

# SPYR, INC.

## **FORM 10-Q/A** (Amended Quarterly Report)

Filed 09/13/22 for the Period Ending 03/31/22

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-Q/A**  
**(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended: March 31, 2022

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 33-20111

**SPYR, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**75-2636283**

(IRS Employer  
Identification No.)

**6700 Woodlands Parkway, Ste. 230, #331**  
**The Woodlands, TX 77382**

(Address of principal executive offices)

**(303) 991-8000**

(Registrant's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 16, 2022, there were 290,252,374 shares of the Registrant's common stock outstanding.

## 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-Q/A (the “Amendment”) to its Quarterly Report on Form 10-Q for the three months ended March 31, 2022, originally filed on May 19, 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 issued and to be issued for services rendered to the Company during the three months ended March 31, 2022;
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 March 31, 2022 of the derivative liability related to the Company’s convertible note agreements.

This Amendment amends and restates Item 1 and 2 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 6 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.

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	<b>(As Restated)</b>	
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 182,000	\$ 32,000
Prepaid Expenses	46,000	47,000
Current Assets of Discontinued Operations	2,000	3,000
<b>Total Current Assets</b>	<b>230,000</b>	<b>82,000</b>
Other Assets:		
Property and Equipment, net	13,000	16,000
Other Assets	1,000	1,000
<b>TOTAL ASSETS</b>	<b>\$ 244,000</b>	<b>\$ 99,000</b>
<b>LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,655,000	\$ 1,825,000
Related Party Notes Payable, current portion	528,000	524,000
Notes Payable, current portion	-	38,000
Short-Term Convertible Notes Payable	209,000	206,000
Current Liabilities of Discontinued Operations	815,000	815,000
<b>Total Current Liabilities</b>	<b>3,207,000</b>	<b>3,408,000</b>
Other Liabilities:		
Notes Payable	2,572,000	2,534,000
Long-Term Convertible Notes Payable, net of discount	274,000	286,000
Derivative Liability	2,900,000	1,907,000
<b>Total Liabilities</b>	<b>8,953,000</b>	<b>8,135,000</b>
Stockholders' Deficit:		
Preferred Stock, Class A, \$0.0001 par value, 10,000,000 shares authorized; 107,636 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	11	11
Preferred Stock, Class E, \$0.0001 par value, 10,000,000 shares authorized; 20,000 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	2	2
Common Stock, \$0.0001 par value, 750,000,000 shares authorized; 265,030,082 and 245,050,988 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	26,503	24,505
Common stock to be issued	895,500	425,097
Additional Paid-In Capital	59,456,984	58,448,385
Accumulated Deficit	(69,088,000)	(66,934,000)
<b>Total Stockholder's Deficit</b>	<b>(8,709,000)</b>	<b>(8,036,000)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT</b>	<b>\$ 244,000</b>	<b>\$ 99,000</b>

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

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

	For The Three Months Ended March 31,	
	2022 (As Restated)	2021
Revenues	\$ 1,000	\$ -
Cost of Goods Sold	-	-
Gross Profit	<u>1,000</u>	<u>-</u>
<b>Expenses:</b>		
Labor and Related Expenses	563,000	489,000
Rent	6,000	28,000
Depreciation and Amortization	3,000	3,000
Professional Fees	730,000	429,000
Research and Development	-	4,000
Other General and Administrative	-	46,000
Total Operating Expenses	<u>1,302,000</u>	<u>999,000</u>
Operating Loss	(1,301,000)	(999,000)
Other Income (Expenses)		
Interest Expense	(1,054,000)	(102,000)
Amortization of Debt Discounts	(33,000)	-
Loss on Conversion of Debt	(32,000)	-
Loss on Settlement	(30,000)	-
Loss on Issuance of Common Stock	(16,000)	-
Gain on Disposition of Assets	-	5,000
Settlement Expense	(98,000)	-
Change in Value of Derivative Liability	412,000	(104,000)
Unrealized Gain on Trading Securities	-	1,000
Total Other Income (Expenses)	<u>(851,000)</u>	<u>(200,000)</u>
Loss from Continuing Operations	(2,152,000)	(1,199,000)
Loss from Discontinued Operations	(2,000)	(12,000)
Net Loss	<u>\$ (2,154,000)</u>	<u>\$ (1,211,000)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding	<u>258,555,370</u>	<u>213,258,187</u>

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

SPYR, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT  
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Unaudited)

