As filed with the Securities and Exchange Commission on August 12, 2014

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SECOND SIGHT MEDICAL PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

California	**3845**	**02-0692322**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

12744 San Fernando Road, Building 3
Sylmar, California 91342
(818) 833-5000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert Greenberg, M.D., Ph.D.
President and Chief Executive Officer
Second Sight Medical Products, Inc.
12744 San Fernando Road, Building 3
Sylmar, California 91342
(818) 833-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 ☐ (Do not check if a smaller reporting company)	Accelerated filer ☐	Smaller reporting company ☒

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price (1)(2)**	**Amount of Registration Fee**
Common Stock, no par value per share	$ 36,225,000	$ 4,665.78
Underwriter Warrant**(3)(4)(5)**	$ 100	—
Shares of Common Stock underlying Underwriter Warrant	$ 9,056,250	$ 1,166.45

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. See "Underwriting" beginning on page 91 of the prospectus contained within this registration statement for information on underwriting arrangements relating to this offering.
(2) Includes (i) up to 4,025,000 shares that may be issued in connection with the non-transferable Long Term Investor Rights described under "Description of Capital Stock – Long Term Investor Rights to Receive Additional Shares" for no additional consideration two years from the closing date of this offering; and (ii) the aggregate offering price of additional shares that the underwriter has the option to purchase, amounting to 15% of the shares and rights offered to the public to cover over-allotments, if any.
(3) No registration fee required pursuant to Rule 457(g) under the Securities Act of 1933.
(4) Represents and registers a warrant to be granted to the underwriter to purchase shares of common stock in an amount equal to 20% of the number of the shares sold to the public. See "Underwriting" beginning on page 93 of the prospectus contained within this Registration Statement for information on underwriting arrangements relating to this offering.
(5) Pursuant to Rule 416 under the Securities Act of 1933, as amended, there is also being registered hereby such indeterminate number of additional shares of common stock of the registrant as may be issued or issuable because of stock splits, stock dividends, stock distributions, and similar transactions.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment, which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED August 12, 2014

PRELIMINARY PROSPECTUS

3,500,000 Shares of Common Stock

SECOND SIGHT MEDICAL PRODUCTS

We are offering 3,500,000 shares of our common stock, no par value, coupled with a non-transferable contractual right for the registered holder of these offered shares to obtain up to one additional share of common stock for each share purchased, at no additional expense, on the second anniversary of the closing date of this offering, as more fully described under "Description of Capital Stock" in this prospectus. The common stock is being offered in a firm commitment underwriting.

This is an initial public offering of our common stock. We expect the public offering price to be $9.00 per share. There is currently no public market for our common stock. We have applied for listing of our common stock on the Nasdaq Capital Market under the symbol "EYES". We expect that listing to occur upon consummation of this offering. If our application to the Nasdaq Capital Market is not approved or if we otherwise determine that we will not be able to secure the listing of our common stock on the Nasdaq Capital Market, we will not complete the offering.

We are an "emerging growth company" under the federal securities laws and will have the option to use reduced public company reporting requirements. Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 15 for a discussion of information that should be considered in connection with an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

If we sell all of the common stock we are offering, we will pay the underwriter $1.26 million, or 4% of the gross proceeds of this offering and an accountable expense allowance up to a maximum of $200,000. Please see "Underwriting." We have agreed also to issue to MDB Capital Group, LLC a warrant to purchase shares of our common stock in an amount up to 20% of the shares of common stock sold in the public offering, with an exercise price equal to 125% of the per-share public offering price. The shares of common stock underlying the warrant exclude the Long Term Investor Right[SM]. See "Description of Capital Stock".

	Per Share	Total
Public offering price	$ 9.00	$ 31,500,000
Underwriting discounts and commissions	$ 0.36	$ 1,260,000
Proceeds to us (before expenses)(1)	$ 8.64	$ 30,240,000

(1) Excludes an accountable expense allowance of up to a maximum of $200,000 payable to MDB Capital Group, LLC, the underwriter. See "Underwriting" for a description of compensation payable to the underwriter.

The underwriter may also purchase up to an additional 525,000 shares of our common stock amounting to 15% of the number of shares offered to the public, within 45 days of the date of this prospectus, to cover over-allotments, if any, on the same terms set forth above.

The underwriter expects to deliver the shares on or about _____, 2014.

MDB Capital Group, LLC

The date of this prospectus is _____, 2014.

The first FDA-approved medical device for the totally blind*

RECENT AWARDS

TIME: Best Innovations of 2013
CNN: The CNN 10: Inventions of 2013
MD+DI: 2013 Medical Device Manufacturer of the Year
Popular Science: 2013 Innovation of the Year
Inc.: The 25 Most Audacious Companies 2013
FFB: Visionary Award – Dr. Robert Greenberg
OIS: Eye on Innovation Award
Cleveland Clinic: Top Medical Innovation of 2014
World Economic Forum: Technology Pioneer 2014
Edison Awards: 2014 Gold Winner – Science/Medical Category
MIT Technology Review: The 50 Smartest Companies for 2014

Second Sight

Second Sight Medical Products, Inc. | 12744 San Fernando Road | Building 3 | Sylmar, California 91342 | Tel: +1 (818) 833-5000 | Fax: +1 (818) 833-5067

** The Argus II System is indicated for use in patients with severe to profound RP.*

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with additional or different information. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No dealer, salesperson or any other person is authorized in connection with this offering to give any information or make any representations about us, the securities offered hereby or any matter discussed in this prospectus, other than those contained in this prospectus and, if given or made, the information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the securities offered by this prospectus, or an offer to sell or a solicitation of an offer to buy any securities by anyone in any circumstance in which the offer or solicitation is not authorized or is unlawful.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you need to consider in making your investment decision. You should carefully read this entire prospectus, as well as the information to which we refer you, before deciding whether to invest in our common stock. You should pay special attention to the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and our consolidated financial statements and related notes included elsewhere in this prospectus to determine whether an investment in our common stock is appropriate for you.

This registration statement, including the exhibits and schedules thereto, contains additional relevant information about us and our securities. With respect to the statements contained in this prospectus regarding the contents of any agreement or any other document, in each instance, the statement is qualified in all respects by the complete text of the agreement or document, a copy of which has been filed or incorporated by reference as an exhibit to the registration statement. Second Sight Medical Products, Inc, is referred to throughout this prospectus as Second Sight®.

