

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

SPYR, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
For The Years Ended December 31, 2021, 2020, and 2019
(Audited)

	<u>Preferred Stock, Class A</u>		<u>Preferred Stock, Class E</u>		<u>Common Stock</u>		<u>Common Stock To be Issued</u>	<u>Additional Paid In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Amount</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance, 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, December 31, 2019	107,636	\$ 11	20,000	\$ 2	200,880,131	\$ 20,088	\$ -	\$ 53,509,899	\$ (57,916,000)	\$ (4,386,000)
Balance, December 31, 2019	107,636	\$ 11	20,000	\$ 2	200,880,131	\$ 20,088	-	\$ 53,509,899	\$ (57,916,000)	\$ (4,386,000)
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, December 31, 2020	107,636	\$ 11	20,000	\$ 2	210,137,631	\$ 21,014	\$ -	\$ 55,391,973	\$ (60,973,000)	\$ (5,560,000)
Balance, December 31, 2020	107,636	\$ 11	20,000	\$ 2	210,137,631	\$ 21,014	\$ -	\$ 55,391,973	\$ (60,973,000)	\$ (5,560,000)
Fair Value of Restricted Common Stock and Options Issued for Employee and Director Compensation	-	-	-	-	1,550,000	155	-	238,845	-	239,000
Fair Value of S-8 Registered Common Stock Issued for Services	-	-	-	-	3,000,000	300	-	371,000	-	371,300
Fair Value of Restricted Common Stock Issued for Services	-	-	-	-	1,242,854	124	425,097	99,876	-	525,097
Fair Value of Common Stock Issued for Conversion of Notes Payable	-	-	-	-	29,120,503	2,912	-	1,242,680	-	1,245,592
Extinguishment of derivative liability from conversion of notes payable	-	-	-	-	-	-	-	1,104,011	-	1,104,011
Net Loss	-	-	-	-	-	-	-	-	(5,961,000)	(5,961,000)
Balance, December 31, 2021 – As Restated	107,636	\$ 11	20,000	\$ 2	245,050,988	\$ 24,505	\$ 425,097	\$ 58,448,385	\$ (66,934,000)	\$ (8,036,000)

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

SPYR, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Audited)

	For The Year Ended	
	December 31,	
	<u>2021</u>	<u>2020</u>
	(As Restated)	
Cash Flows From Operating Activities:		
Net Loss	\$ (5,961,000)	\$ (3,057,000)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Loss on Discontinued Operations	135,000	110,000
Depreciation and Amortization	13,000	38,000
Common Stock Issued for Employee Compensation	239,000	1,335,000
Common Stock Issued for Services	896,000	-
Amortization of Debt Discounts on Convertible Notes Payable	553,000	50,000
Impairment on trading securities	1,000	-
Loss (Gain) on Disposition of Assets	(5,000)	11,000
Bargain Purchase Gain on Acquisition of Subsidiary	-	(11,000)
Loss on Debt Modification	335,000	-
Gain on Forgiveness of Debt	(145,000)	-
SBA EIDL Grant	-	(3,000)
Loss on Issuance of Long-Term Convertible Notes Payable	-	514,000
Change in Value of Derivative Liability	1,586,000	(132,000)
Changes in Operating Assets and Liabilities:		
Decrease in Receivable from Related Parties	-	50,000
Increase in Other Receivables and Other Assets	16,000	(4,000)
(Increase) Decrease in Prepaid Expenses	2,000	(34,000)
Decrease in Operating Lease Right-of-Use Asset	28,000	14,000
Decrease in Operating Lease Right-of-Use Liability	(54,000)	-
Increase in Accounts Payable and Accrued Liabilities	802,000	420,000
Increase in Accrued Interest on Related Party Notes Payable	24,000	-
Increase in Accrued Interest on Short-Term Advances	-	69,000
Increase in Accrued Interest on Notes Payable	209,000	-
Increase in Accrued Interest on Line of Credit	-	70,000
Increase in Accrued Interest and Liquidated Damages on Convertible Notes	352,000	59,000
Net Cash Used in Operating Activities from Continuing Operations	<u>(974,000)</u>	<u>(501,000)</u>
Net Cash Provided by (Used in) Operating Activities from Discontinued Operations	<u>-</u>	<u>(20,000)</u>
Net Cash Used in Operating Activities	<u>(974,000)</u>	<u>(521,000)</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	-	(15,000)
Sale of Property and Equipment	10,000	9,000
Net Cash Provided by (Used in) Investing Activities	<u>10,000</u>	<u>(6,000)</u>
Cash Flows From Financing Activities:		
Proceeds from Long-Term Convertible Notes	215,000	1,000,000
Proceeds from Short-Term Convertible Notes Payable	198,000	-
Proceeds from SBA EIDL Grant	-	3,000
Proceeds from SBA PPP Note Payable	73,000	71,000
Payments on Short-Term Convertible Notes Payable	-	(47,000)
Net Cash Provided by Financing Activities	<u>486,000</u>	<u>1,027,000</u>
Net Change in Cash	(478,000)	500,000
Cash and Cash Equivalents at Beginning of Period	<u>510,000</u>	<u>10,000</u>
Cash and Cash Equivalents at End of Period	<u>\$ 32,000</u>	<u>\$ 510,000</u>
Supplemental Disclosure of Interest and Income Taxes Paid:		
Interest Paid during the Period	\$ -	\$ 1,000
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	\$ 220,592	\$ 96,000
Extinguishment of derivative liability from conversion of notes payable	\$ 1,104,011	\$ -
Common stock to be issued for services	\$ 425,097	\$ -
Common Stock Issued for Debt Conversion	\$ 1,245,592	\$ 452,000
Notes Payable issued to Settle Accounts Payable	\$ 38,000	\$ -

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

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2021 AND 2020

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.

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). Intercompany accounts and transactions have been eliminated.

Going Concern

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business, however, the issues described below raise substantial doubt about the Company’s ability to do so.

As shown in the accompanying financial statements, for the year ended December 31, 2021, the Company recorded a net loss of \$5,961,000 and utilized cash in operations of \$974,000. As of December 31, 2021, our cash balance was \$32,000 and we had prepaid expenses of \$47,000. At December 31, 2021, the Company had a working capital deficit of \$3,326,000. 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.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2021 AND 2020

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, 2021 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 1,385,042, Options – 4,779,900 and Warrants – 7,200,000) would have had an anti-dilutive effect due to the Company generating a loss for the year ended December 31, 2021.

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.

Product Research and Development Costs

Costs incurred for product research and development are expensed as incurred. During the years ended December 31, 2021 and 2020, the Company incurred \$9,000 and \$14,000 respectively, in product development costs paid to independent third parties.

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. The Company's only revenue stream is currently from transactions as a registered reseller of Apple® ecosystem compatible products, accessories and related applications with an emphasis on the smart home market. The Company has had minimal sales to date. The Company's revenue is recognized at a point in time when the sale of the product is completed. There is no significant financing component from the Company's sales.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2021 AND 2020

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.

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	3-7 years
Computer equipment	1-3 years
Vehicles	5 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.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2021 AND 2020

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, 2021, the Company recorded amortization expense of \$3,000. As of December 31, 2021, the intangible asset balance was fully amortized. As of December 31, 2020, net intangible assets amounted to \$3,000 which consist of website development costs. There were no indications of impairment based on management's assessment of these assets as of December 31, 2021. 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 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, 2021, 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.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2021 AND 2020

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, short-term advances, 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 3 fair values and derivative liability is a level 3 fair value.

Advertising Costs

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

Advertising, marketing and promotional expense was \$123,000 and \$8,000 for the years ended December 31, 2021, and 2020, respectively and was reflected as part of Other General and Administrative Expenses on the accompanying consolidated statements of operations.

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.

In August 2020, the FASB issued ASU 2020-06, “*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40)*” (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The ASU is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU’s amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the potential impact of ASU 2020-06 on its financial statements.

SPYR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2021 AND 2020

Restatement

In 2022, the Company identified errors in account balances in the Form 10K filed for the year ended December 31, 2021. The following accounts were deemed to contain errors: cash, trading securities, at market value, current assets of discontinued operations, other assets, accounts payable, note payable, derivative liability, common stock, common stock to be issued, additional paid in capital, operating expenses, gain on forgiveness of debt and loss on change in derivative liabilities. The errors primarily resulted from incorrect recognition of stock-based compensation previously awarded, certain share awards not yet issued and not recognized during the year ended December 31, 2021, incorrect estimates used in the fair value of derivative liability and certain adjustments to discontinued operations.