	Preferred Stock, Class A		Preferred Stock, Class E		Common Stock		Common Stock To be Issued	Additional Paid In Capital Amount	Accumulated Deficit Amount	Total Amount
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance, December 31, 2021</b>	<b>107,636</b>	<b>\$ 11</b>	<b>20,000</b>	<b>\$ 2</b>	<b>245,050,988</b>	<b>\$ 24,505</b>	<b>\$ 425,097</b>	<b>\$ 58,448,385</b>	<b>\$ (66,934,000)</b>	<b>\$ (8,036,000)</b>
Fair Value of Common Stock Issued for Employee Compensation	-	-	-	-	1,015,019	102	(47,097)	46,995	-	-
Fair Value of S-8 Registered Common Stock Issued for Services	-	-	-	-	8,700,000	870	-	430,445	-	431,315
Fair Value of Common Stock Issued for Settlement	-	-	-	-	5,015,994	502	-	281,474	-	281,976
Fair Value of Common Stock Issued for Conversion of Notes Payable	-	-	-	-	3,361,289	336	-	53,359	-	53,695
Fair Value of Restricted Common Stock Issued for Services	-	-	-	-	1,886,792	189	-	29,811	-	30,000
Fair Value of Restricted Common Stock and Options Issued for Employee and Director Compensation	-	-	-	-	-	-	517,500	-	-	517,500
Reclassification of Derivative Liability to Additional Paid in Capital	-	-	-	-	-	-	-	166,514	-	166,514
Net Loss	-	-	-	-	-	-	-	-	(2,154,000)	(2,154,000)
<b>Balance, March 31, 2022 – As Restated</b>	<b>107,636</b>	<b>\$ 11</b>	<b>20,000</b>	<b>\$ 2</b>	<b>265,030,082</b>	<b>\$ 26,503</b>	<b>\$ 895,500</b>	<b>\$ 59,456,984</b>	<b>\$ (69,088,000)</b>	<b>\$ (8,709,000)</b>
<b>Balance, December 31, 2020</b>	<b>107,636</b>	<b>\$ 11</b>	<b>20,000</b>	<b>\$ 2</b>	<b>210,137,631</b>	<b>\$ 21,014</b>	<b>\$ -</b>	<b>\$ 55,391,973</b>	<b>\$ (60,973,000)</b>	<b>\$ (5,560,000)</b>
Fair Value of Restricted Common Stock and Options Issued for Employee and Director Compensation	-	-	-	-	1,400,000	140	-	214,860	-	215,000
Fair Value of S-8 Registered Common Stock Issued for Services	-	-	-	-	3,000,000	300	-	370,700	-	371,000
Net Loss	-	-	-	-	-	-	-	-	(1,211,000)	(1,211,000)
<b>Balance, March 31, 2021</b>	<b>107,636</b>	<b>\$ 11</b>	<b>20,000</b>	<b>\$ 2</b>	<b>214,537,631</b>	<b>\$ 21,454</b>	<b>\$ -</b>	<b>\$ 55,977,533</b>	<b>\$ (62,184,000)</b>	<b>\$ (6,185,000)</b>

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

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

	For The Three Months Ended March 31,	
	2022	2021
	(As Restated)	
<b>Cash Flows From Operating Activities:</b>		
Net Loss	\$ (2,154,000)	\$ (1,211,000)
<b>Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:</b>		
Loss on Discontinued Operations	1,000	12,000
Depreciation and Amortization	3,000	3,000
Common Stock Issued for Employee Compensation	518,000	215,000
Common Stock Issued for Services	461,000	371,000
Common Stock Issued for Settlement	98,000	-
Amortization of Debt Discounts on Convertible Notes Payable	1,072,000	34,000
Unrealized Gain on Trading securities	-	(1,000)
Gain on Disposition of Assets	-	(5,000)
Loss on Conversion of Debt Modification	32,000	-
Change in Value of Derivative Liability	(412,000)	104,000
<b>Changes in Operating Assets and Liabilities:</b>		
Increase in Other Receivables	-	4,000
(Increase) Decrease in Prepaid Expenses	1,000	(29,000)
Increase in inventory	-	(25,000)
Decrease in Operating Lease Right-of-Use Liability	-	(16,000)
Increase in Accounts Payable and Accrued Liabilities	13,000	119,000
Increase in Accrued Interest on Short-Term Advances	-	18,000
Increase in Accrued Interest on SBA PPP Notes Payable	-	1,000
Increase in Accrued Interest on Notes Payable	41,000	-
Increase in Accrued Interest on Notes Payable Related Party	4,000	-
Increase in Accrued Interest on Line of Credit	-	18,000
Increase in Accrued Interest and Liquidated Damages on Convertible Notes	-	20,000
<b>Net Cash Used in Operating Activities from Continuing Operations</b>	<u>(322,000)</u>	<u>(369,000)</u>
<b>Net Cash Used in Operating Activities from Discontinued Operations</b>	<u>-</u>	<u>-</u>
<b>Net Cash Used in Operating Activities</b>	<u>(322,000)</u>	<u>(369,000)</u>
<b>Cash Flows From Investing Activities:</b>		
Sale of Property and Equipment	-	8,000
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>8,000</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Long-Term Convertible Notes	510,000	-
Repayment of Notes Payable, current portion	(38,000)	-
Proceeds from SBA PPP Note Payable	-	73,000
<b>Net Cash Provided by Financing Activities</b>	<u>472,000</u>	<u>73,000</u>
<b>Net Change in Cash</b>	150,000	(288,000)
<b>Cash and Cash Equivalents at Beginning of Period</b>	32,000	510,000
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 182,000</u>	<u>\$ 222,000</u>
<b>Supplemental Disclosure of Interest and Income Taxes Paid:</b>		
Interest Paid during the Period	\$ -	\$ -
Income Taxes Paid during the Period	\$ -	\$ -
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Debt Discounts on Long-Term Convertible Notes Payable	\$ 510,000	\$ -
Common Stock Issued for Debt Conversion	\$ 22,000	\$ -
Extinguishment of derivative liability from conversion of notes payable	\$ 167,000	\$ -

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





SPYR, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Unaudited)

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Interim Financial Statements**

The accompanying condensed consolidated financial statements of SPYR, Inc. and subsidiaries (the “Company”) are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC. The condensed consolidated balance sheet as of December 31, 2021 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

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

**Principles of Consolidation**

The consolidated financial statements include the accounts of SPYR, Inc. and its wholly-owned subsidiaries, SPYR APPS, LLC, a Nevada Limited Liability Company, E.A.J.: PHL, Airport Inc., a Pennsylvania corporation (discontinued operations, see Note 6), and Branded Foods Concepts, Inc., a Nevada corporation. Intercompany accounts and transactions have been eliminated.