About Second Sight

Overview

We are a medical device company that develops, manufactures and markets implantable visual prosthetics to restore some functional vision to blind patients. Our current product, the Argus® II System, treats outer retinal degenerations, such as retinitis pigmentosa, which we refer to as RP in this prospectus. RP is a hereditary disease, affecting an estimated 1.5 million people worldwide including about 100,000 people in the United States, that causes a progressive degeneration of the light-sensitive cells of the retina, leading to significant visual impairment and ultimately blindness. The Argus II System is the only retinal prosthesis approved in the United States by the Food and Drug Administration, or FDA, and the first approved retinal prosthesis in the world. By restoring some functional vision in patients who otherwise have total sight loss, the Argus II System can provide benefits which include,

- improving patients' orientation and mobility, such as locating doors and windows, avoiding obstacles, and seeing the lines of a crosswalk,
- allowing patients to feel more connected with people in their surroundings, such as seeing when someone is approaching or moving away,
- providing patients with enjoyment from being "visual" again, such as locating the moon, tracking groups of players as they move around a field, and watching the moving streams of lights from fireworks, and
- improving patients' well-being and ability to perform activities of daily living.

Our Argus II System employs electrical stimulation to bypass defunct photoreceptor cells and to stimulate remaining viable retinal cells, inducing light and visual perception in blind individuals. The Argus II System works by converting video images captured by a miniature camera housed in a patient's glasses into a series of small electrical pulses that are transmitted wirelessly to an array of electrodes that are implanted on the surface of the retina. These pulses are intended to stimulate the retina's remaining cells, resulting in a corresponding perception of patterns of light in the brain. Following the implant surgery patients learn to interpret these visual patterns thereby regaining some functional vision, allowing them to detect shapes of people and objects in their surroundings.

We received marketing approval in Europe (CE mark) for the Argus II System in 2011. We received FDA approval in 2013 to market the Argus II System in the United States. We have applied for regulatory approval in Canada, expanded approval[1] in Saudi Arabia, and expect to register the product in Turkey before the end of 2014. A substantial portion of our revenue depends on the extent to which the costs of our products are reimbursed by third party private and governmental payers, including Medicare, and other US government sponsored programs, international governmental payers and private payers. In the US we have achieved several important reimbursement milestones that include obtaining:

[1] We currently have approval to sell to one hospital in Saudi Arabia.

- required federally established codes,
- payment mechanisms (Medicare authorized Transitional Pass-through Payment and New Technology Add-on Payment programs), and
- coverage by some Medicare Administrative Contractors and Medicare Advantage and commercial insurance company plans.

Within Europe, we have obtained reimbursement approval in Germany. We also are seeking reimbursement approval in Italy and other countries including France, England, Netherlands and Switzerland.

We launched the Argus II System in Europe at the end of 2011, in Saudi Arabia in 2013, and in the US in 2014. We are pursuing what we refer to as a Centers of Excellence commercial model, focusing on high quality medical providers. We have concentrated our efforts on recruiting leading retinal surgeons and hospitals, along with raising awareness of the product and brand among potential patients and referring physicians. The Argus II System has the support of the American Academy of Ophthalmology, The Foundation Fighting Blindness, and Retina International.

We are the world leader in commercializing the restoration of sight by a visual prosthesis in that we have:

- implanted about 90 units,
- extensive follow up history experience with implanted patients, including several who have been using the system for over seven years,
- regulatory approval in both the US and Europe[2],
- a significant patent portfolio consisting of nearly 300 issued patents,
- established third party reimbursement for our implanted devices with government and private insurance,

Additionally, from a competitive standpoint, the Argus II System possesses attractive technical and other features that include:

- relative surgical ease of installation,
- a relatively large field of view (20 degrees),
- allowing patients to undergo MRI procedures,
- individually programmable electrodes on the prosthesis which can permit further optimization of the device after implantation, and
- upgradeability of the external system to improve the visual experience for current and future users of the Argus II System.

Several Argus II System users continue to employ and benefit from the system more than seven years following implantation and one user of Argus I retinal prosthesis, a predecessor proof of concept device, has benefitted for more than 10 years, demonstrating long term reliability of our technology. To date we have successfully implanted patients in the United States, Canada, France, Italy, Germany, the Netherlands, Saudi Arabia, Spain, Switzerland and the United Kingdom.

[2] The European Union, or EU, is a politico-economic union of 28 member states that are primarily located in Europe. The market approval of Argus II System covers 28 EU member states and Norway, Iceland, Liechtenstein, and Switzerland which also require products to bear the CE mark. In this prospectus we use the term Europe to refer to 28 EU member states, and to Norway, Iceland, Liechtenstein and Switzerland.

Over the next 12 to 18 months we intend to introduce the Argus II System in countries other than the US and Europe with the assistance of local partners in some cases. We plan further to conduct a clinical study that is intended to demonstrate the safety and efficacy of the Argus II System for the treatment of age-related macular degeneration, which we refer to elsewhere in the prospectus as AMD, the leading cause of blindness in people over the age of 65 in developed countries, affecting vision for between 20 and 25 million people around the world of whom approximately two million similarly are affected in the United States. We anticipate beginning this study late in 2014 and if we achieve favorable patient outcomes, we estimate that we can obtain regulatory approval for AMD in the US and Europe in 2019, and may be able to market the product to treat AMD during the same year.

Additionally, we are developing another product for cortical stimulation that we expect will be able to treat nearly all forms of blindness. We refer to this product as the Orion^{TM} I visual prosthesis in this prospectus. Our objective in designing and developing the Orion I visual prosthesis is to bypass the optic nerve and directly stimulate the part of the brain responsible for vision. We estimate that about 575,900 people in the US, 1.13 million people in Europe, and 5.8 million people worldwide are legally blind due to causes that could be treated by Orion I. If the Orion I visual prosthesis is successfully developed and approved for marketing to those who have severe to profound vision loss, as to which no assurance can be given, we believe that the device's potential addressable market approaches these market numbers.

We believe that technology developed for the Argus II System also represents a platform for stimulating the nervous system that we may be able to leverage for several other clinical applications outside of vision restoration. There are features of the Argus II System, such as compact size, high electrode count and MRI compatibility, that we believe make it a compelling option to improve existing neuro-stimulation therapies and develop new ones. These possible additional applications may provide further opportunity to increase our revenue in non-core markets through strategic partnerships and/or licensing. Although we are optimistic about our abilities to develop these other clinical applications, no assurance can be given that we will be successful in reaching agreements or licenses with others.

Since 1998 we have received over $29 million in direct grant support from various US federal agencies including the National Institutes of Health, National Eye Institute and Department of Energy. We may seek additional federal and other grant support in the future. However, there is no assurance that we will receive further grants.