The tables below summarize previously reported amounts and the restated presentation of the balance sheet, statement of operations and statement of cash flows for the affected period:

	December 31, 2021		
	As Reported	Adjustments	As Restated
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 35,000	\$ (3,000)	32,000
Prepaid Expenses	47,000	-	47,000
Trading Securities, at Market Value	1,000	(1,000)	-
Current Assets of Discontinued Operations	14,000	(11,000)	3,000
Total Current Assets	97,000	(15,000)	82,000
Other Assets:			
Property and Equipment, net	16,000	-	16,000
Other Assets	46,000	(45,000)	1,000
TOTAL ASSETS	\$ 159,000	\$ (60,000)	\$ 99,000
LIABILITIES & STOCKHOLDERS' DEFICIT			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 1,818,000	\$ 7,000	1,825,000
Related Party Notes Payable, current portion	524,000	-	524,000
Notes Payable, current portion	-	38,000	38,000
Short-Term Convertible Notes Payable	206,000	-	206,000
SBA PPP Note Payable, current portion	70,000	(70,000)	-
Current Liabilities of Discontinued Operations	803,000	12,000	815,000
Total Current Liabilities	3,421,000	(13,000)	3,408,000
Other Liabilities:			
Notes Payable	2,534,000	-	2,534,000
Long-Term Convertible Notes Payable, net	286,000	-	286,000
Derivative Liability	2,621,000	(714,000)	1,907,000
Total Liabilities	8,862,000	(727,000)	8,135,000
Stockholders' Deficit:			
Preferred Stock, Class A, \$0.0001 par value, 10,000,000 shares authorized; 107,636 shares issued and outstanding as of December 31, 2021	11	-	11
Preferred Stock, Class E, \$0.0001 par value, 10,000,000 shares authorized; 20,000 shares issued and outstanding as of December 31, 2021	2	-	2
Common Stock, \$0.0001 par value, 750,000,000 shares authorized; 245,050,988 and outstanding as of December 31, 2021	25,205	(700)	24,505
Common stock to be issued	-	425,097	425,097
Additional Paid-In Capital	57,779,303	(669,082)	58,448,385
Accumulated Deficit	(66,508,521)	(425,479)	(66,934,000)
Total Stockholder's Deficit	(8,704,000)	667,000	(8,036,000)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	\$ 159,000	\$ (60,000)	\$ 99,000

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	For the Year Ended December 31, 2021		
	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Revenues	\$ 2,000	\$ -	\$ 2,000
Cost of Goods Sold	(1,000)	(60,000)	(61,000)
Gross Profit	<u>1,000</u>	<u>(60,000)</u>	<u>(59,000)</u>
Expenses:			
Labor and Related Expenses	1,672,000	348,000	2,020,000
Rent	61,000	12,000	73,000
Depreciation and Amortization	13,000	-	13,000
Professional Fees	733,000	(401,000)	332,000
Research and Development	9,000	-	9,000
Impairment of inventory	60,000	(60,000)	-
Other General and Administrative	286,000	123,000	409,000
Total Operating Expenses	<u>2,834,000</u>	<u>12,000</u>	<u>2,856,000</u>
Operating Loss	(2,833,000)	(82,000)	(2,915,000)
Other Income (Expenses)			
Interest Expense	(1,139,000)	-	(1,139,000)
Gain (Loss) on Disposition of Assets	5,000	-	5,000
Loss on Debt Modification	(335,000)	-	(335,000)
Gain on Forgiveness of Debt	73,000	72,000	145,000
Change in Value of Derivative Liability	(1,196,000)	(390,000)	(1,586,000)
Impairment of Trading Securities	-	(1,000)	(1,000)
Unrealized Loss on Trading Securities	1,000	(1,000)	-
Total Other Income (Expenses)	<u>(2,591,000)</u>	<u>(320,000)</u>	<u>(2,911,000)</u>
Loss from Continuing Operations	<u>(5,424,000)</u>	<u>(402,000)</u>	<u>(5,826,000)</u>
Loss from Discontinued Operations	<u>(110,000)</u>	<u>(25,000)</u>	<u>(135,000)</u>
Net Loss	<u>\$ (5,534,000)</u>	<u>\$ (427,000)</u>	<u>\$ (5,961,000)</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding	<u>222,792,139</u>	<u>(1,476,713)</u>	<u>221,315,426</u>

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	For the Year Ended December 31, 2021		
	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Cash Flows From Operating Activities:			
Net Loss	\$ (5,534,000)	\$ (427,000)	\$ (5,961,000)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Loss on Discontinued Operations	110,000	25,000	135,000
Adjustment to Deficit for Intercompany Elimination	(1,000)	1,000	
Depreciation and Amortization	13,000	-	13,000
Common Stock Issued for Employee Compensation	239,000	-	239,000
Common Stock Issued for Services	905,000	(9,000)	896,000
Amortization of Debt Discounts on Convertible Notes Payable	377,000	176,000	553,000
Loss (Gain) on Disposition of Assets	(5,000)	-	(5,000)
Write Off of Trading Securities	-	1,000	1,000
Loss on Debt Modification	334,000	1,000	335,000
Gain on Forgiveness of Debt	(73,000)	(72,000)	(145,000)
Change in Value of Derivative Liability	1,196,000	390,000	1,586,000
Changes in Operating Assets and Liabilities:			
Increase in Other Receivables and Other Assets	(29,000)	45,000	16,000
(Increase) Decrease in Prepaid Expenses	2,000	-	2,000
Decrease in Operating Lease Right-of-Use Asset	28,000	-	28,000
Decrease in Operating Lease Right-of-Use Liability	(54,000)	-	(54,000)
Increase in Accounts Payable and Accrued Liabilities	257,000	545,000	802,000
Increase in Accrued Interest on Related Party Notes Payable	99,000	(75,000)	24,000
Increase in Accrued Interest on Notes Payable	6,000	-	209,000
Increase in Accrued Interest and Liquidated Damages on Convertible Notes	642,000	(290,000)	352,000
Net Cash Used in Operating Activities from Continuing Operations	<u>(1,488,000)</u>	<u>514,000</u>	<u>(974,000)</u>
Net Cash Provided by Operating Activities from Discontinued Operations	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Used in Operating Activities	<u>(1,488,000)</u>	<u>514,000</u>	<u>(974,000)</u>
Cash Flows From Financing Activities:			
Proceeds from Long-Term Convertible Notes	-	215,000	215,000
Proceeds from Related Party Notes Payable	505,000	(505,000)	-
Proceeds from Long-Term Notes Payable	425,000	(425,000)	-
Proceeds from Short-Term Convertible Notes	-	198,000	198,000
Proceeds from SBA PPP Note Payable	73,000	-	73,000
Net Cash Provided by Financing Activities	<u>1,003,000</u>	<u>(517,000)</u>	<u>486,000</u>
Net Decrease in Cash	(475,000)	(3,000)	(478,000)
Cash and Cash Equivalents at Beginning of Period	<u>510,000</u>	<u>-</u>	<u>510,000</u>
Cash and Cash Equivalents at End of Period	<u>\$ 35,000</u>	<u>\$ (3,000)</u>	<u>\$ 32,000</u>

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The Company accounts for stock-based compensation for employees and directors in accordance with Accounting Standards Codification 718, Compensation (“ASC 718”) as issued by the FASB. ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Under the provisions of ASC 718, stock-based compensation costs are measured at the grant date, based on the fair value of the award, and are recognized as an expense over the employee’s requisite service period (generally the vesting period of the equity grant). The fair value of the Company’s common stock options are estimated using the Black Scholes option-pricing model with the following assumptions: expected volatility, dividend rate, risk free interest rate and the expected life. The Company expenses stock-based compensation by using the straight-line method. In accordance with ASC 718 and, excess tax benefits realized from the exercise of stock-based awards are classified as cash flows from operating activities. All excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) are recognized as income tax expense or benefit in the condensed consolidated statements of operations. The Company accounts for stock-based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in Accounting Standards Update (“ASU”) 2018-07.

In February 2016, the FASB issued ASU 2016-02, “Leases” Topic 842, which amends the guidance in former ASC Topic 840, *Leases*. The new standard increases transparency and comparability most significantly by requiring the recognition by lessees of right-of-use assets and lease liabilities on the balance sheet for all leases longer than 12 months. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. For lessees, leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Company adopted the new lease guidance effective January 1, 2019. The Company is not a party to any leases and therefore is not showing any asset or liability related to leases in the current period or prior periods.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832). The amendments within the update require certain disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The amendments will require disclosure of information about the nature of the transactions and the related accounting policy used to account for the transactions, information regarding the line items within the consolidated financial statements that are affected by the transactions, and significant terms and conditions of the transactions. The amendments in the update will be effective for financial statements issued for annual periods beginning after December 15, 2021, with early adoption permitted. The Company does not believe the adoption of this ASU will have a material impact on the Company’s consolidated financial statements or results of operations.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

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.

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NOTE 2 – TRADING SECURITIES

Investments in securities are summarized as follows:

Year	Fair Value at Beginning of Year	Purchases	Proceeds from Sale	Write off of Securities	Contributed Capital	Unrealized Loss	Fair Value at December 31,
2021	\$ 1,000	\$ -	\$ -	\$ (1,000)	\$ -	\$ -	\$ -
2020	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000

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

	Fair Value at December 31, 2021	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	\$ -	\$ -	\$ -	\$ -
Money market funds	1,000	1,000	-	-
Total	\$ 1,000	\$ 1,000	\$ -	\$ -

	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	\$ -	\$ -

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

NOTE 3 – PREPAID EXPENSES

At December 31, 2021, prepaid expenses were \$47,000 as compared to \$49,000 at December 31, 2020. Prepaid expenses consist of a down payment on the Magix Button device development of \$33,000 and a retainer for future video production of \$10,000, account set up costs from Teledirect of \$2,000, \$1,000 of prepaid insurance costs, and \$1,000 of prepaid product costs for Applied Magix.

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NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Computer Equipment	\$ 16,000	\$ 22,000
Furniture & fixtures	17,000	33,000
Vehicles	10,000	10,000
	<u>43,000</u>	<u>65,000</u>
Less: accumulated depreciation	(27,000)	(34,000)
Property and Equipment, Net	<u>\$ 16,000</u>	<u>\$ 31,000</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$10,000 and \$38,000, respectively.