**Going Concern**

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

As shown in the accompanying financial statements, for the three months ended March 31, 2022, the Company recorded a net loss from continuing operations of \$2,152,000 and have current liabilities of \$3,207,000. As of March 31, 2022, our cash balance was \$182,000. 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 software development costs and implementation of our business plans generally. The Company also plans to diversify, through acquisition or otherwise, in other unrelated business areas and is exploring opportunities to do so.

Historically, we have financed our operations primarily through sales of our common stock and debt financing. The Company will continue to seek additional capital through the sale of its common stock, debt financing and through expansion of its existing and new products. If our financing goals for our products do not materialize as planned and if we are not able to achieve profitable operations at some point in the future, we may have insufficient working capital to maintain our operations as we presently intend to conduct them or to fund our expansion, marketing, and product development plans.

The ability of the Company to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements and expansion of its operations. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through calendar year 2022. However, management cannot make any assurances that such financing will be secured.

SPYR, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Unaudited)

**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.

**Use of Estimates**

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

**Earnings (Loss) Per Share**

The basic and fully diluted shares for the three months ended March 31, 2022 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 1,385,042, Options – 4,379,900, Warrants – 5,800,000) would have had an anti-dilutive effect due to the Company generating a loss for the three months ended March 31, 2022.

The basic and fully diluted shares for the three months ended March 31, 2021 are the same because the inclusion of the potential shares (Class A – 26,909,028, Class E – 570,190, Options – 5,379,900, Warrants – 8,700,000) would have had an anti-dilutive effect due to the Company generating a loss for the three months ended March 31, 2021.

**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	2-7 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.

SPYR, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Unaudited)

**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.

**Recent Accounting Standards**

The 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.

**Restatement**

In 2022, the Company identified errors in account balances in the Form 10Q filed for the period ended March 31, 2022. 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 period ended March 31, 2022, 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:

SPYR, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2022 AND 2021  
(Unaudited)

	March 31, 2022		
	As Reported	Adjustments	As Restated
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 184,000	\$ (2,000)	182,000
Prepaid Expenses	46,000	-	46,000
Trading Securities, at Market Value	1,000	(1,000)	-
Current Assets of Discontinued Operations	14,000	(12,000)	2,000
<b>Total Current Assets</b>	<b>245,000</b>	<b>(15,000)</b>	<b>230,000</b>
Other Assets:			
Property and Equipment, net	13,000	-	13,000
Other Assets	84,000	(83,000)	1,000
<b>TOTAL ASSETS</b>	<b>\$ 342,000</b>	<b>\$ (98,000)</b>	<b>\$ 244,000</b>
<b>LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 1,872,000	\$ (217,000)	1,655,000
Related Notes Payable, current portion	528,000	-	528,000
Short-Term Convertible Notes Payable	210,000	(1,000)	209,000
SBA PPP Note Payable, current portion	72,000	(72,000)	-
Current Liabilities of Discontinued Operations	803,000	12,000	815,000
<b>Total Current Liabilities</b>	<b>3,485,000</b>	<b>(278,000)</b>	<b>3,207,000</b>
Other Liabilities:			
Notes Payable	2,572,000	-	2,572,000
Long-Term Convertible Notes Payable, net	839,000	(565,000)	274,000
Derivative Liability	380,000	2,520,000	2,900,000
<b>Total Liabilities</b>	<b>7,276,000</b>	<b>1,677,000</b>	<b>8,953,000</b>
Stockholders' Deficit:			
Preferred Stock, Class A, \$0.0001 par value, 10,000,000 shares authorized; 107,636 shares issued and outstanding as of March 31, 2022	11	-	11
Preferred Stock, Class E, \$0.0001 par value, 10,000,000 shares authorized; 20,000 shares issued and outstanding as of March 31, 2022	2	-	2
Common Stock, \$0.0001 par value, 750,000,000 shares authorized; 265,030,082 and outstanding as of March 31, 2022	28,114	(1,611)	26,503
Common stock to be issued	1,089	894,411	895,500
Additional Paid-In Capital	60,060,421	(603,437)	59,456,984
Accumulated Deficit	(67,022,521)	(2,065,479)	(69,088,000)
<b>Total Stockholder's Deficit</b>	<b>(6,934,000)</b>	<b>(1,775,000)</b>	<b>(8,709,000)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT</b>	<b>\$ 342,000</b>	<b>\$ (98,000)</b>	<b>\$ 244,000</b>