Within the past two years, SecondSight and/or Angus II System received the following awards

- TIME: Best Innovations of 2013,
- CNN: The CNN 10: Inventions of 2013,
- MD+DI: 2013 Medical Device Manufacturer of the Year,
- Popular Science: 2013 Innovation of the Year,
- Inc.: The 25 Most Audacious Companies 2013,
- FFB: Visionary Award – Dr. Robert Greenberg,
- OIS: Eye on Innovation Award,
- Cleveland Clinic: Top Medical Innovation of 2014,
- World Economic Forum: Technology Pioneer 2014,
- Edison Awards: 2014 Gold Winner – Science/Medical Category, and
- MIT Technology Review: The 50 Smartest Companies for 2014

Our Technology

The Argus II Retinal Prosthesis System (“Argus II”) is also sometimes referred to as the bionic eye, artificial retina or the retinal implant. It is intended to provide electrical stimulation of the retina to restore some functional vision in blind individuals. It is indicated for use in patients with severe to profound RP in the US and for severe to profound outer retinal degeneration in Europe. A miniature video camera housed in the patient’s glasses captures a scene. The video is sent to a small patient-worn computer (a video processing unit, which we refer to elsewhere in the prospectus as VPU) where it is processed and transformed into instructions that are sent back to the glasses via a cable. These instructions are transmitted wirelessly to an antenna in the retinal implant – a device which is implanted in and around the eye. The signals are then sent to the electrode array, which emits small pulses of electricity to the patient’s retina – the active part of the eye. These pulses bypass the damaged photoreceptors and stimulate the retina’s remaining cells, which transmit the visual information along the optic nerve resulting in the corresponding perception of patterns of light in the brain. Patients learn to interpret these visual patterns thereby regaining some visual function.

We believe the Argus II System possesses several unique technological advancements compared to the state of the art in other neurostimulation devices. Our implant has 60 independent electrodes to deliver electrical stimulation. The size of the implanted electronics (10.3 mm (0.40”) diameter by 3.2 mm (0.13”) in height) is to our knowledge the smallest multi-channel stimulator FDA approved for any indication. In addition, our product features a patented electrode material we call Platinum Gray that enables it to deliver high charge densities. Higher charge density enables smaller electrodes. The Argus II System currently, to our knowledge, has the smallest neural stimulating electrodes ever approved by the FDA. Each electrode is 0.2 mm (0.008)” in diameter. Several other engineering challenges, including device reliability, extended lifetime, and a safe and effective bio-interface, were overcome during the development of the product and these solutions have been protected both by patents and by trade secrets. As of August 11, 2014, we have 294 issued patents and 173 pending patent applications, on a worldwide basis.

We are planning product and clinical development efforts that may include:

- Improvements/upgrades to the externally worn system (glasses, VPU, and software) which may enable more advanced image processing capabilities, higher resolution vision, and possibly color vision. We expect that these enhancements will deliver a better visual experience for existing and future recipients of the Argus II System.
- Expanded indications for use for the current version of the Argus II System, which includes blindness resulting from AMD.
- Development of a visual cortical prosthesis (Orion I) building on the Argus II technology platform to address blindness from nearly all causes by providing neurostimulation directly to the visual cortex of the brain, rather than the retina.
- Leveraging the technology for other neurostimulation applications outside of vision restoration through licensing and/or strategic partnerships.

Our Market

The Argus II System is currently approved for RP patients with bare or no light perception in the US, and in Europe for severe to profound vision loss due to outer retinal degeneration, such as from retinitis pigmentosa, choroideremia, and other similar conditions. The number of people who are legally blind due to RP is estimated to be 25,000 in the US, 42,000 in Europe, and 375,000 total worldwide. A subset of these patients would be eligible for the Argus II System since the baseline vision for the Argus II System is worse than legally blind (20/200). Scarce epidemiological data on visual acuity below legal blindness make it difficult to determine a precise estimate of the potential patient population for this device.

We believe we can expand the market for the Argus II System beyond RP to patients with severe to profound vision loss due to age-related macular degeneration or AMD. We intend to conduct a pilot study, of about five patients, in Europe beginning in late 2014 to determine the utility of the Argus II System for use in persons suffering from AMD. If this small study yields positive results, then we will conduct a larger pivotal study in Europe and the United States comprising approximately 30 or more patients intended to demonstrate the safety and effectiveness of this therapy. We intend to use these clinical trial data to support regulatory approval in the US and Europe to expand our label to specifically cover AMD, and seek reimbursement in these markets for this expanded indication. We expect these approvals will be obtained in 2019. We estimate the population of people who are legally blind due to AMD to be about 525,500 in the US, 1.08 million in Europe, and 2 million worldwide. If approved for marketing, the labels will determine the subset of these patients who are eligible.

We believe we can further expand our market to include nearly all profoundly blind individuals, regardless of cause, other than those who are blind due to preventable diseases or due to brain damage, by developing a visual cortical prosthesis. We intend to develop a visual cortical prosthesis, the Orion I visual prosthesis, by modifying the Argus II device. We intend to begin clinical trials of the Orion I visual prosthesis in late 2016. We estimate that there are about 575,900 people in the US, 1.08 million in Europe, and 5.8 million worldwide who are legally blind due to causes other than preventable conditions or AMD. If approved for marketing, the labels will determine the subset of these patients who are eligible.

In addition to expanding the indications for use for our devices, over the next several years in collaboration with distribution partners, we intend to launch the Argus II System in other markets globally, including countries in the Middle East, Asia, and South America.

Commercial Strategy

The Argus II System addresses an unmet clinical need by restoring some functional vision to blind individuals. We believe that we are the worldwide leader in this applied technology.

To date our marketing activities have focused on raising awareness of Argus II System in potential patients, implanting physicians, and referring physicians. Our marketing activities include exhibiting, sponsoring symposia, and securing podium presence at professional and trade shows, securing journalist coverage in popular and trade media, attending patient meetings focused on educating patients about existing and future treatments, and sponsoring information sessions for the Argus II System.

We have employed, and expect to continue utilizing what we refer to as a "Centers-of-Excellence" sales model where we work with prominent eye hospitals, and a predominantly direct sales and support team to serve our patient population. We believe this model represents an efficient use of capital to promote awareness of our product and systematically to expand our markets. We have added new implanting centers based on criteria which include:

- Geographic desirability,
- Facility and surgeon skill and reputation,
- Access to patients,
- Regulatory pathway, and
- Reimbursement environment from government agencies or contractors and third party insurers.