The Company sold certain office equipment for \$10,000 which resulted in a gain on disposition of assets of \$5,000 for the year ended December 31, 2021. The Company sold office equipment for a total of \$9,000 for the year ended December 31, 2020, which resulted in a corresponding loss of \$11,000.

NOTE 5 – INTANGIBLE ASSETS AND OTHER ASSETS

Intangible assets at December 31, 2021 and December 31, 2020 consisted of the following:

	Useful Life (yr)	December 31, 2021	December 31, 2020
Domain Names	7	\$ 21,000	\$ 21,000
Less: accumulated amortization		(21,000)	(18,000)
		<u>\$ -</u>	<u>\$ 3,000</u>

At December 31, 2021 and 2020, other assets consisted of \$1,000 and \$13,000, respectively, which consist of security deposits for the Denver corporate office and Premier Workspaces.

NOTE 6 – RELATED PARTY ADVANCES AND LINE OF CREDIT

Related Party Advances and Line of Credit consisted of the following:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Related Party Notes Payable, current portion	\$ 501,000	\$ -
Short Term Advances	-	1,062,000
Line of credit	-	1,000,000
Accrued interest	19,000	326,000
Other	4,000	-
Current portion	<u>\$ 524,000</u>	<u>\$ 2,388,000</u>

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, 2020, no professional services were rendered to this Limited Liability Company and no revenue was received therefrom.

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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, 2021, no professional services were rendered to Berkshire Capital Management Co., Inc. and no revenue was received therefrom.

On May 17, 2021, the Company entered into an agreement to borrow funds from the 481149 Irrevocable Trust that controls all of the currently outstanding preferred stock of the Company, and whose trustee is the Chief Executive Officer of the Company and a member of the board of directors. Pursuant to the agreement, the Company borrowed approximately \$501,000 with interest at 6% per annum due and payable on May 17, 2022. As of December 31, 2021, the balance due with accrued interest is approximately \$524,000.

The amounts shown as related party in December 31, 2020 are no longer considered a related party as of December 31, 2021, in accordance with FASB ASC 850.

NOTE 7 – NOTES PAYABLE

Notes Payable consisted of the following:

	December 31, 2021	December 31, 2020
Notes Payable, long-term	\$ 2,454,000	-
Accrued interest	80,000	-
Long-term portion	\$ 2,534,000	\$ -

On June 17, 2021, the Company consolidated all prior notes payable with Berkshire Capital Management, resulting in a single consolidated note payable of \$2,454,000. As of consolidation, \$80,000 of interest has accrued, resulting in a net payable at December 31, 2021 of \$2,534,000.

On December 16, 2021, the Company issued a promissory note to Grupo Rueda in the amount of \$38,000 with 8% interest per annum and matures on December 16, 2022, in exchange for settlement of accounts payable on behalf of the Company. As of December 31, 2021, the notes payable was recorded as notes payable, current portion on the balance sheet.

NOTE 8 – INCOME TAXES

The Company did not provide for any Federal and State income tax for the years ended December 31, 2021 and 2020 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,	
	2021	2020
Tax provision at US statutory federal income tax rate	\$ 1,016,000	\$ 96,000
State income tax, net of federal benefit	220,000	-
Change in valuation allowances	(1,236,000)	(96,000)
Provision for Income Taxes	<u>\$ -</u>	<u>\$ -</u>

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

	December 31,	
	2021	2020
Deferred Tax Assets:		
Net operating loss carry forward	\$ 5,765,000	\$ 4,969,000
Capital loss carry over	163,000	163,000
Accrued expenses	205,000	151,000
Depreciation and other	(3,000)	(3,000)
	6,130,000	5,280,000
Less valuation allowance	(6,130,000)	(5,280,000)
Net Deferred Tax Asset	<u>\$ -</u>	<u>\$ -</u>

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, 2021, the Company recorded a valuation allowance of \$6,130,000 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.

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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, 2021 and 2020, 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, 2021 was approximately \$24,312,000, of which \$18,300,000 and may be offset against future taxable income through 2038 and \$6,012,000 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, 2021, the years subsequent to 2017 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, 2021, 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, 2021 or 2020.

NOTE 9 – SMALL BUSINESS ADMINISTRATION DEBT

On May 12, 2020 the Company received a Paycheck Protection Program loan from the U.S. Small Business Administration ("SBA") in the approximate amount of \$70,000. 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. During the year ended December 31, 2021, the Company was notified that the outstanding principal and accrued interest for the PPP Loan was forgiven in full by the SBA. As of December 31, 2021, the balance due on this note was approximately \$0.

On January 21, 2021, the Company received a second Paycheck Protection Program loan from the U.S. Small Business Administration in the approximate amount of \$73,000. At December 31, 2021, the balance due on the note was \$0, as the loan was confirmed as forgiven on August 20, 2021.

NOTE 10 – SHORT TERM CONVERTIBLE NOTES PAYABLE

On May 27, 2021, the Company issued a promissory note to Ares Capital, Inc. in the amount of \$85,000 with 8% interest due and payable upon demand. On December 2, 2021, the note was amended to provide the holder with conversion rights consisting of a conversion price calculated by a 50% discount to the average of the lowest three (3) VWAP's for the Company's Common Stock during the twenty (20) Trading Day period ending on the latest complete trading day prior to the Conversion Date.

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On August 11, 2021, the Company issued a promissory note to Ares Capital, Inc. in the amount of \$33,333 with 8% interest due and payable upon demand. On December 2, 2021, the note was amended to provide the holder with conversion rights consisting of a conversion price calculated by a 50% discount to the average of the lowest three (3) VWAP's for the Company's Common Stock during the twenty (20) Trading Day period ending on the latest complete trading day prior to the Conversion Date.

On August 12, 2021, the Company issued a promissory note to Ares Capital, Inc. in the amount of \$40,000 with 8% interest due and payable upon demand. On December 2, 2021, the note was amended to provide the holder with conversion rights consisting of a conversion price calculated by a 50% discount to the average of the lowest three (3) VWAP's for the Company's Common Stock during the twenty (20) Trading Day period ending on the latest complete trading day prior to the Conversion Date.

On September 9, 2021, the Company issued a promissory note to Ares Capital, Inc. in the amount of \$40,000 with 8% interest due and payable upon demand. On December 2, 2021, the note was amended to provide the holder with conversion rights consisting of a conversion price calculated by a 50% discount to the average of the lowest three (3) VWAP's for the Company's Common Stock during the twenty (20) Trading Day period ending on the latest complete trading day prior to the Conversion Date.

NOTE 11 – 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.

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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. During May and June of 2021, the Company received conversion notices received from the lender requesting the conversion of approximately \$204,000 (\$160,000 principal and \$44,000 interest) of the notes to 3,736,237 shares of the company's common stock. On July 29, 2021, a convertible note holder converted \$100,000 of principal debt and \$15,000 of interest at a conversion rate of \$0.0324 a share, into 3,561,830 Common Stock shares. On August 6, 2021, the company entered into an Amendment of the existing convertible debt, of which resulted in the conversion rates changing to 50% of the average of the lowest VWAP, and the interest on the loan was eliminated, as well as, a \$455,000 increase in the Derivative Liability portion of the convertible debt, from \$1,382,000 to \$1,761,000. The company recorded amortization of debt discounts, recognized as interest expense, in the amount of \$330,000 and accrued interest of \$47,000 during the nine months ended September 30, 2021. On December 31, 2021, the principal balance together with accrued interest is recorded on the Company's condensed consolidated balance sheet net of discounts at \$27,000.

On November 2, 2021, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$50,000 with 8% interest due on November 2, 2026. The note is convertible into Company common stock at a fixed price of \$0.25 (the "Base Conversion Price) and (2) 50% of the average of the three lowest VWAP (as defined below) for the Common Stock (or any replacement security pursuant to Section 1(x)) for a Trading Day (as defined below) on the Trading Market during the 20 Trading Day period immediately prior to the Conversion Date (as defined below), provided that if the VWAP is determined pursuant to Section 1(n) then 50% of such VWAP as so determined.

On November 3, 2021, the Company issued a convertible promissory note to Ares Capital, Inc. in the amount \$45,000 with 8% interest due on November 2, 2026. The note is convertible into Company common stock at a fixed price of \$0.25 (the "Base Conversion Price) and (2) 50% of the average of the three lowest VWAP (as defined below) for the Common Stock (or any replacement security pursuant to Section 1(x)) for a Trading Day (as defined below) on the Trading Market during the 20 Trading Day period immediately prior to the Conversion Date (as defined below), provided that if the VWAP is determined pursuant to Section 1(n) then 50% of such VWAP as so determined.

On December 3, 2021, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$70,000 with 8% interest due December 3, 2026. The note converts into Company common stock at the lesser price of (1) \$0.25 (the "Base Conversion Price) and (2) 50% of the average of the three lowest VWAP (as defined below) for the Common Stock (or any replacement security pursuant to Section 1(w)) for a Trading Day (as defined below) on the Trading Market (as defined below) during the 20 Trading Day period immediately prior to the Conversion Date (as defined below), provided that if the VWAP is determined pursuant to Section 1(m) then 50% of such VWAP as so determined.

On December 27, 2021, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$50,000 with 8% interests due December 27, 2026. The note converts into Company common stock at the lesser price of (1) \$0.25 (the "Base Conversion Price) and (2) 50% of the average of the three lowest VWAP (as defined below) for the Common Stock (or any replacement security pursuant to Section 1(w)) for a Trading Day (as defined below) on the Trading Market (as defined below) during the 20 Trading Day period immediately prior to the Conversion Date (as defined below), provided that if the VWAP is determined pursuant to Section 1(m) then 50% of such VWAP as so determined.