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	<b>For the Three Months Ended March 31, 2022</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Restated</b>
Revenues	\$ 1,000	\$ -	\$ 1,000
Cost of Goods Sold	-	-	-
Gross Profit	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Expenses:</b>			
Labor and Related Expenses	1,259,000	(696,000)	563,000
Rent	6,000	-	6,000
Depreciation and Amortization	2,000	1,000	3,000
Professional Fees	891,000	(161,000)	730,000
Other General and Administrative	40,000	(40,000)	-
Total Operating Expenses	<u>2,198,000</u>	<u>(896,000)</u>	<u>1,302,000</u>
Operating Loss	(2,197,000)	896,000	(1,301,000)
<b>Other Income (Expenses)</b>			
Interest Expense	(49,000)	(1,005,000)	(1,054,000)
Other Income	38,000	(38,000)	-
Amortization of Debt Discounts	(43,000)	10,000	(33,000)
Loss on Conversion of Debt	(54,000)	22,000	(32,000)
Loss on Settlement	-	(30,000)	(30,000)
Loss on Issuance of Common Stock	-	(16,000)	(16,000)
Settlement Expense	(282,000)	184,000	(98,000)
Change in Value of Derivative	2,075,000	(1,663,000)	412,000
Total Other Income (Expenses)	<u>1,685,000</u>	<u>(2,536,000)</u>	<u>(851,000)</u>
Loss from Continuing Operations	<u>(512,000)</u>	<u>(1,640,000)</u>	<u>(2,152,000)</u>
Loss from Discontinued Operations	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Net Loss	<u>\$ (514,000)</u>	<u>\$ (1,640,000)</u>	<u>\$ (2,154,000)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding	<u>270,939,479</u>	<u>12,384,109</u>	<u>258,555,370</u>

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	<b>For the Three Months Ended March 31, 2022</b>		
	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<b>Cash Flows From Operating Activities:</b>			
Net Loss	\$ (514,000)	\$ (1,640,000)	\$ (2,154,000)
<b>Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:</b>			
Loss on Discontinued Operations	2,000	(1,000)	1,000
Reclassifications of Derivative Liabilities to Additional Paid-In Capital	167,000	(167,000)	-
Depreciation and Amortization	3,000	-	3,000
Common Stock Issued and to be issued for Director and Employee Compensation	1,214,000	(696,000)	518,000
Common Stock Issued and to be issued for Services	569,000	(108,000)	461,000
Common Stock Issued for Settlement	282,000	(184,000)	98,000
Common Stock Issued for Conversion of Debt	54,000	(22,000)	32,000
Amortization of Debt Discounts on Convertible Notes Payable	43,000	1,029,000	1,072,000
Change in Value of Derivative Liability	(2,241,000)	1,829,000	(412,000)
<b>Changes in Operating Assets and Liabilities:</b>			
(Increase) Decrease in Prepaid Expenses	1,000	-	1,000
Increase in Accounts Payable and Accrued Liabilities	56,000	(43,000)	13,000
Increase in Accrued Interest on Notes Payable Related Party	42,000	(38,000)	4,000
Increase in Accrued Interest on Notes Payable	4,000	37,000	41,000
<b>Net Cash Used in Operating Activities from Continuing Operations</b>	<u>(321,000)</u>	<u>(1,000)</u>	<u>(322,000)</u>
<b>Net Cash Provided by Operating Activities from Discontinued Operations</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Cash Used in Operating Activities</b>	<u>(321,000)</u>	<u>(1,000)</u>	<u>(322,000)</u>
<b>Cash Flows From Financing Activities:</b>			
Proceeds from Long-Term Convertible Notes	510,000	-	510,000
Funds lent as asset consideration	(40,000)	40,000	-
Repayment of Notes Payables, current portion	-	(38,000)	(38,000)
<b>Net Cash Provided by Financing Activities from Continuing Operations</b>	<u>470,000</u>	<u>2,000</u>	<u>472,000</u>
<b>Net Cash Provided by Financing Activities from Discontinued Operations</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Cash Provided by Financing Activities</b>	<u>470,000</u>	<u>2,000</u>	<u>472,000</u>
<b>Net Change in Cash</b>	149,000	1,000	150,000
<b>Cash and Cash Equivalents at Beginning of Period</b>	35,000	(3,000)	32,000
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 184,000</u>	<u>\$ (2,000)</u>	<u>\$ 182,000</u>

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**NOTE 2 – NOTES PAYABLE AND RELATED PARTY NOTES PAYABLE**

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<sup>®</sup>, 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. This note is currently in default.

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.

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, \$118,000 of interest has accrued, resulting in a net payable at March 31, 2022 of \$2,572,000. As of March 31, 2022 there is outstanding \$118,000 in interest and \$2,454,000 in principal outstanding.

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. During the three months ended March 31, 2022, the Company repaid \$38,000 on the note payable. As of March 31, 2022, the balance of the note was \$0.

Related Party

On May 17, 2021, the Company entered into an agreement to borrow funds from the 481149 Irrevocable Trust, a related party, 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 March 31, 2022, accrued interest is approximately \$27,000 and the principal balance \$501,000.

**NOTE 3 – 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.

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.



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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.

On March 17, 2022, Ares Capital, Inc. converted \$21,000 of principal and \$1,000 of interest from the May 27, 2021 convertible note into 1,498,289 common shares. As of March 31, 2022, there is approximately \$12,000 in interest and \$198,000 in principal outstanding.

**NOTE 4 – CONVERTIBLE NOTES PAYABLE**

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. As of March 31, 2022, the balance of accrued interest is \$61,000 and outstanding principal is \$407,000.

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. As of March 31, 2022, there is outstanding approximate accrued interest of \$2,000 and principal of \$50,000.

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. As of March 31, 2022, there is outstanding approximate accrued interest of \$1,000 and principal of \$23,000

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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. As of March 31, 2022, there is outstanding approximate accrued interest of \$2,000 and principal of \$70,000

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. As of March 31, 2022, there is outstanding approximate accrued interest of \$1,000 and principal of \$50,000

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. 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. As of March 31, 2022, there is outstanding approximate accrued interest of \$4,000 and principal of \$200,000

On January 19, 2022, Mehdi Safavi converted \$32,000 of debt into 1,863,000 common shares.