Second Sight has assembled an experienced team of solution oriented and technically adept scientists and engineers with in-depth medical device experience. We expect that this experienced team, responsible for our ongoing in-house product enhancements and future product development, may allow us more rapid improvements and introduction of innovative product.

We employ an in-house attorney experienced in intellectual property matters to manage our large and growing intellectual property portfolio. We also employ outside legal firms as we deem appropriate. We intend to continue our practice of

- comprehensively developing an intellectual property portfolio that will protect our market interests and
- vigorously defending challenges to our patents.

We manufacture the Argus II System at our corporate headquarters in Sylmar, California. Our manufacturing department employs 45 persons and can produce up to 10 devices per month based on current staffing. We believe our facility can support production of up to 100 devices per month. See "Business – Our Manufacturing and Quality Assurance" below. We have a FDA and ISO 13485 (European and global standard) certified manufacturing facility with an experienced manufacturing and quality assurance team.

We also employ an in-house team of Clinical and Regulatory Affairs professionals, who design and conduct our clinical trials and prepare our worldwide regulatory submissions. This in-house team enables us to maintain close control of our clinical trial data and allows us to rapidly respond or address requests made by regulators and apply for new approvals promptly.

One key to the success of our existing and future business activities will be achieving expanded reimbursement for our products from governmental or third party payers. We have engaged specialist consulting firms and legal firms in the US and Europe to advise and assist us in these matters. In addition, we employ market access professionals to manage these activities in both the US and Europe.

Risk Factors that affect us

See "Risk Factors" beginning on page 15 and other information included elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

Corporate Information

Second Sight Medical Products, Inc. was incorporated in California in May 2003 as a successor to Second Sight LLC, a Delaware limited liability company formed in 1998. Our principal executive offices and manufacturing facilities are located at 12744 San Fernando Road, Building 3, Sylmar, California 91342. Our telephone number is (818) 833-5000. Our European subsidiary, Second Sight Medical Products (Switzerland) Sàrl, maintains offices at EPFL-PSE A, Route de Jean-Daniel Colladon, CH-1015 Lausanne, Switzerland.

Our website address is www.2-sight.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus.

Unless otherwise indicated, the terms "Second Sight," "we," "us" and "our" refer to Second Sight Medical Products, Inc., a California corporation, and our subsidiaries.

"Second Sight," "Argus", "FLORA" and the Second Sight logo are our registered trademarks in the US, EU and Switzerland. Orion is our trademark and Long Term Investor Right is a service mark of MDB Capital Group LLC.

Emerging Growth Company

The Jumpstart Our Business Startups Act, or the JOBS Act, was enacted in April 2012 with the intention of encouraging capital formation in the United States and reducing the regulatory burden on newly public companies that qualify as "emerging growth companies." We are an emerging growth company within the meaning of the JOBS Act. As an emerging growth company, we may take advantage of certain exemptions from various public reporting requirements, including the requirement that our internal control over financial reporting be audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, certain requirements related to the disclosure of executive compensation in this prospectus and in our periodic reports and proxy statements, and the requirement that we hold a nonbinding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions until we are no longer an emerging growth company.

We will remain an emerging growth company until the earliest to occur of (1) the last day of the fiscal year in which we have $1.0 billion or more in annual revenue; (2) the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates; (3) the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or (4) the last day of the fiscal year ending after the fifth anniversary of our initial public offering.

For certain risks related to our status as an emerging growth company, see the disclosure elsewhere in this prospectus under "Risk Factors—Risks Related to this Offering, the Securities Markets and Ownership of Our Common Stock—We are an 'emerging growth company,' and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors."

THE OFFERING

The following summary contains basic information about our initial public offering and our common stock and is not intended to be complete. It does not contain all of the information that may be important to you. For a more complete understanding of our common stock and rights, please refer to the sections of this prospectus titled "Description of Capital Stock "and "Description of Capital Stock – Long Term Investor Right Potentially to Receive Additional Shares."

Issuer	Second Sight Medical Products, Inc.
Common Stock Offered By Us	3.5 million shares of common stock, no par value per share.
Over-allotment Option	We have granted an option to our underwriter to purchase up to an additional 525,000 shares of common stock, representing 15% of the shares and rights described below, offered to the public, within 45 days of the date of this prospectus in order for this prospectus to cover over-allotments, if any.
Common Stock Outstanding Prior To This Offering	24,538,003 at July 31, 2014 (31,043,835 after giving effect to shares of common stock issuable upon automatic conversion of convertible notes on completion of this offering).
Common Stock Outstanding After This Offering	34,543,835
Long Term Investor Rights	Each share of our common stock ("Share") sold in this offering is coupled with a non-transferable contractual right which could allow the holder to obtain at no additional expense up to one additional Share on the second anniversary of the closing date of the offering (the "Long Term Investor Right"). For a holder of a Share to benefit from the Long Term Investor Right, the holder must · hold the Share obtained in the offering after the closing date of the offering, · register the Share in its name, and not in "street name," no later than 90 days after the closing date of the offering, and · continuously hold the Share in certificate or book entry form during the two years after the closing date of the offering.

	If the holder of the Share fails to timely make the registration and to hold the Share continuously for the two years after the closing date of the offering, the Long Term Investor Right will terminate. If the common stock trades on its principal exchange at 200% of the Offering Price or greater on five consecutive trading days during the two years after the closing date the Long Term Investor Right will terminate. The Long Term Investor Right will convert into common stock if our shares do not trade on their principal exchange at 200% of the Offering Price or greater on five consecutive trading days during the two years after the closing date. The formula to determine the amount of common stock to be issued on a Long Term Investor Right, which shall not exceed one share of common stock per Long Term Investor Right, will be: (i) *200% of the Offering Price* minus (ii) *the average of the highest consecutive closing prices in any 90 day trading period on the principal exchange during the two years after the closing date of this offering (the "Measurement Average"), divided by the Measurement Average.* See "Description of Capital Stock – Long Term Investor Right to Receive Additional Shares."
Public Offering Price	$9.00 per share
Use of proceeds	We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately $ (or approximately $ if the underwriter's option to purchase additional shares of our common stock from us is exercised in full), based upon the assumed initial public offering price of $ per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We expect to utilize these funds over the next 18 to 24 months to expand our sales and marketing activities, conduct clinical trial, complete pre-clinical trial development of the Orion I and for general working capital needs.
Market And Trading Symbol For The Common Stock	There is currently no public market for our common stock. We have applied for listing of our common stock on the Nasdaq Capital Market under the symbol "EYES".
Underwriter Common Stock Purchase Warrant	In connection with this offering, we have agreed to sell to MDB Capital Group, LLC and its designees a warrant to purchase up to 20% of the shares of common stock sold in this offering. The shares of common stock underlying the warrant will not include the Long Term Investor Right. If this warrant is exercised, each share may be purchased by MDB Capital Group, LLC at $11.25 per share (125% of the price of the shares sold in this offering). This warrant will have a five-year term and be subject to a six month lock-up from the effective date of the registration statement of which this prospectus is a part. See "Underwriting" for additional information.
Lock-Up Agreements	Our officers, directors, and 10% or greater holders of our equity securities as determined pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended, and certain of our consultants will have the securities they own locked up until the first anniversary of the Closing Date (the "One Year Lock-Up"). The number of currently outstanding shares of common stock subject to the One Year Lock-Up totals _____ shares and the number of shares underlying options, warrants, and convertible promissory notes subject to the One Year Lock-Up totals _____ shares. Employees and certain of our consultants owning [ ] shares of common stock and owning options to purchase [ ] shares of common stock agreed to lock up their shares for six months after completion of this offer. For more information about the lock-up agreements see "Underwriting - Lock-Up Agreements" in this prospectus.