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The following table summarized the Company's convertible notes payable as of December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Beginning Balance	\$ 64,000	\$ 550,000
Proceeds from the issuance of convertible notes	413,000	-
Repayments	-	(47,000)
Conversion of notes payable into common stock	(559,000)	(548,000)
Amortization of Debt Discounts	553,000	50,000
Liquidated damages	351,000	(53,000)
New debt discount	(43,000)	
Debt settlement costs		96,000
Accrued Interest	63,000	16,000
Convertible notes payable, net	<u>\$ 492,000</u>	<u>\$ 64,000</u>
Principal balance	\$ 198,000	\$ -
Accrued interest and damages, short term	8,000	-
Debt discounts, short term	-	-
Short-term convertible notes payable, net	<u>\$ 206,000</u>	<u>\$ -</u>
Convertible notes, long-term principal	\$ 670,000	\$ 1,000,000
Accrued interest and damages, long-term	56,000	14,000
Debt discounts, long-term	(440,000)	(950,000)
Long-term convertible notes payable, net	<u>\$ 286,000</u>	<u>\$ 64,000</u>

NOTE 12 – 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.

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The following table represents the Company's derivative liability activity for the year ended December 31, 2021:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Derivative liability balance, December 31, 2020	1,382,000	\$ -
Issuance of derivative liability during the period	43,000	1,514,000
Increase due to Modification of Note	455,000	-
Reclassification to Additional Paid-In Capital	(1,104,000)	-
Change in derivative liability during the period	1,131,000	(132,000)
Derivative liability balance, December 31, 2021	<u>\$ 1,907,000</u>	<u>\$ 1,382,000</u>

The table below represents the average assumptions used in valuing the derivative liability at December 31, 2021:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Expected life in years	3.89	4.76-4.90
Stock price volatility	182.99% - 198.39%	180.45% - 182.99%
Risk free interest rate	0.42%	0.17%
Expected dividends	-	-
Forfeiture rate	-	-

NOTE 13 – 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, 2021, no shares have been sold pursuant to this agreement.

Operating Leases

The Company leased 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 paid annual base rent on an escalating scale ranging from \$143,000 to \$152,000. In addition to the minimum basic rent, rent expense also includes approximately \$1,000 per month for other items charged by the landlord in connection with rent. 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, was changed to May 31, 2021. On April 1, 2021, the Company entered into a lease termination and payment agreement with the landlord, pursuant to which the Company vacated and surrendered the premises to the landlord and the Company will pay approximately \$67,000 over 18 months commencing April 1, 2021. As of November 1, 2021, the company was delinquent in its monthly payments and has not made payments to date pursuant to the settlement agreement had approximately \$42,000 in unpaid rent which was reported as part of accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet as of December 31, 2021.

Rent expense for the years ended December 31, 2021 and 2020 was \$61,000 and \$113,000, respectively. In addition to the minimum basic rent, rent expense also includes approximately \$1,000 per month for other items charged by the landlord in connection with rent.

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Settlement Payable

During the year ended December 31, 2020, the Company accrued a contingent liability for anticipated litigation and legal settlement liabilities, which has been reported as part of settlement liability on the accompanying consolidated balance sheet and litigation settlement costs on the accompanying consolidated statements of operations in the amount of \$500,000, which was expensed in the year ended December 31, 2019 and settled during the year ended December 31, 2021.

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 Joe's, 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 \$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.

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 was approximately \$95,000, which includes accrued interest and attorneys' fees, has been reported as part of current liabilities of discontinued operations.

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.

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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. On September 17, 2021, Barry D. Loveless resigned as Chief Financial Officer. On December 31, 2021, the Company and James R. Thompson and Jennifer D. Duettra agreed to terminate their positions as Chief Executive Officer, President, General Counsel and Vice-President and Assistant General Counsel, respectively.

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.

On December 31, 2021, the Company terminated its employment agreements with James R. Thompson and Jennifer D. Duettra.

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 14 – EQUITY TRANSACTIONS

Common Stock:

Year Ended December 31, 2020

During the year ended December 31, 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.

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Year Ended December 31, 2021

During the year ended December 31, 2021 the Company awarded an aggregate of 9,115,019 shares of restricted common stock to employees and directors with a total fair value of \$425,097 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As of December 31, 2021, the shares have not been issued. As a result, the Company expensed the entire \$425,097 and recorded common stock to be issued. 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, 2021, the Company issued an aggregate of 1,550,000 shares of restricted common stock to employees and directors with a total fair value of \$239,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$239,000 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, 2021, the Company issued an aggregate of 3,000,000 shares of registered common stock to third party service providers with a total fair value of \$371,300. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$371,000 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, 2021, the Company issued an aggregate of 1,242,854 shares of restricted common stock to third party service providers with a total fair value of \$100,000. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$100,000 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, 2021, the Company issued an aggregate of 29,120,503 shares of common stock with a total fair value of \$1,245,592 in conversion of notes.

Options:

The following table summarizes common stock options activity:

	Options	Weighted Average Exercise Price
Outstanding, January 1, 2020	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
Granted	-	-
Exercised	-	-
Expired	(1,420,000)	0.24
Outstanding, December 31, 2021	4,379,900	\$ 0.88
Exercisable, December 31, 2020	5,799,900	\$ 0.88
Exercisable, December 31, 2021	4,379,900	\$ 0.82

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The weighted average grant date fair value of options granted during the years ended December 31, 2020, was \$0.99. There were no options granted during the year ended December 31, 2021.

During the year ended December 31, 2021, the Company granted no stock options to employees. During the year ended December 31, 2020, the Company granted stock options 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.

The weighted average exercise prices, remaining lives for options granted, and exercisable as of December 31, 2021, were as follows:

Options Exercise Price Per Share	Outstanding Options			Exercisable Options		
	Shares	Life (Years)	Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
\$ 0.50	880,000	0.30	\$ 0.50	880,000		\$ 0.50
\$ 1.00	2,099,900	0.80	\$ 1.00	2,099,900		\$ 1.00
\$ 1.50	1,400,000	1.30	\$ 1.50	1,400,000		\$ 1.50
	<u>4,379,900</u>		<u>\$ 0.88</u>	<u>4,379,900</u>		<u>\$ 0.82</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.

Warrants:

The following table summarizes common stock warrants activity:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2020	9,000,000	\$ 0.46
Granted	2,800,000	0.25
Exercised	-	-
Expired	(700,000)	0.08
Outstanding, December 31, 2020	<u>11,100,000</u>	<u>\$ 0.46</u>
Granted	-	0.25
Exercised	-	-
Expired	(3,900,000)	0.08
Outstanding, December 31, 2021	<u>7,200,000</u>	<u>\$ 0.39</u>
Exercisable, December 31, 2020	<u>11,100,000</u>	<u>\$ 0.39</u>
Exercisable, December 31, 2021	<u>7,200,000</u>	<u>\$ 0.39</u>

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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, 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 price 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, 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 price 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.

The weighted average exercise prices, remaining lives for warrants granted, and exercisable as of December 31, 2021, were as follows:

Outstanding and Exercisable Warrants			
Warrants Exercise Price Per Share		Shares	Life (Years)
\$ 0.25		3,500,000	3.9
\$ 0.40		1,200,000	0.03
\$ 0.50		2,700,000	1.53
\$ 0.75		1,250,000	1.53
\$ 1.00		1,250,000	0.41
		7,200,000	

At December 31, 2021, the Company's closing stock price was \$0.05 per share. As all outstanding warrants had an exercise price greater than \$0.05 per share, there was no intrinsic value of the options outstanding at December 31, 2021.

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	-

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The table below represents the average assumptions used in valuing the stock options and warrants granted in fiscal 2021:

	Year Ended December 31, 2021
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, 2021, 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 15 – 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.

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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.

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, 2021, 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 16 – 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, 2021 and December 31, 2020 consisted of \$0 assets and \$22,000 in accounts payable and accrued liabilities.

The results of operations of our discontinued restaurant for the year ended December 31, 2020, included in the consolidated statements of operations as discontinued operations, consisted of no operations for the years ended December 31, 2021 and 2020.

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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, 2021 and December 31, 2020 were as follows:

Summary of Assets and Liabilities of Discontinued Operations	December 31, 2021	December 31, 2020
Assets:		
Cash and Cash Equivalents	\$ 3,000	\$ -
Accounts receivable, net	-	13,000
Capitalized gaming assets and licensing rights, net	-	75,000
Total Assets	\$ 3,000	\$ 88,000
Liabilities:		
Accounts payable and accrued liabilities	\$ 793,000	\$ 745,000
Total Liabilities	\$ 793,000	\$ 745,000

The results of operations of our discontinued digital media operations for the years ended December 31, 2021 and 2020, included in the consolidated statements of operations as discontinued operations, consisted of the following:

	Year ended December 31, 2021	Year ended December 31, 2020
Revenues:	\$ 1,000	\$ 4,000
Expenses		
Labor and related expenses	-	8,000
Rent	-	-
Depreciation and amortization	-	-
Professional fees	-	-
Research and Development	-	-
Other general and administrative	-	34,000
Total operating expenses	1,000	42,000
Operating loss	-	(38,000)
Other income (expense)		
Interest expense	(48,000)	(52,000)
Gain on disposition of assets	-	5,000
Write down of assets	(88,000)	(25,000)
Loss on discontinued operations	\$ (135,000)	\$ (110,000)

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to December 31, 2021, a total of 12,470,373 shares of common stock were issued pursuant to conversion of \$206,628 of principal and \$7,578 of accrued interest on the ARES short term convertible notes, and issued 3,720,939 shares of common stock pursuant to the conversion of \$50,000 of principal and \$2,093 of accrued interest under long term convertible notes.