On February 3, 2022, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$50,000 with 8% interests due February 3, 2027. 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. As of March 31, 2022, there is outstanding approximate accrued interest of \$1,000 and principal of \$50,000

On February 11, 2022, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$50,000 with 8% interests due February 11, 2027. 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. As of March 31, 2022, there is outstanding approximate accrued interest of \$1,000 and principal of \$50,000

On March 24, 2022, the Company issued a convertible promissory note to Brown Stone Capital, LP in the amount of \$210,000 with 8% interests due March 24, 2027. 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. As of March 31, 2022, there is outstanding approximate accrued interest of \$1,000 and principal of \$210,000.

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The following table summarized the Company's convertible notes payable as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
<b>Beginning Balance</b>	\$ 492,000	\$ 64,000
Proceeds from the issuance of convertible notes	510,000	413,000
Repayments	-	-
Conversion of notes payable into common stock	(52,000)	(559,000)
Amortization of Debt Discounts	33,000	553,000
Liquidated damages	-	351,000
New debt discount	(510,000)	(43,000)
Debt settlement costs	-	-
Accrued Interest	10,000	63,000
<b>Convertible notes payable, net</b>	<u>\$ 483,000</u>	<u>\$ 492,000</u>
Principal balance	\$ 198,000	\$ 198,000
Accrued interest and damages, short term	11,000	8,000
Debt discounts, short term	-	-
<b>Short-term convertible notes payable, net</b>	<u>\$ 209,000</u>	<u>\$ 206,000</u>
Convertible notes, long-term principal	\$ 286,000	670,000
Accrued interest and damages, long-term	21,000	56,000
Debt discounts, long-term	(33,000)	(440,000)
<b>Long-term convertible notes payable, net</b>	<u>\$ 274,000</u>	<u>\$ 286,000</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	March 31, 2022	December 31, 2021
Equipment	\$ 16,000	\$ 16,000
Furniture & fixtures	17,000	17,000
Vehicles	10,000	10,000
Property and Equipment, Gross	43,000	43,000
Less: accumulated depreciation	(30,000)	(27,000)
Property and Equipment, Net	<u>\$ 13,000</u>	<u>\$ 16,000</u>

Depreciation and amortization expense for the three months ended March 31, 2022 and 2021 was \$3,000 and \$10,000, respectively.

The Company sold certain office equipment for \$8,000 which resulted in a gain on disposition of assets of \$5,000 for the year ended December 31, 2021.

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**NOTE 6 – INTANGIBLE ASSETS AND OTHER ASSETS**

Intangible assets at March 31, 2022 and December 31, 2021 consisted of the following:

	Useful Life (yr)	March 31, 2022	December 31, 2021
Domain Names	7	\$ 21,000	\$ 21,000
Less: accumulated amortization		(21,000)	(21,000)
		<u>\$ -</u>	<u>\$ -</u>

At March 31, 2022 and December 31, 2021 other assets consisted of \$1,000. Other assets generally consist of security deposits for the Premier Workspaces.

**NOTE 7 – 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.

The following table represents the Company's derivative liability activity for the three months ended March 31, 2022:

	Quarter Ended March 31, 2022
Derivative liability balance, December 31, 2021	\$ 1,907,000
Fair value on the date of issuance of new derivatives	1,572,000
Reclassification to Additional Paid-In Capital	(167,000)
Change in derivative liability during the period	(412,000)
Derivative liability balance, March 31, 2022	<u>\$ 2,900,000</u>

The table below represents the average assumptions used in valuing the derivative liability at March 31, 2022:

	Quarter Ended March 31, 2022
Expected life in years	0.50 – 4.98
Stock price volatility	187.11% – 203.78%
Risk free interest rate	1.06% – 2.45%
Expected dividends	-
Forfeiture rate	-

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**NOTE 8 – 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 March 31, 2022 and December 31, 2021 there were 0 assets and \$22,000 in accounts payable and accrued liabilities.

The results of operations of our discontinued restaurant for the three months ended March 31, 2022 and 2021, included in the consolidated statements of operations as discontinued operations, consisted of no operations for the three months ended March 31, 2022 and 2021.

**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 March 31, 2022 and December 31, 2021 were as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Assets:		
Accounts receivable, net	\$ 2,000	\$ 3,000
Total Assets	<u>\$ 2,000</u>	<u>\$ 3,000</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 815,000	\$ 815,000
Total Liabilities	<u>\$ 815,000</u>	<u>\$ 815,000</u>

The results of operations of our discontinued digital media operations for the three months ended March 31, 2022 and 2021, included in the consolidated statements of operations as discontinued operations, consisted of the following:

	<b>Quarter ended March 31, 2022</b>	<b>Quarter ended March 31, 2021</b>
Revenues:	\$ -	\$ -
Expenses		
Other general and administrative	2,000	-
Total operating expenses	2,000	-
Operating loss	(2,000)	-
Other income (expense)		
Interest expense	-	(11,000)
Loss on discontinued operations	<u>\$ (2,000)</u>	<u>\$ (11,000)</u>

**SPYR APPS, LLC**

On February 2, 2022, the Company filed Articles of dissolution with the Nevada Secretary of State dissolving SPYR APPS, LLC.

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**NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As of March 31, 2022 and December 31, 2021, the Company had accounts payable and accrued liabilities of \$1,655,000 and \$1,825,000 respectively. As of March 31, 2022, of the outstanding \$1,655,000 consists of \$234,000 outstanding and owed to vendors and other professional service providers, and \$1,421,000 outstanding as accrued wages and salaries. As of December 31, 2021, \$1,825,000 was outstanding consisting of \$221,000 outstanding and owed to vendors and other professional service providers, and \$1,604,000 outstanding as accrued wages and salaries.