Offering Termination	If our application to the Nasdaq Capital Market is not approved or we otherwise determine that we will not be able to secure the listing of the common stock on the Nasdaq Capital Market, we will not complete the offering.

The number of shares of our common stock to be outstanding after this offering is based on 31,043,835 shares of our common stock (including common stock issuable upon automatic conversion of the principal and interest upon completion of this offering) outstanding as of July 31, 2014, and excludes:

- 2,540,698 shares of our common stock issuable upon exercise of outstanding options;
- 1,180,766 shares of our common stock issuable upon exercise of outstanding warrants;
- 677,015 shares of our common stock, net of exercises, reserved for future grants pursuant to our Plan;
- up to 3,500,000 shares of our common stock that may be issued under the terms of the Long Term Investor Right (excluding shares that may be issued under terms of Long Term Investment Right on exercise of the underwriters over-allotment option); and
- the shares of our common stock issuable upon exercise of the underwriter's warrant.

Except as otherwise indicated, this prospectus assumes:

- the automatic conversion of $29,519,162 principal amount of our 7.5% unsecured convertible debt into an aggregate of 6,505,832 shares of common stock, of which 5,903,833 shares are payments of principal and 601,999 shares are payments of interest in kind, computed as of July 31, 2014, effective upon the completion of this offering; and
- no exercise of the underwriter's over-allotment option (nor shares of our common stock that may be issued under the terms of the Long Term Investment Right on the exercise of that over-allotment option).

SUMMARY SELECTED FINANCIAL INFORMATION

The following selected consolidated financial and other data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. We have derived the following selected consolidated statement of operations data for the years ended December 31, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected unaudited consolidated statement of operations data for the three months ended March 31, 2013 and 2014, and the selected unaudited consolidated balance sheet data as of March 31, 2014, from our unaudited interim consolidated financial statements included elsewhere in this prospectus. We have included all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results to be expected in the future, and our interim results are not necessarily indicative of the results to be expected for the full year or any other period.

Consolidated Statement of Operations Data:

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2012	2014	2013
			Unaudited	Unaudited
Product revenue	$ 1,564,933	$ 1,367,224	$ 656,726	$ 451,875
Cost of sales:				
Cost of goods sold	1,110,222	992,214	345,268	416,398
Production process development	4,519,098	3,404,532	382,165	1,480,781
Total cost of sales	5,629,320	4,396,746	727,433	1,897,179
Gross loss	(4,064,387)	(3,029,522)	(70,707)	(1,445,304)
Operating expenses:				
Research and development, net of grant revenue	3,248,466	3,045,157	1,039,486	1,079,478
Clinical and regulatory	3,215,290	3,726,556	594,662	811,410
Selling and marketing	3,301,452	2,194,590	1,254,503	613,779
General and administrative	4,167,934	4,025,558	1,497,127	993,921
Total operating expenses	13,933,142	12,991,861	4,385,778	3,498,588
Loss from operations	(17,997,529)	(16,021,383)	(4,456,485)	(4,943,892)
Interest income	7,454	7,512	2,823	1,880
Interest expense on convertible notes	(1,588,687)	(138,934)	(545,900)	(219,801)
Amortization of discount on convertible notes	(3,424,931)	(128,097)	(1,440,017)	(285,596)
Other income	34,768	1,775	826	65
Net loss	$ (22,968,925)	$ (16,279,127)	$ (6,438,753)	$ (5,447,344)
Net loss per share	$ (1.02)	$ (0.74)	$ (0.28)	$ (0.24)
Weighted average numbers of shares outstanding:				
Basic and diluted	22,521,432	21,945,580	23,072,693	22,377,155

Consolidated Balance Sheet Data:

	December 31,		March 31,
	2013	2012	2014
			Unaudited
Cash	$ 62,565	$ 144,754	$ 452,566
Money market funds	8,611,614	4,310,038	4,130,855
Working capital	9,104,436	4,275,975	5,883,001
Total assets	12,673,421	7,992,575	9,684,567
Convertible notes payable	19,211,112	8,273,356	21,197,029
Stockholders' deficit	(9,221,071)	(3,043,823)	(14,406,198)

RISK FACTORS

We are subject to various risks that may materially harm our business, prospects, financial condition and results of operations. An investment in our common stock is speculative and involves a high degree of risk. In evaluating an investment in shares of our common stock, you should carefully consider the risks described below, together with the other information included in this prospectus.

If any of the events described in the following risk factors actually occurs, or if additional risks and uncertainties that are not presently known to us or that we currently deem immaterial later materialize, then our business, prospects, results of operations and financial condition could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our shares. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to Our Dependence on the ARGUS II System

We depend on the success of our first commercial product, the Argus II System, which received European market clearance (CE Mark) in February 2011 and FDA approval in February 2013, in the United States for RP; and on the regulatory approval of our current product and a new device under development, the Orion I visual prosthesis (a modified version of the Argus II System), to treat other diseases causing blindness, in the US and other countries, which may never occur.