Subsequent to December 31, 2021, a total of 34,950,000 shares for services to various consultants and employees. The Company also issued 5,015,994 common shares for settlements to Collier Investments, and separately with Richard Kelly Clark, Harald Zink, and Misty Seals with an aggregate fair market value of \$282,000.

On January 10, 2022, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$200,000 with 8% interests due January 10, 2027.

On February 2, 2022, the Company dissolved SPYR Apps, LLC by filing Articles of Dissolution with the Nevada Secretary of State.

On February 3, 2022, the Company entered into a securities purchase agreement and convertible promissory note with Brown Stone Capital, LP in the amount of \$50,000. The note carries 8% interest and matures on February 3, 2027.

On February 11, 2022, the Company entered into a securities purchase agreement and convertible promissory note with Brown Stone Capital, LP in the amount

of \$50,000. The note carries 8% interest and matures on February 11, 2027.

On March 15, 2022, the Company and Collier Investments, LLC entered into a warrant cancellation agreement. In exchange for the issuance of two million restricted common shares, the Company and Collier agreed to cancel the warrant issued May 22, 2018.

SPYR, INC. AND SUBSIDIARIES
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On March 24, 2022, the Company entered into a securities purchase agreement and convertible promissory note with Brown Stone Capital, LP in the amount of \$210,000. The note carries 8% interest and matures on March 24, 2027.

On April 21, 2022, the Company entered into a securities purchase agreement and convertible promissory note with Brown Stone Capital, LP in the amount of \$175,000. The note carries 8% interest and matures on April 21, 2027.

The convertible notes issued to Brown Stone Capital, LP discussed above convert into Company common stock at the lesser price of (1) \$0.25 (the “Base Conversion Price”) and (2) 50% of the average of the three lowest VWAP for the Common Stock for a Trading Day on the Trading Market during the 20 Trading Day period immediately prior to the Conversion Date.

On May 10, 2022, the Company entered into a convertible promissory note in the principal amount of \$75,000, with 10% interest per annum, with a maturity date of August 10, 2022, and a fixed conversion price of \$0.02 per share. The note has a \$25,000 original issuance discount.

On June 16, 2022, the Company entered into a securities purchase agreement and convertible promissory note with Amir Mehdi Safavi in the amount of \$75,000. The note carries 8% interest and matures June 16, 2027.

On June 28, 2022, the Company entered into a securities purchase agreement and convertible promissory note with 1800 Diagonal Lending, LLC in the amount of \$104,250. The note carries 8% interest and matures July 1, 2023.

On August 2, 2022, the Company entered into a securities purchase agreement and convertible promissory note with Amir Mehdi Safavi in the amount of \$150,000. The note carries 8% interest and matures August 2, 2027.

On August 4, 2022, the Company entered into a securities purchase agreement and convertible promissory note with 1800 Diagonal Lending, LLC in the amount of \$64,000. The note carries 8% interest and matures August 4, 2023.

On May 24, 2022, the Company entered into a material definitive agreement (“MDA”) not made in the ordinary course of business. The parties to the MDA are the Company and JanOne, Inc., a Nevada corporation (“JanOne”). There was no material relationship between the Company and JanOne other than in respect of the material definitive agreement.

Pursuant to the terms of the MDA, JanOne agreed to sell, and the Company agreed to buy and assume, all legal right, title, and interest to all of the assets, and none of the liabilities, of JanOne’s wholly owned subsidiary, GeoTraq, Inc. (“GeoTraq”), including but not limited to, all accounts receivable, inventory, 13,500 work in process inventory chipsets, 170 completed IOT tracker modules, equipment, machinery, tools, rights under existing warranties, indemnities and insurance benefits, books, records all goodwill and all intellectual property, including an issued patent associated with GeoTraq.

The aggregate consideration for the asset purchase consists of the Registrant’s issuance of 30,000,000 shares of unregistered restricted common stock to JanOne, and a convertible promissory note (“Note”) in the amount of \$12,600,000. The Note accrues interest at 8% per annum, which is agreed to be paid in issuances of restricted common stock quarterly while the Note is outstanding, subject to a beneficial ownership limitation of 9.99% after giving effect to the issuance of restricted common stock. The maturity date is May 24, 2027. There is no prepayment penalty. The shares were issued on June 16, 2022.

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. ¹	60	President, Chief Executive Officer & General Counsel	December 31, 2021
Jennifer Duettra, Esq. ²	44	Executive Vice President, Assistant General Counsel & Secretary	December 31, 2021
Barry D. Loveless, CPA ³	55	Chief Financial Officer	October 31, 2021
John Formichella	53	Director	October 31, 2022
Tim Matula ⁴	61	Director, Chief Executive Officer, President	December 31, 2022
Tad Mailander	66	Director	December 31, 2022
Trang Nguyen	41	Chief Financial Officer	November 5, 2022

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.

Trang Nguyen Ms. Nguyen holds a Bachelor of Art, Business Economics (Minor in Accounting) from the University of California, Los Angeles. She is a certified public accountant with an inactive license. Her professional background includes having been the Financial Reporting Manager for Del Taco from 2019-2020, responsible for the preparation and filing of periodic financial reports with the U.S. Securities and Exchange Commission, including Forms 10-K, 10-Q etc. in accordance with U.S. GAAP and SEC Rules and Regulations; Establishing and maintaining internal controls and procedures; and, enhancing accounting business processes.

From 2016 through 2019, Ms. Nguyen was Accounting Manager for Pinnacle Tax Accounting in Los Angeles, California. Her duties included: Assisting in the month-end close process, prepare the consolidated financial statements; Prepare forecasts, projections and decks for investor packages; Prepare the Quarterly and Annual Reports on Form 10-Q/K and manage the internal and external review for these documents; Assist in the coordination of annual audit and quarterly review activities of external auditors; Manage communications with external auditors on external financial statements and accounting issues to ensure auditor agreement with company decisions on accounting disclosures, and issues; Document business processes and procedures. Perform managerial professional internal auditing work and develop recommendations and reports based on audits and presenting these ideas to senior management; Lead team of staff on completing timely engagements and communicate to the CFO's and executive management team of several public companies on a daily basis; Responsible for preparing financials, audit package and SEC filings for six SEC filing companies on a quarterly and annual basis and over 20 private companies; Assistance with SOX 404 documentation, testing, and development of internal controls.

From 2006 to 2008, Ms. Nguyen was part of Ernst & Young, LLP's audit team in Los Angeles, California, leading engagements on interim and year-end SOX 404 auditing procedures for the major enterprise accounts such as Hilton Hotels Corp., Ryland Mortgage Co., Endeavor Agency, Spyglass Entertainment, Farmer Bros., and Tennis Channel. Ms. Nguyen also conducted audit procedures for Form 10-K and 10Q reporting, performed, planned, and tested internal controls.

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.

- 1 The Company and Mr. Thompson entered into a Termination Agreement effective December 31, 2021.
- 2 The Company and Ms. Duetra entered into a Termination Agreement effective December 31, 2021.
- 3 Barry D. Loveless resigned on September 17, 2021.
- 4 Mr. Matula was appointed Chief Executive Officer effective December 31, 2021.

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 representations from certain reporting persons, 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, 2021 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 fulfil 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 2021 and 2020.

Summary Compensation Table

Name & Principal Position	Year	Salary* \$	Stock Awards \$	All Others \$	Total \$
James R. Thompson	2021	\$ 246,000	\$ -	\$ -	\$ 246,000
Chief Executive Officer & General Counsel	2020	\$ 285,000	\$ 20,000	\$ -	\$ 305,000
Barry D. Loveless	2021	\$ 59,000	\$ -	\$ -	\$ 59,000
Chief Financial Officer	2020	\$ 157,000	\$ 238,000	\$ -	\$ 395,000
Jennifer D Duettra	2021	\$ 83,000	\$ -	\$ -	\$ 83,000
Executive Vice President, Assistant General Counsel & Secretary	2020	\$ 125,000	\$ 185,000	\$ -	\$ 310,000
Trang Nguyen	2021	\$ 13,000	\$ -	\$ -	\$ 13,000
Chief Financial Officer					

- (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 245,050,988 shares of issued and outstanding Common Stock of the Company as of December 31, 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*	24.12%
Tim Matula	Common Stock	11,150,000	4.55%
James R. Thompson	Common Stock	12,000,000	4.90%
Jennifer Duettra	Common Stock	3,250,000	1.33%
Barry D. Loveless	Common Stock	3,100,000	1.27%
John Formichella	Common Stock	300,000	Less than 1%
Tad Mailander	Common Stock	1,575,000	Less than 1%
All Executive Officers and Directors as a Group (6 persons)	Common Stock	<u>29,900,000</u>	12.20%

* 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, 2021, 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 and Causey Demgen & Moore P.C. for professional services rendered during the years ended December 31, 2021 and 2020:

Service	2021	2020
Audit Fees	\$ 66,265	\$ 60,000
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	\$ 66,265	\$ 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	13
Consolidated Balance Sheets as of December 31, 2021 and 2020	17
Consolidated Statements of Operations for the years ended December 31, 2021 and 2020	18
Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2021 and 2020	19
Consolidated Statements of Cash Flows, for the years ended December 31, 2021 and 2020	20
Notes to Consolidated Financial Statements	21

2. Financial Statement Schedules

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

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

The following exhibits are included as part of this report:

Exhibit Number	Exhibit Description
3.1	Articles of Incorporation (1)
3.2	By-laws (1)
3.3	Amended Articles of Incorporation (1)
10.1**	Termination Agreement; Duettra
10.2**	Termination Agreement; Thompson
10.3	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: August 30, 2022

SPYR, INC.