**NOTE 10 – DEBT DISCOUNTS**

As of March 31, 2022 and December 31, 2021, the Company had debt discounts of \$906,000 and \$397,000 respectively. For the three months ended March 31, 2022, there was \$33,000 in amortization of debt discounts. For the year ended December 31, 2021, there was \$132,000 in amortization of debt discounts. As of March 31, 2022 and December 31, 2021, there were outstanding long term convertible notes payable of \$1,180,000 and \$683,000 respectively, these numbers are netted against their respective debt discounts and are represented as \$274,000 and \$286,000 as of March 31, 2022 and December 31, 2021, respectively.

**NOTE 11 – 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 March 31, 2022, no shares have been sold pursuant to this agreement. On April 26, 2022, the Registrant and Ares amended the Registration Rights Agreement previously disclosed on Form 8-K filed September 23, 2001. The transaction documents were amended to reflect Ares' waiver of the requirement that the Registrant file a registration statement concerning the equity purchase agreement within thirty days of September 20, 2021.

**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 March 31, 2022.

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**Legal Proceedings**

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

**Settlements**

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

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

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

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

On March 15, 2022, the Company and Collier Investments, LLC entered into a Warrant Cancellation Agreement. On May 22, 2018, the Company issued a five year warrant to Collier to purchase 200,000 shares of common stock, adjustable in price and amount for dilutive issuances. The Company and Collier agreed to cancel the warrant in exchange for the Company issuing Collier 2,000,000 shares of common stock.

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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 March 31, 2022 and December 31, 2021 was approximately \$100,000, respectively, which includes accrued interest and attorneys' fees, has been reported as part of current liabilities of discontinued operations.

Employment Agreements

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

Pursuant to termination agreements, the Company is liable for unpaid wages and benefits to Ms. Duettra and Mr. Thompson of \$162,458.13 and \$3,600, and \$910,991.80 and \$2,300.02 respectively. The Company also owes Mr. Thompson contractual expense reimbursements in the amount of \$52,527.82.

In settlement of constructive termination under Ms. Duettra and Mr. Thompson's employment agreements, the Company agreed to issue 2,500,000 and 5,000,000 shares of restricted common stock, respectively, and continue payments of medical, dental and vision insurance for each until June 30, 2022.

On February 7, 2022, the Company entered into settlement agreements with Harald Zink, Richard Kelly Clark, and Misty Seals to settle accrued wages. The Company settled \$94,193.75 in accrued wages payable to Mr. Zink by the issuance of 1,546,695 common shares. The Company settled \$42,383.42 in accrued wages payable to Ms. Seals by the issuance of 695,951 common shares. The Company settled \$94,193.75 in accrued wages payable to Mr. Clark by the issuance of 1,788,367 common shares.



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**NOTE 12 – EQUITY TRANSACTIONS**

**Common Stock:**

**Three Months Ended March 31, 2021**

During the three months ended March 31, 2021, the Company issued an aggregate of 1,400,000 shares of restricted common stock to employees with a total fair value of \$215,000 for services rendered. The shares issued are non-refundable and deemed earned upon issuance. As a result, the Company expensed the entire \$215,000 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. The Company also issued 3,000,000 for outside consulting with a fair value of \$371,000.

**Three Months Ended March 31, 2022**

During the three months ended March 31, 2022, the Company issued 1,015,019 shares of restricted common stock to Richard Kelly Clark for \$47,097 in compensation from the previous year, recorded as common stock to be issued as of December 31, 2021.

The Company also issued 8,700,000 common shares for outside consulting with a fair value of \$431,000.

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. The Company recognized a loss on the issuances of \$16,000.

The company also issued 3,361,289 common shares in conversion of \$54,000 in notes payable.

The Company also has the obligation to issue 9,000,000 shares in director compensation, and 1,886,792 common shares for consulting services that has not been issued as of the date of this filing. The fair value of these issuances are \$518,000 and \$30,000 respectively.

**Options:**

The following table summarizes common stock options activity:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
December 31, 2021	4,379,900	\$ 0.88
Granted	—	—
Exercised	—	—
Expired	—	—
Outstanding, March 31, 2022	4,379,900	\$ 0.88
Exercisable, March 31, 2022	<u>4,379,900</u>	<u>\$ 0.88</u>

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The weighted average exercise prices, remaining lives for options granted, and exercisable as of March 31, 2022 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	8,000,000	0.42	\$0.50	8,000,000	\$0.50
\$1.00	1,149,900	0.07 – 1.85	\$1.00	1,149,900	\$1.00
	<u>9,149,900</u>		<u>\$0.56</u>	<u>9,149,900</u>	<u>\$0.56</u>

At March 31, 2022, the Company's closing stock price was \$0.03 per share. As all outstanding options had an exercise price greater than \$0.03 per share, there was no intrinsic value of the options outstanding at March 31, 2022.

**Warrants:**

The following table summarizes common stock warrants activity:

	Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2021	7,200,000	\$ 0.39
Granted	—	—
Exercised	—	—
Expired	1,200,000	
Cancelled	200,000	—
Outstanding, March 31, 2022	5,800,000	\$ 0.33
Exercisable, March 31, 2022	<u>5,800,000</u>	<u>\$ 0.33</u>

The weighted average exercise prices, remaining lives for warrants granted, and exercisable as of March 31, 2022, were as follows:

Warrants Exercise Price Per Share	Outstanding and Exercisable Warrants		
	Shares	Life (Years)	
\$ 0.25	3,500,000	3.65	
\$ 0.50	2,300,000	1.28	
	<u>5,800,000</u>		

**Shares Reserved:**

At March 31, 2022, the Company has no reserved shares of common stock in connection with convertible notes or warrants.