Our future success depends upon building a commercial operation in the US and expanding growth in Europe as well as entering additional markets to commercialize our Argus II System for both RP and AMD. We believe our expanded growth will depend on the further development, regulatory approval and commercialization of the Orion I product, which we anticipate can be used by nearly all profoundly blind individuals. If we fail to expand the use of the Argus II System in a timely manner for other forms of retinal degeneration in addition to RP, or to develop the Orion I product and penetrate the available markets which those applications are intended to serve, we may not be able to expand our markets or to grow our revenue, our stock values could decline and investors may lose money.

Our revenue from sales of Argus II System is dependent upon the pricing and reimbursement guidelines adopted in each country and if pricing and reimbursement levels are inadequate to achieve profitability our operations will suffer.

Our financial success is dependent on our ability to price our products in a manner acceptable to government and private payers while still maintaining our profit margins. Numerous factors that may be beyond our control may ultimately impact our pricing of Argus II System and determine whether we are able to obtain reimbursement or reimbursement at adequate levels from governmental programs and private insurance. If we are unable to obtain reimbursement or our product is not adequately reimbursed, we will experience reduced sales, our revenues likely will be adversely affected, and we may not become profitable.

Obtaining reimbursement approvals is time consuming, requires substantial management attention, and is expensive. Our business will be materially adversely affected if we do not receive approval for reimbursement of the Argus II System under government programs and from private insurers on a timely or satisfactory basis. Limitations on coverage could also be imposed at the local Medicare Administrative Contractor level or by fiscal intermediaries in the US and by regional, or national funding agencies in Europe. Our business could be materially adversely affected if the Medicare program, local Medicare Administrative Contractors or fiscal intermediaries were to make such a determination and deny, restrict or limit the reimbursement of Argus II System. Similarly in Europe these governmental and other agencies could deny, restrict or limit the reimbursement of Argus II System at the hospital, regional or national level. Our business also could be adversely affected if retinal specialists and the facilities within which they operate are not adequately reimbursed by Medicare and other funding agencies for the cost of the procedure in which they implant the Argus II System on a basis satisfactory to the administering retinal specialists and their facilities. If the local contractors that administer the Medicare program and other funding agencies are slow to reimburse retinal specialists or provider facilities for the Argus II System, the retinal specialists may delay their payments to us, which would adversely affect our working capital requirements. Also if the funding agencies delay reimbursement payments to the hospitals, any increase to their working capital requirements could reduce their willingness to treat blind patients who wish to have our devices implanted. If reimbursement for our products is unavailable, limited in scope or amount, or if pricing is set at unsatisfactory levels, our business will be materially harmed.

Our commercial and financial success depends on the Argus II System being accepted in the market, and if not achieved will result in our not being able to generate revenues to support our operations.

Even if we are able to obtain favorable reimbursement within the markets that we serve, commercial success of our products will depend, among other things, on their acceptance by retinal specialists, ophthalmologists, general practitioners, low vision therapists and mobility experts, hospital purchasing and controlling departments, patients, and other members of the medical community. The degree of market acceptance of any of our product candidates will depend on factors that include:

- cost of treatment,
- pricing and availability of future alternative products,
- the extent of available third-party coverage or reimbursement,
- perceived efficacy of Argus II System relative to other future products and medical solutions, and
- prevalence and severity of adverse side effects associated with treatment.

The activities of competitive medical device companies, or others, may limit Argus II System's revenue.

Our commercial opportunities for Argus II System may be reduced if our competitors develop or market products that are more effective, are better tolerated, receive better reimbursement terms, are more accepted by physicians, have better distribution channels, or are less costly.

Currently, to our knowledge, no other medical devices comparable to the Argus II System have been approved by regulatory agencies, both in the US and Europe, to restore some functional vision in persons who have become blind due to RP. Other visual prosthesis companies such as Retina Implant AG and Pixium Vision, both based in Europe, are developing retinal implant technologies to partially restore some vision in blind patients. Retina Implant has obtained a CE mark for its Alpha IMS product but has not yet sold it to our knowledge, and to our knowledge neither Retina Implant nor Pixium has filed for market approval with the FDA, nor to our knowledge has either company obtained an Investigational Device Exemption to begin the required clinical trials in the US. These competitive therapies if or when developed or brought to market may result in pricing and market access pressure even if Argus II System is otherwise viewed as a preferable therapy.

Many privately and publicly funded universities and other organizations are engaged in research and development of potentially competitive products and therapies, such as stem cell and gene therapies, some of which may target RP and other indications as our product candidates. These organizations include pharmaceutical companies, biotechnology companies, public and private universities, hospital centers, government agencies and research organizations. Our competitors include large and small medical device and biotechnology companies that may have significant access to capital resources, competitive product pipelines, substantial research and development staffs and facilities, and substantial experience in medical device development.

We may face substantial competition in the future and may not be able to keep pace with the rapid technological changes which may result from others discovering, developing or commercializing products before or more successfully than we do.

In general the development and commercialization of new medical devices is highly competitive and is characterized by extensive research and development and rapid technological change. Our customers consider many factors including product reliability, clinical outcomes, product availability, inventory consignment, price and product services provided by the manufacturer. Market share can shift as a result of technological innovation and other business factors. We believe these risk factors are partially mitigated by the Argus II System being the sole product that is currently available for commercial implantation in the US and Europe. Major shifts in industry market share have occurred in connection with product problems, physician advisories and safety alerts, reflecting the importance of product quality in the medical device industry, and any quality problems with our processes, goods and services could harm our reputation for producing high-quality products and would erode our competitive advantage, sales and market share. Our competitors may develop products or other novel technologies that are more effective, safer or less costly than any that we are developing and if those products gain market acceptance our revenue and financial results could be adversely affected.

If we fail to develop new products or enhance existing products, our leadership in the markets we serve could erode, and our business, financial condition and results of operations may be adversely affected.

Risks Related to Our Business and Industry

We have incurred operating losses since inception and may continue to incur losses for the foreseeable future.

We have had a history of operating losses and we expect that operating losses will continue into the near term. Although we have had sales of the Argus II product, these limited sales have not been sufficient to cover our operating expenses. Our ability to generate positive cash flow will also hinge on our ability to correctly price our product to our markets, expand the use of the Argus II System, develop the Orion I visual prosthesis and obtain government and private insurance reimbursement. As of March 31, 2014 we have total stockholders' deficiency of $14,406,198, and an accumulated deficit of $117,462,721 as of December 31, 2013. We cannot assure you that we will be profitable even if we successfully commercialize our products. Failure to become and remain profitable may adversely affect the market price of our common stock and our ability to raise capital and continue operations.

We may be unable to continue as a going concern if we do not successfully raise additional capital or if we fail to generate sufficient revenue from operations.