By: /S/ Tim Matula
Tim Matula
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/ Tim Matula</u> Tim Matula	President & Chief Executive Officer (Principal Executive Officer)	August 30, 2022
<u>/S/ Trang Nguyen</u> Trang Nguyen	Chief Financial Officer (Principal Financial and Accounting Officer)	August 30, 2022
<u>/S/ Tim Matula</u> Tim Matula	Director	August 30, 2022
<u>/S/ Tad Mailander</u> Tad Mailander	Director	August 30, 2022
<u>/S/ John P Formichella</u> John P. Formichella	Director	August 30, 2022

TERMINATION AND SEVERANCE AGREEMENT

THIS TERMINATION AGREEMENT (the “**Agreement**”) is made and effective as of the 31st day of December, 2021, by and between SPYR, Inc. (the “**Company**”), a Nevada corporation; and Jennifer D. Duettra (“**Employee**”).

Explanatory Statement

A. Employee is currently employed by the Company under and pursuant to a certain employment agreement dated December 29, 2014, as amended July 29, 2015 (collectively the “**Employment Agreement**”).

B. The Company has notified Employee that Effective as of December 31, 2021 at 11:59 PM MST the Company is terminating the Employment Agreement without cause because has been unable to pay Employee’s salary and benefits pursuant to the Employment Agreement and the Company no longer wishes to accrue Employee’s salary and benefits.

C. As of December 31, 2021, there remains an unexpired term under the Employment Agreement of four years and one month.

D. Through the period ending December 31, 2021, the Company owes Employee the following accrued salary and benefits:

- a. Accrued Unpaid Wages (2017-2021): \$162,458.13 (does not include Company payroll obligations)
- b. Accrued Unpaid HSA Contributions (July 2021-December 2021): \$3,600.00

E. The Company and Employee have mutually agreed that it is in their respective best interests to make certain agreements relating to the termination of Employee’s employment relationship with the Company, as set forth herein.

NOW, THEREFORE, in consideration of the Explanatory Statement and the mutual covenants, promises, agreements, representations, and warranties hereinafter contained, the parties hereto do hereby covenant, promise, agree, represent, and warrant as follows:

1. **Termination of Employment.** Effective as of December 31, 2021 at 11:59 PM MST the Company’s employment of Employee shall terminate. The parties acknowledge and agree that such termination constitutes a constructive termination of Employee under Sections 10.4 and or Section 10.5 of the Employment Agreement, entitling Employee to the constructive termination benefits as described therein. The Company waives any required notice of election by Employee.

2. **Survival.** Notwithstanding the termination of Employee’s employment with the Company, the following Sections of the Employment Agreement shall survive termination according to their terms: Section 12 (Confidential Information and Proprietary Interests); Section 13 (Noncompetition), Section 14 (Disputes & Remedies), and Section 15 (Survival).

3. Company's Outstanding Financial Obligations to Employee as of December 31, 2021. The Company acknowledges and confirms the following outstanding indebtedness to Employee as of December 31, 2021:

- a. Accrued Unpaid Wages (2017-2021): \$162,458.13 (does not include Company payroll obligations)
- b. Accrued Unpaid HSA Contributions (July 2021-December 2021): \$3,600.00

The Company shall remain liable and responsible to pay the foregoing amounts to Employee as soon as possible, including any applicable employer state and federal tax obligations and/or employer contributions with respect thereto. Should this remain unpaid as of December 31, 2022, Employee shall be free to pursue legal action to collect any unpaid amount hereunder.

4. Company's Constructive Termination Obligations. As a result of the constructive termination of Employee by Company, Company is further obligated to pay Employee the sum of \$25,000.00:

5. Severance Payments to Employee; Continuation of Medical Insurance. In lieu of its obligations under Section 4 above, the right to which Employee waives, and to additionally compensate Employee for the Company's actions in terminating Employee, Company shall pay a severance to Employee as follows:

- a. Company shall issue Employee two million five hundred thousand (2,500,000) shares of the Company's Rule 144 Restricted Common Stock at par value.
- b. Until June 30, 2022 or such earlier date as Employee obtains substitute coverage, the Company shall, at the sole cost and expense of the Company, continue for the benefit of Employee the medical, dental and vision insurance coverage in existence on the date hereof or such reasonably comparable coverages as the Company may have in effect for its employees.

6. No Gating Provision. There shall not be any gating provision applicable to any SPYR common stock issued to Employee hereunder and Employee is hereby released from the gating provision contained in the Employment Agreement and shall be free to dispose of Employee's SPYR common stock in accordance with any applicable legal requirements.

7. Legal Opinion Letters. Company shall cause to be issued to Employee a legal opinion letter regarding the clearing and free-trading nature of the restricted stock issued to Employee during the term of Employee's employment by Company on or before February 14, 2022.

8. **Employee's Furniture/Office Equipment.** Employee shall retain as Employee's property all furniture and office equipment currently being used by Employee including but not limited to Employee's Dell laptop, monitors, docking station, and electronic coffee/gaming table.

9. **Intentionally omitted.**

10. **Representations and Warranties of Employee.** Employee represents and warrants the following to the Company, on and as of the date of this Agreement:

- a. Employee has the full authority to enter into this Agreement.
- b. Employee has not assigned any of his rights under the Employment Agreement.
- c. Employee, to the best of Employee's knowledge, information and belief, has complied with and not violated any of Employee's fiduciary duties.

11. **Representations and Warranties of the Company.** The Company represents and warrants the following to Employee on and as of the date of this Agreement:

- a. The Company is a corporation duly formed, validly existing, and in good standing under the laws of the State of Nevada.
- b. The Company has full corporate right, power, and authority to execute, seal, acknowledge, and deliver this Agreement.
- c. This Agreement has been duly and validly executed, sealed, acknowledged, and delivered by the Company and is the legal and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by the application of bankruptcy and insolvency laws and other laws generally affecting creditors' rights and, to the extent remedies require enforcement by courts of equity, to the application of equitable principles.

12. **Mutual Nondisparagement.** Employee agrees to refrain from any disparagement, defamation, libel, or slander of the Company and its officers, directors and employees, and agrees to refrain from any tortious interference with the contracts and relationships of the Company. The Company agrees to instruct employees, officers, and directors of the Company and its subsidiaries and affiliates to refrain from any disparagement, defamation, libel, or slander of Employee, and agrees to refrain from any tortious interference with the contracts and relationships of Employee. Notwithstanding the foregoing, nothing in this Agreement shall prevent Employee or the Company from responding accurately and fully to any question, inquiry or request for information when response is required by legal process.

13. **Release of Company by Employee.** Except for the obligations of the Company set forth this Agreement and the indemnities made by the Company in this Agreement, Employee hereby fully and forever releases, acquits, and discharges the Company, its successors, assigns, and legal representatives, the Company's Affiliates and their respective successors, assigns, heirs, personal and legal representatives (all of the foregoing persons or entities are hereinafter individually, jointly, severally, and collectively referred to as the "**Company Releasees**") of and from any and all contracts, agreements, promises, covenants, debts, obligations, duties, claims, actions, suits, proceedings, causes of action, demands, damages, liabilities, losses, costs, and expenses, including attorneys' and experts' fees (hereinafter collectively referred to as "**Employee Claims**") of each and every kind, nature, and description whatsoever, whether at law or in equity, which are currently known which Employee ever had, now has, or which Employee hereinafter can, shall, or may have against Company Releasees or any Company Releasee arising out of or in connection with any matter, cause, or thing from the beginning of the world to the date of this Agreement.

14. **Release of Employee by Company.** Except for the covenants, promises, agreements, representations, warranties, obligations, and duties of Employee set forth in this Agreement, the Company, for itself and for and on behalf of the Company Releasees, hereby fully and forever releases, acquits, and discharges Employee and his assigns, heirs, personal and legal representatives, and guardians (hereinafter individually, jointly, severally, and collectively referred to as “**Employee Releasees**”) of and from any and all contracts, agreements, promises, covenants, counterclaims, debts, obligations, duties, claims, actions, suits, proceedings, causes of action, demands, damages, liabilities, losses, costs, and expenses, including attorneys’ and experts’ fees (hereinafter collectively referred to as “**Company Claims**”) of each and every kind, nature, and description whatsoever, whether at law or in equity, known or unknown, foreseen or unforeseen, real or imaginary, actual or potential, which Company and the Company Releasees ever had, now have, or which Company and the Company Releasees hereinafter can, shall, or may have against Employee or any Employee Releasee arising out of or in connection with any matter, cause, or thing from the beginning of the world to the date of this Agreement.

15. **Indemnification of Employee by Company.** Company hereby agrees to indemnify and hold harmless Employee and the Company Releasees of, from, and against any and all Claims, threats, and demands and all attorneys’ and experts’ fees arising out of or in connection with (a) any negligent, tortious, intentional, malicious, wanton, or reckless act or omission of Employee prior to or on the date hereof; (b) any breach of or default by Employee under any agreement, covenant, promise, representation, or warranty made by Employee in this Agreement; and (c) any breach of any fiduciary duty owed by Employee to Company and/or any one or more Company Releasees, prior to or on the date hereof.