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**NOTE 13 – SUBSEQUENT EVENTS**

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.

Subsequent to March 31, 2022, a total of 9,109,084 shares of common stock were issued pursuant to conversion of \$154,294 of principal and \$6,218 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.

The Company entered into a consulting agreement with a third party vendor and issued 5,000,000 registered common shares on Form S-8, which have been accrued as of the date of this filing, but not issued. The value of the shares is \$0.0396 per share as at May 5, 2022.

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. The note has a \$25,000 original issuance discount.

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 debitive 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 consisted of the Company’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 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

This discussion contains forward-looking statements that involve risks and uncertainties. Such statements, which include statements concerning revenue sources and concentration, selling, general and administrative expenses and capital resources, are subject to risks and uncertainties, including, but not limited to, those discussed elsewhere in this Form 10-Q that could cause actual results to differ materially from those projected. Unless otherwise expressly indicated, the information set forth in this Form 10-Q is as of March 31, 2020, and we undertake no duty to update this information.

### Plan of Operations

SPYR<sup>®</sup>, 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<sup>®</sup> developer, and reseller of Apple<sup>®</sup> 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<sup>®</sup> framework. These products work within the Apple<sup>®</sup> HomeKit<sup>®</sup> ecosystem and are exclusive to the Apple market and its consumers. Apple<sup>®</sup> HomeKit<sup>®</sup> is a system that lets users control smart home devices, so long as they’re compatible with the HomeKit<sup>®</sup> 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<sup>®</sup> ecosystem in various internet marketplaces. Secondly, we are developing an Applied Magix branded hardware device for use with the Apple HomeKit<sup>®</sup> 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<sup>®</sup> HomeKit<sup>®</sup> app for iOS. To date, our strategy is in the development stage. We have yet to begin sales efforts for our branded Apple<sup>®</sup> ecosystem compatible products and accessories, and our Apple HomeKit<sup>®</sup> 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 THE THREE MONTHS ENDED MARCH 31, 2022 TO 2021

The consolidated results of continuing operations for the three months ended March 31, 2022 and 2021 are as follows:

<b>Three Months Ended March 31, 2022</b>	<b>Applied Magix</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenues	\$ 1,000	\$ —	\$ 1,000
Related party service revenues	—	—	—
Labor and related expenses	—	(563,000)	(563,000)
Rent	(5,000)	(1,000)	(6,000)
Depreciation and amortization	(2,000)	(1,000)	(3,000)
Professional fees	(6,000)	(724,000)	(730,000)
Operating loss	(12,000)	(1,289,000)	(1,301,000)
Interest Expense	—	(1,054,000)	(1,054,000)
Amortization of debt discounts	—	(33,000)	(33,000)
Loss on conversion of debt	—	(32,000)	(32,000)
Loss on settlement	—	(30,000)	(30,000)
Loss on issuance of common stock	—	(16,000)	(16,000)
Settlement expense	—	(98,000)	(98,000)
Change in value of derivative liability	—	412,000	412,000
Other Income (Expense)	—	(851,000)	(851,000)
Loss from continuing operations	\$ (12,000)	\$ (2,140,000)	\$ (2,152,000)

<b>For the Three Months Ended March 31, 2021</b>	<b>Applied Magix</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenues	\$ —	\$ —	\$ —
Related party service revenues	—	—	—
Labor and related expenses	(103,000)	(386,000)	(489,000)
Rent	(2,000)	(26,000)	(28,000)
Depreciation and amortization	(2,000)	(1,000)	(3,000)
Professional fees	(7,000)	(422,000)	(429,000)
Research and development	(4,000)	—	(4,000)
Other general and administrative	(28,000)	(17,000)	(45,000)
Operating loss	(146,000)	(852,000)	(998,000)
Interest Expense	—	(102,000)	(102,000)
Gain on disposition of assets	—	5,000	5,000
Change in Value of derivative liability	—	(104,000)	(104,000)
Unrealized gain (loss) on trading securities	—	1,000	1,000
Other expense	—	(200,000)	(200,000)
Loss from continuing operations	\$ (146,000)	\$ (1,052,000)	\$ (1,198,000)

## Results of Operations

For the three months ended March 31, 2022 the Company had a loss from continuing operations of \$2,152,000 compared to a loss from continuing operations of \$1,199,000 for the three months ended March 31, 2021. This change is due primarily to increases in labor and related expenses and professional fees.

Total Revenues - For the three months ended March 31, 2022 and 2021, the Company had total revenue of \$1,000 and \$0, respectively. This is due to the Company's launch of its Applied Magix sales efforts during the quarter.

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 three months ended March 31, 2022 the company had total labor and related expenses of \$563,000 with \$0 being settled in cash, \$45,000 in accrued salaries, and \$518,000 being paid in restricted stock recorded at fair value. For the three months ended March 31, 2021 the company had total labor and related expenses of \$489,000 with \$214,000 being settled in cash, \$60,000 in accrued salaries, and \$215,000 being paid in restricted stock recorded at fair value. The cost of labor is expected to increase in conjunction with expansion of operations.