Our independent registered public accounting firm has issued an unqualified opinion with an explanatory paragraph to the effect that there is substantial doubt about our ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. The factors giving rise to this unqualified opinion with an explanatory paragraph could have a material adverse effect on our business, financial condition, results of operations and cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 1 to Notes To Consolidated Financial Statements included elsewhere in this prospectus.

Primarily as a result of our limited revenue, history of losses to date and our lack of liquidity, there is substantial uncertainty as to our ability to continue as a going concern. If we are unable to raise additional capital or if we are unable to generate sufficient revenue from our operations, we may not stay in business. We have no committed sources of capital and there is no assurance that additional financing will be available when needed on terms that are acceptable, if at all. These circumstances may discourage some investors from purchasing our stock, lending us money, or from providing alternative forms of financing. The failure to satisfy our capital requirements would adversely affect our business, financial condition, results of operations and prospects. Unless we raise additional funds, either through the sale of equity securities or one or more collaborative arrangements, we will not have sufficient funds to continue operations. Even if we take these actions, they may be insufficient, particularly if our costs are higher than projected or unforeseen expenses arise.

Our business is subject to international economic, political and other risks that could negatively affect our results of operations or financial position.

We derive a significant portion of our revenues from Europe, and we anticipate that revenue from Europe and other countries outside the US will increase. Accordingly, our operations are subject to risks associated with doing business internationally, including

- currency exchange variations,
- extended collection timelines for accounts receivable;
- greater working capital requirements;
- multiple legal Systems and unexpected changes in legal and regulatory requirements;

- the need to ensure compliance with the numerous regulatory and legal requirements applicable to our business in each of these jurisdictions and to maintain an effective compliance program to ensure compliance with these requirements,
- political changes in the foreign governments impacting health policy and trade,
- tariffs, export restrictions, trade barriers and other regulatory or contractual limitations that could impact our ability to sell or develop our products in certain foreign markets,
- trade laws and business practices favoring local competition,
- adverse economic conditions, including the stability and solvency of business financial markets, financial institutions and sovereign nations and the healthcare expenditure of domestic or foreign nations.

The realization of any of these or other risks associated with operating in Europe or other non-U.S. countries could have a material adverse effect on our business, results of operations or financial condition.

We are subject to stringent domestic and foreign medical device regulation and any unfavorable regulatory action may materially and adversely affect our financial condition and business operations.

Our products, development activities and manufacturing processes are subject to extensive and rigorous regulation by numerous government agencies, including the FDA and comparable foreign agencies. To varying degrees, each of these agencies monitors and enforces our compliance with laws and regulations governing the development, testing, manufacturing, labeling, marketing, distribution, and the safety and effectiveness of our medical devices. The process of obtaining marketing approval or clearance from the FDA and comparable foreign bodies for new products, or for enhancements, expansion of the indications or modifications to existing products, could:

- take a significant, indeterminate amount of time,
- require the expenditure of substantial resources,
- involve rigorous pre-clinical and clinical testing, and possibly post-market surveillance,
- involve modifications, repairs or replacements of our products
- require design changes of our products,
- result in limitations on the indicated uses of our products, and
- result in our never being granted the regulatory approval we seek.

Any of these occurrences that we might experience will cause our operations to suffer, harm our competitive standing and result in further losses that adversely affect our financial condition.

We have ongoing responsibilities under FDA and international regulations, both before and after a product is commercially released. For example, we are required to comply with the FDA's Quality System Regulation (QSR), which mandates that manufacturers of medical devices adhere to certain quality assurance requirements pertaining among other things to validation of manufacturing processes, controls for purchasing product components, and documentation practices. As another example, the Medical Device Reporting regulation requires us to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, that a malfunction occurred which would be likely to cause or contribute to a death or serious injury upon recurrence. Compliance with applicable regulatory requirements is subject to continual review and is monitored rigorously through periodic inspections by the FDA. If the FDA were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical devices are ineffective or pose an unreasonable health risk, the FDA could ban such medical devices, detain or seize such medical devices, order a recall, repair, replacement, or refund of such devices, or require us to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. The FDA has been increasing its scrutiny of the medical device industry and the government is expected to continue to scrutinize the industry closely with inspections and possibly enforcement actions by the FDA or other agencies. Additionally, the FDA may restrict manufacturing and impose other operating restrictions, enjoin and restrain certain violations of applicable law pertaining to medical devices and assess civil or criminal penalties against our officers, employees, or us. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products. In addition, negative publicity and product liability claims resulting from any adverse regulatory action could have a material adverse effect on our financial condition and results of operations.

The number of preclinical and clinical tests that will be required for regulatory approval varies depending on the disease or condition to be treated, the jurisdiction in which we are seeking approval and the regulations applicable to that particular medical device. Regulatory agencies, including those in the US, Canada, Europe and other countries where medical devices are regulated, can delay, limit or deny approval of a product for many reasons. For example,

- a medical device may not be safe or effective,
- regulatory agencies may interpret data from preclinical and clinical testing differently than we do,
- regulatory agencies may not approve our manufacturing processes,
- regulatory agencies may conclude that our device does not meet quality standards for durability, long-term reliability, biocompatibility, electromagnetic compatibility, electrical safety, and
- regulatory agencies may change their approval policies or adopt new regulations.

The FDA may make requests or suggestions regarding conduct of our clinical trials, resulting in an increased risk of difficulties or delays in obtaining regulatory approval in the US. Any of these occurrences could prove materially harmful to our operations and business.

We are also subject to stringent government regulation in European and other foreign countries, which could delay or prevent our ability to sell our products in those jurisdictions.

We intend to pursue market authorizations for the Argus II System and other product candidates in additional jurisdictions. For us to market our products in Europe and some other international jurisdictions, we and our distributors and agents must obtain required regulatory registrations or approvals. The approval procedure varies among countries and jurisdictions and can involve additional testing and the time and costs required to obtain approval may differ from that required to obtain an approval by the FDA. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by the FDA. Violations of foreign laws governing use of medical devices may lead to actions against us by the FDA as well as by foreign authorities. We must also comply with extensive regulations regarding safety, efficacy and quality in those jurisdictions. We may not be able to obtain all the required regulatory registrations or approvals, or we may be required to incur significant costs in obtaining or maintaining any regulatory registrations or approvals we receive. Delays in obtaining any registrations or approvals required for marketing our products, failure to receive these registrations or approvals, or future loss of previously obtained registrations or approvals would limit our ability to sell our products internationally. For example, international regulatory bodies have adopted various regulations governing product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. These regulations vary from country to country. In order to sell our products in Europe, we must maintain our ISO 13485:2003 certification and CE mark certification, which is an international symbol of quality and compliance with applicable European medical device directives. Failure to maintain the ISO 13485:2003 certification or CE mark certification or other international regulatory approvals would prevent us from selling in some countries in Europe and elsewhere. The failure to obtain these approvals could harm our business materially.