16. **Remedies.** In the event of a breach of this Agreement, any non breaching party hereto may maintain an action for specific performance against the party hereto who or which is alleged to have breached any of the terms, conditions, covenants, promises, agreements, representations, or warranties herein contained, provided that this Section shall not be construed to limit in any manner whatsoever any other rights, powers, or remedies an aggrieved party may have by virtue of any breach of this Agreement. Each of the parties hereto shall have the right to waive compliance with or the fulfillment, satisfaction, or enforcement of any covenant, promise, agreement, representation, warranty, or condition herein set forth, but any such waiver shall not be deemed a waiver of compliance with or fulfillment, satisfaction, or enforcement of any other covenant, promise, agreement, representation, warranty, or condition herein set forth or to seek redress for any breach thereof on any subsequent occasion, nor shall any such waiver be deemed effective unless in writing and signed by the party so waiving.

17. **Notices.** All notices, requests, demands, consents, and other communications which are required or may be given under this Agreement (collectively, the “**Notices**”) shall be in writing and shall be given either by (a) personal delivery against a receipted copy; (b) by certified or registered U.S. mail, return receipt requested, postage prepaid; or (c) by email with a read receipt requested to the following addresses:

If to the Company:

Board of Directors
SPYR, Inc. c/o Timothy Matula
6700 Woodlands Parkway, Ste.
230, #331 The Woodlands, TX
77382
Email: timmatula@comcast.net

With a copy to:

Mailander Law Office, Inc.
Tad Mailander, Esq. 4811 49th Street
San Diego, CA 92115
(619) 549-1442
Email: tad@mailanderlaw.net

If to the Employee:

Jennifer D. Duetra
1731 S. Krameria Way
Denver, CO 80224
(720) 833-1893
Email: jdfd2004@hotmail.com

or to such other address of which written notice in accordance with this Section shall have been provided by such party. Notices may only be given in the manner hereinabove described in this Section and shall be deemed received when given in such manner.

18. Miscellaneous.

- a. The Explanatory Statement is a substantive part of this Agreement. The Section headings contained in this Agreement are for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.
- b. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado. The exclusive venue and jurisdiction for any litigation brought pursuant to this Agreement shall be in the courts located in Denver, Colorado and the Parties expressly acknowledge that such courts have personal jurisdiction over them and waive any right to object to the same.

- c. This Agreement represents the entire, integrated agreement among the Company and Employee with respect to outstanding obligations of the Company to Employee and the payment of money to Employee in connection with the termination of the Company's employment of Employee.
- d. This Agreement may not be modified, amended, waived, discharged, or terminated orally, but only by an instrument in writing signed by the parties hereto.
- e. This Agreement shall inure to the benefit of and be binding upon the Company and Company Releasees, and Employee and Employee Releasees.
- f. Neither this Agreement nor any interest herein or right hereunder shall or may be assigned by Employee, and any purported assignment in contravention of such restriction, including any assignment by operation of law, shall be null and void.
- g. All of the covenants, promises, agreements, representations, and warranties of the parties contained in this Agreement shall survive the execution, acknowledgment, sealing, and delivery of this Agreement.
- h. From and after the date of this Agreement, without additional consideration, the parties shall at all reasonable times, upon reasonable notice from the other, execute, acknowledge, seal, and deliver such further assurances, instruments, and documents, and take such further action, as the other may reasonably request to fulfill the intent of this Agreement and the transactions contemplated hereby.
- i. If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall not be affected, but shall continue in full force and effect.
- j. Whenever used in this Agreement, the singular shall include the plural and vice versa, and the use of any gender shall include all genders and the neuter.
- k. For purposes of this Agreement, the term "Affiliate" shall include all officers, directors, stockholders, partners, subsidiaries, agents, and employees of the Company and each person or entity that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed, acknowledged, sealed, and delivered this Agreement on the date first above written.

THE COMPANY:

SPYR, Inc.

/s/ Timothy Matula

Timothy Matula, Board Member,
Chief Executive Officer as of
January 1, 2021

THE EMPLOYEE:

Jennifer D. Duettra

/s/ Jennifer D. Duettra

Jennifer D. Duettra

TERMINATION AND SEVERANCE AGREEMENT

THIS TERMINATION AGREEMENT (the “**Agreement**”) is made and effective as of the 31st day of December, 2021, by and between SPYR, Inc. (the “**Company**”), a Nevada corporation; and James R. Thompson (“**Employee**”).

Explanatory Statement

A. Employee is currently employed by the Company under and pursuant to a certain employment agreement dated December 22, 2014, as amended January 20, 2020 (collectively the “**Employment Agreement**”).

B. The Company has notified Employee that Effective as of December 31, 2021 at 11:59 PM MST the Company is terminating the Employment Agreement without cause because has been unable to pay Employee’s salary and benefits pursuant to the Employment Agreement and the Company no longer wishes to accrue Employee’s salary and benefits.

C. As of December 31, 2021, there remains an unexpired term under the Employment Agreement of four years and one month.

D. Through the period ending December 31, 2021, the Company owes Employee the following accrued salary and benefits:

- a. Accrued Unpaid Wages (2017-2021): \$910,991.80 (does not include Company payroll obligations)
- b. Accrued Unpaid HSA Contributions (July 2021-December 2021): \$2,300.02
- c. Contractual Expense Reimbursements: \$52,527.82

E. The Company and Employee have mutually agreed that it is in their respective best interests to make certain agreements relating to the termination of Employee’s employment relationship with the Company, as set forth herein.

NOW, THEREFORE, in consideration of the Explanatory Statement and the mutual covenants, promises, agreements, representations, and warranties hereinafter contained, the parties hereto do hereby covenant, promise, agree, represent, and warrant as follows:

1. **Termination of Employment.** Effective as of December 31, 2021 at 11:59 PM MST the Company’s employment of Employee shall terminate. The parties acknowledge and agree that such termination constitutes a constructive termination of Employee under Sections 10.4 and or Section 10.5 of the Employment Agreement, entitling Employee to the constructive termination benefits as described therein. The Company waives any required notice of election by Employee.

2. **Survival.** Notwithstanding the termination of Employee’s employment with the Company, the following Sections of the Employment Agreement shall survive termination according to their terms: Section 12 (Confidential Information and Proprietary Interests); Section 13 (Noncompetition), Section 14 (Disputes & Remedies), and Section 15 (Survival).

3. Company's Outstanding Financial Obligations to Employee as of December 31, 2021. The Company acknowledges and confirms the following outstanding indebtedness to Employee as of December 31, 2021:

- a. Accrued Unpaid Wages (2017-2021): \$910,991.80 (does not include Company payroll obligations)
- b. Accrued Unpaid HSA Contributions (July 2021-December 2021): \$2,300.02
- c. Contractual Expense Reimbursements: \$52,527.82

The Company shall remain liable and responsible to pay the foregoing amounts to Employee as soon as possible, including any applicable employer state and federal tax obligations and/or employer contributions with respect thereto. Should this remain unpaid as of December 31, 2022, Employee shall be free to pursue legal action to collect any unpaid amount hereunder.

4. Company's Constructive Termination Obligations. As a result of the constructive termination of Employee by Company, Company is further obligated to:

- a. Issue to Employee 1,000,000 shares of the Company's common stock; and
- b. Continue to pay Employee's salary in the amount of \$300,000 for a period of one year; and
- c. Continue to pay Employee's Additional Benefits for a period of one year, as follows:
 - i. Automobile Expenses (lease payment [$\$1,061.34 \times 12 = 12,736.08$], insurance [$\$109.91/\text{mo.} \times 12 = 1,318.92$], others tbd).
 - ii. Life Insurance Premiums. iii. Medical, dental and vision insurance; and HSA contributions if coverage continues under a qualifying plan.
- d. Disability Insurance ($\$210.47/\text{mo.} \times 12 = \$2,525.64$).

5. Severance Payments to Employee; Continuation of Medical Insurance. In lieu of its obligations under Section 4 above, the right to which Employee waives, and to additionally compensate Employee for the Company's actions in terminating Employee, Company shall pay a severance to Employee as follows:

- a. Company shall issue Employee five million (5,000,000) shares of the Company's Rule 144 Restricted Common Stock at par value.
- b. Until June 30, 2022 or such earlier date as Employee obtains substitute coverage, the Company shall, at the sole cost and expense of the Company, continue for the benefit of Employee the medical, dental and vision insurance coverage in existence on the date hereof or such reasonably comparable coverages as the Company may have in effect for its employees.

6. **No Gating Provision.** There shall not be any gating provision applicable to any SPYR common stock issued to Employee hereunder and Employee is hereby released from the gating provision contained in the Employment Agreement and shall be free to dispose of Employee's SPYR common stock in accordance with any applicable legal requirements.

7. **Legal Opinion Letters.** Company shall cause to be issued to Employee a legal opinion letter regarding the clearing and free-trading nature of the restricted stock issued to Employee during the term of Employee's employment by Company on or before February 14, 2022.

8. **Employee's Furniture/Office Equipment.** Employee shall retain as Employee's property all furniture and office equipment currently being used by Employee including but not limited to Employee's previously owned office furniture (L-shaped desk with leather inlay, matching lateral file cabinet and credenza storage cabinet, hp laserjet 1020 printer), office chair, 2 side chairs, Xerox Workcentre 6655 printer and stand, Dell laptop, monitors and docking station.