The cost of rent decreased to \$6,000 for the three months ended March 31, 2022 from \$28,000 for the three months ended March 31, 2021. The Company leased approximately 5,169 square feet at 4643 South Ulster Street, Denver, Colorado pursuant to an amended lease dated May 21, 2015 and expiring on December 31, 2020. Under the lease, the Company paid annual base rent on an escalating scale ranging from \$142,000 to \$152,000. On May 1, 2020 and July 29, 2020, the Company entered into amended lease agreements with its landlord. Under the terms of the amendments, the landlord agreed to waive rent, certain rent adjustments and parking for the period April 1, 2020 through August 31, 2020 and extend the term of the lease by five months. The lease term date, which was December 31, 2020, was changed to May 31, 2021. Subsequent to March 31, 2021, the Company entered into a lease termination and payment agreement with its 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 March 31, 2022.

The Company In addition, 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. Under the lease, the Company pays monthly rent of \$1,400.

Professional fees were \$730,000 for the three months ended March 31, 2022, compared to \$429,000 for the three months ended March 31, 2021. Of the \$730,000, \$220,000 was paid in cash, \$94,000 was accrued as future payables, and \$416,000 was paid in restricted stock recorded at fair value.

Other general and administrative expenses decreased to \$0 for the three months ended March 31, 2022 compared \$46,000 to the three months ended March 31, 2021.

## 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 three months ended March 31, 2022 of \$2,154,000 and utilized cash in operations of \$322,000. As of March 31, 2022, the Company had current assets of \$230,000, which included cash and cash equivalents of \$182,000, prepaid expenses of \$46,000 and current assets of discontinued operations of \$2,000.

During the three months ended March 31, 2022, the Company has met its capital requirements through proceeds from the Company's issuance of long term convertible notes.

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 three months ended March 31, 2022, the Company used cash in operating activities of \$322,000. For the three months ended March 31, 2021, the Company provided cash in operating activities of \$369,000. Operating activities consist of corporate overhead and development of Applied Magix products. Increases are due to increases in cash-paid operating expenses. See the above results of operations discussion for more details.

**Investing Activities** - During the three months ended March 31, 2022, the Company received no income from investing activities. During the three months ended March 31, 2021, the Company purchased property and equipment sold property and equipment for \$8,000.

**Financing Activities** - During the three months ended March 31, 2022, the Company borrowed \$510,000 from long term convertible notes, and repaid notes payable, current portion of \$38,000. During the three months ended March 31, 2021, the Company received \$73,000 from an SBA loan.

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

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

#### **Stock-Based Compensation**

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

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

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

### **Derivative Financial Instruments**

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

### **Loss Contingencies**

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

### **Recent Accounting Pronouncements**

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

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

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

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

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



As of March 31, 2022, 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, add independent directors to the Board of Directors and establish an independent audit committee. We cannot provide assurance that these procedures will be successful in identifying material errors that may exist in the financial statements, nor can we make assurances that additional material weaknesses in its internal control over financial reporting will not be identified in the future.

The Company continues to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. In addition, the Company evaluates and assesses its internal controls and procedures regarding its financial reporting as necessary and on an on-going basis.

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

### **Changes in Internal Controls Over Financial Reporting**

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

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

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

#### Settlements

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

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

On April 23, 2020, Joseph Fiore/Berkshire Capital Management, Inc. satisfied the Company's joint and several liability obligation by paying to the Commission the agreed upon sum of Two Million Dollars pursuant to a settlement agreement between Joseph Fiore/Berkshire Capital Management, Inc. and the Company, which settlement agreement was entered into on April 15, 2020. The Company has until April 14, 2021 to satisfy its remaining financial obligation to the Commission, an agreed upon civil penalty of Five Hundred Thousand Dollars (\$500,000). The \$500,000 liability is reported as part of accounts payable and accrued liabilities on the accompanying condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019 and was recorded as litigation settlement costs on the consolidated statements of operations on the Company's form 10K for the year ended December 31, 2019.

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

#### 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 \$85,000 plus accrued interest and attorneys' fees has been reported as part of accounts payable and accrued liabilities. The balance due as of March 31, 2022 and December 31, 2021 was approximately \$100,000 and \$96,000, respectively.

**ITEM 1A. RISK FACTORS**

Not applicable to smaller reporting companies.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The following exhibits are included as part of this report:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1	<a href="#">Articles of Incorporation (1)</a>
3.2	<a href="#">By-laws (1)</a>
3.3	<a href="#">Amended Articles of Incorporation (1)</a>
10.2	<a href="#">Registration Rights Agreement (1)</a>
14	<a href="#">Code of Ethics (1)</a>
21	<a href="#">Subsidiaries of the Company (1)</a>
31**	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32***	<a href="#">Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

\*\* Filed herewith

\*\*\* Furnished Herewith

(1) Incorporated by reference.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 13, 2022

### SPYR, INC.

By: /s/ Tim Matula

Tim Matula  
President & Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Trang Nguyen

Trang Nguyen  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

I, Tim Matula, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 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.

September 13, 2022

*/s/ Tim Matula*

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Tim Matula  
Chief Executive Officer  
(Principal Executive Officer)

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

I, Trang Nguyen, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 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.

September 13, 2022

*/s/ Trang Nguyen*

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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 Quarterly Report of SPYR (the "Company") on Form 10-Q for the quarter ended March 31, 2022 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.

September 13, 2022

*/s/ Tim Matula*

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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.

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SPYR, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022 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.

September 13, 2022

*/s/ Trang Nguyen*

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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.

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