9. **Storage.** The Company has two storage units at a Public Storage facility that contain various corporate records, furniture and equipment. Employee has been working to sell the furniture on behalf of the Company and will continue to do so. The Company will continue to pay the monthly rental on these storage units until the property is sold or a decision is made to abandon or dispose of any remaining items.

10. **Representations and Warranties of Employee.** Employee represents and warrants the following to the Company, on and as of the date of this Agreement:

- a. Employee has the full authority to enter into this Agreement.
- b. Employee has not assigned any of his rights under the Employment Agreement.
- c. Employee, to the best of Employee's knowledge, information and belief, has complied with and not violated any of Employee's fiduciary duties.

11. **Representations and Warranties of the Company.** The Company represents and warrants the following to Employee on and as of the date of this Agreement:

- a. The Company is a corporation duly formed, validly existing, and in good standing under the laws of the State of Nevada.
- b. The Company has full corporate right, power, and authority to execute, seal, acknowledge, and deliver this Agreement.
- c. This Agreement has been duly and validly executed, sealed, acknowledged, and delivered by the Company and is the legal and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by the application of bankruptcy and insolvency laws and other laws generally affecting creditors' rights and, to the extent remedies require enforcement by courts of equity, to the application of equitable principles.

12. **Mutual Nondisparagement.** Employee agrees to refrain from any disparagement, defamation, libel, or slander of the Company and its officers, directors and employees, and agrees to refrain from any tortious interference with the contracts and relationships of the Company. The Company agrees to instruct employees, officers, and directors of the Company and its subsidiaries and affiliates to refrain from any disparagement, defamation, libel, or slander of Employee, and agrees to refrain from any tortious interference with the contracts and relationships of Employee. Notwithstanding the foregoing, nothing in this Agreement shall prevent Employee or the Company from responding accurately and fully to any question, inquiry or request for information when response is required by legal process.

13. **Release of Company by Employee.** Except for the obligations of the Company set forth this Agreement and the indemnities made by the Company in this Agreement, Employee hereby fully and forever releases, acquits, and discharges the Company, its successors, assigns, and legal representatives, the Company's Affiliates and their respective successors, assigns, heirs, personal and legal representatives (all of the foregoing persons or entities are hereinafter individually, jointly, severally, and collectively referred to as the "**Company Releasees**") of and from any and all contracts, agreements, promises, covenants, debts, obligations, duties, claims, actions, suits, proceedings, causes of action, demands, damages, liabilities, losses, costs, and expenses, including attorneys' and experts' fees (hereinafter collectively referred to as "**Employee Claims**") of each and every kind, nature, and description whatsoever, whether at law or in equity, which are currently known which Employee ever had, now has, or which Employee hereinafter can, shall, or may have against Company Releasees or any Company Releasee arising out of or in connection with any matter, cause, or thing from the beginning of the world to the date of this Agreement.

14. **Release of Employee by Company.** Except for the covenants, promises, agreements, representations, warranties, obligations, and duties of Employee set forth in this Agreement, the Company, for itself and for and on behalf of the Company Releasees, hereby fully and forever releases, acquits, and discharges Employee and his assigns, heirs, personal and legal representatives, and guardians (hereinafter individually, jointly, severally, and collectively referred to as "**Employee Releasees**") of and from any and all contracts, agreements, promises, covenants, counterclaims, debts, obligations, duties, claims, actions, suits, proceedings, causes of action, demands, damages, liabilities, losses, costs, and expenses, including attorneys' and experts' fees (hereinafter collectively referred to as "**Company Claims**") of each and every kind, nature, and description whatsoever, whether at law or in equity, known or unknown, foreseen or unforeseen, real or imaginary, actual or potential, which Company and the Company Releasees ever had, now have, or which Company and the Company Releasees hereinafter can, shall, or may have against Employee or any Employee Releasee arising out of or in connection with any matter, cause, or thing from the beginning of the world to the date of this Agreement.

15. **Indemnification of Employee by Company.** Company hereby agrees to indemnify and hold harmless Employee and the Company Releasees of, from, and against any and all Claims, threats, and demands and all attorneys' and experts' fees arising out of or in connection with (a) any negligent, tortious, intentional, malicious, wanton, or reckless act or omission of Employee prior to or on the date hereof; (b) any breach of or default by Employee under any agreement, covenant, promise, representation, or warranty made by Employee in this Agreement; and (c) any breach of any fiduciary duty owed by Employee to Company and/or any one or more Company Releasees, prior to or on the date hereof.

16. **Remedies.** In the event of a breach of this Agreement, any non breaching party hereto may maintain an action for specific performance against the party hereto who or which is alleged to have breached any of the terms, conditions, covenants, promises, agreements, representations, or warranties herein contained, provided that this Section shall not be construed to limit in any manner whatsoever any other rights, powers, or remedies an aggrieved party may have by virtue of any breach of this Agreement. Each of the parties hereto shall have the right to waive compliance with or the fulfillment, satisfaction, or enforcement of any covenant, promise, agreement, representation, warranty, or condition herein set forth, but any such waiver shall not be deemed a waiver of compliance with or fulfillment, satisfaction, or enforcement of any other covenant, promise, agreement, representation, warranty, or condition herein set forth or to seek redress for any breach thereof on any subsequent occasion, nor shall any such waiver be deemed effective unless in writing and signed by the party so waiving.

17. **Notices.** All notices, requests, demands, consents, and other communications which are required or may be given under this Agreement (collectively, the “**Notices**”) shall be in writing and shall be given either by (a) personal delivery against a receipted copy; (b) by certified or registered U.S. mail, return receipt requested, postage prepaid; or (c) by email with a read receipt requested to the following addresses:

If to the Company:

Board of Directors
SPYR, Inc. c/o Timothy Matula
6700 Woodlands Parkway, Ste.
230, #331 The Woodlands, TX
77382
Email: timmatula@comcast.net

With a copy to:

Mailander Law Office, Inc.
Tad Mailander, Esq.
4811 49th Street
San Diego, CA 92115
(619) 549-1442
Email: tad@mailanderlaw.net

If to the Employee:

James R. Thompson
9312 E. Arbor Drive
Englewood, CO 80111
(303) 319-5509
Email: jrt4@comcast.net

or to such other address of which written notice in accordance with this Section shall have been provided by such party. Notices may only be given in the manner hereinabove described in this Section and shall be deemed received when given in such manner.

18. Miscellaneous.

- a. The Explanatory Statement is a substantive part of this Agreement. The Section headings contained in this Agreement are for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.
- b. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado. The exclusive venue and jurisdiction for any litigation brought pursuant to this Agreement shall be in the courts located in Denver, Colorado and the Parties expressly acknowledge that such courts have personal jurisdiction over them and waive any right to object to the same.
- c. This Agreement represents the entire, integrated agreement among the Company and Employee with respect to outstanding obligations of the Company to Employee and the payment of money to Employee in connection with the termination of the Company's employment of Employee.
- d. This Agreement may not be modified, amended, waived, discharged, or terminated orally, but only by an instrument in writing signed by the parties hereto.
- e. This Agreement shall inure to the benefit of and be binding upon the Company and Company Releasees, and Employee and Employee Releasees.
- f. Neither this Agreement nor any interest herein or right hereunder shall or may be assigned by Employee, and any purported assignment in contravention of such restriction, including any assignment by operation of law, shall be null and void.
- g. All of the covenants, promises, agreements, representations, and warranties of the parties contained in this Agreement shall survive the execution, acknowledgment, sealing, and delivery of this Agreement.
- h. From and after the date of this Agreement, without additional consideration, the parties shall at all reasonable times, upon reasonable notice from the other, execute, acknowledge, seal, and deliver such further assurances, instruments, and documents, and take such further action, as the other may reasonably request to fulfill the intent of this Agreement and the transactions contemplated hereby.
- i. If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall not be affected, but shall continue in full force and effect.

- j. Whenever used in this Agreement, the singular shall include the plural and vice versa, and the use of any gender shall include all genders and the neuter.
- k. For purposes of this Agreement, the term "Affiliate" shall include all officers, directors, stockholders, partners, subsidiaries, agents, and employees of the Company and each person or entity that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

IN WITNESS WHEREOF, the parties have executed, acknowledged, sealed, and delivered this Agreement on the date first above written.

THE COMPANY:

SPYR, Inc.

/s/ Timothy Matula

Timothy Matula

Chief Executive Officer as of

January 1, 2022

THE EMPLOYEE:

James R. Thompson

/s/ James R. Thompson

James R. Thompson

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

I, Tim Matula, certify that:

1. I have reviewed this annual report on Form 10-K/A for the year ended December 31, 2021 of SPYR, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 30, 2022

/S/ Tim Matula

Tim Matula

Chief Executive Officer

(Principal Executive Officer)

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

I, Trang Nguyen, certify that:

1. I have reviewed this annual report on Form 10-K/A for the year ended December 31, 2021 of SPYR, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrants other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 30, 2022

/S/ Trang Nguyen

Trang Nguyen

Chief Financial Officer,

(Principal Financial and Accounting Officer)

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/A for the year ended December 31, 2021 as filed with the Securities and Exchange Commission (the "Report"), I, Tim Matula, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 30, 2022

/s/ Tim Matula

Tim Matula

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.

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/A for the year ended December 31, 2021 as filed with the Securities and Exchange Commission (the “Report”), I, Trang Nguyen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 30, 2022

/S/ Trang Nguyen

Trang Nguyen

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.