Even if we obtain clearance or approval to sell our products, we are subject to ongoing requirements and inspections that could lead to the restriction, suspension or revocation of our clearance.

We, as well as any potential collaborative partners such as distributors, will be required to adhere to applicable FDA regulations regarding good manufacturing practice, which include testing, control, and documentation requirements. We are subject to similar regulations in foreign countries. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. Ongoing compliance with good manufacturing practice and other applicable regulatory requirements is strictly enforced in the United States through periodic inspections by state and federal agencies, including the FDA, and in international jurisdictions by comparable agencies. Failure to comply with these regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure to obtain premarket clearance or premarket approval for devices, withdrawal of approvals previously obtained, and criminal prosecution. The restriction, suspension or revocation of regulatory approvals or any other failure to comply with regulatory requirements would limit our ability to operate and could increase our costs.

The CE marking regulations are subject to a significant effort to strengthen the regulatory regime for medical devices which, if adopted, will make clearance process more time consuming and costly for us to obtain access to and continue to market within the European markets.

We are subject to an annual audit of compliance with the rules necessary to support our CE Mark. In 2012 the European Commission proposed a new regulatory scheme which is likely to come into effect in 2015 or 2016. It is anticipated that that the proposals which are currently being discussed by the Council of the European Union, will impose significant additional obligations on medical device companies. The Council of the European Union expects that the proposals will be definitively adopted by the end of 2014 or early 2015. If it proves possible to adhere to this time line, the new Regulation on medical devices would enter into force by 2016. Devices with a current CE marking may have to comply with additional, more challenging regulatory obligations, the details of which are not yet clarified. We expect changes being made to the Regulation will include stricter requirements for clinical evidence and pre-market assessment of safety and performance, new classifications to indicate risk levels, requirements for third party testing by government accredited groups for some types of medical devices, and tightened and streamlined quality management system assessment procedures. Additionally we anticipate that the new Regulations will require clinical evidence as well as analytical performance levels, the details of which are yet to be provided. If the additional provisions proposed by the European Parliament are adopted, this could lead to the involvement of the European Medicines Agency (EMA) in regulation of some types of medical devices, in the qualification and monitoring of notified bodies (NBs), and enhancing the roles of other bodies, including a new Medical Devices Coordination Group (MDCG). The Parliament's proposed revisions would impose enhanced competence requirements for NBs and "special notified bodies" (SNBs) for specific categories of devices, such as implantable devices. This could result in stricter conformity assessment procedures. Although the extent of the new regulations is currently uncertain the medical device industry anticipates that there will be significant changes under these initiatives to the regulation of medical devices which will increase the time and costs for obtaining CE marking.

We have no large scale manufacturing experience, which could limit our growth.

Our limited manufacturing experience may not enable us to make products in the volumes that would be necessary for us to achieve a significant amount of commercial sales. Our product involves new and technologically complex materials and processes and we currently experience low yields on our manufacturing process. As we move from making small quantities of our product for clinical trials to larger quantities for commercial distribution, we must develop new manufacturing techniques and processes that allow us to scale production. We may not be able to establish and maintain reliable, efficient, full scale manufacturing at commercially reasonable costs in a timely fashion. Difficulties we encounter in manufacturing scale-up, or our failure to implement and maintain our manufacturing facilities in accordance with good manufacturing practice regulations, international quality standards or other regulatory requirements, could result in a delay or termination of production. To date, our manufacturing activities have largely been to provide units for clinical testing and limited initial sales of the Argus II System. We may face substantial difficulties in establishing and maintaining manufacturing for our products at a larger commercial scale and those difficulties may impact the quality of our products and adversely affect our ability to increase sales.

Materials necessary to manufacture Argus II may not be available on commercially reasonable terms, or at all, which may delay development, manufacturing and commercialization of our products.

We rely on various suppliers to provide materials, components and services necessary to produce the Argus II System and next generation product candidates. These suppliers may be unable or unwilling to deliver these materials and services to us timely as needed or on commercially reasonable terms. Should this occur, we would seek to qualify alternative suppliers or develop in-house manufacturing capability, but may be unable to do so. Substantial design or manufacturing process modifications might be required to facilitate an alternate supplier. Even where we could qualify alternative suppliers the substitution of suppliers may be at a higher cost and cause time delays including delays associated with additional possible FDA review, that impede the commercial production of the Argus II System, reduce gross profit margins and impact our abilities to deliver our products as may be timely required to meet demand.

Any failure or delay in completing clinical trials or studies for new product candidates or next generation of the Argus II System and the expense of those trials could adversely affect our business.

Preclinical studies and clinical trials required to demonstrate the safety and efficacy of incremental changes and obtain indication expansion for the next generation of the Argus II System and for new product candidates are time consuming and expensive. If we are required to conduct additional clinical trials or other studies with respect to any of our product candidates beyond those that we have contemplated, if we are unable to successfully complete our clinical trials or other studies or if the results of these trials or studies are not positive or are only modestly positive, we may be delayed in obtaining marketing approval for those product candidates, we may not be able to obtain marketing approval or we may obtain approval for indications that are not as broad as intended. Our product development costs also will increase if we experience delays in testing or approvals.

The completion of clinical trials for our product candidates could be delayed because of our inability to manufacture or obtain from third-parties materials sufficient for use in preclinical studies and clinical trials; delays in patient enrollment and variability in the number and types of patients available for clinical trials; difficulty in maintaining contact with patients after treatment, resulting in incomplete data; poor effectiveness of product candidates during clinical trials; unforeseen safety issues or side effects; and governmental or regulatory delays and changes in regulatory requirements and guidelines.

If we incur significant delays in our clinical trials, our competitors may be able to bring their products to market before we do which could result in harming our ability to commercialize our products or potential products. If we experience any of these occurrences our business will be materially harmed.

To establish our sales and marketing infrastructure, we will need to grow the size of our organization, and we may experience delays or other difficulties in managing this growth.

As our development and commercialization plans and strategies evolve, we will need to expand the size of our employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. Our management team may have to use a substantial amount of time to managing these growth activities. Our future financial performance and our ability to commercialize the Argus II System and our other product candidates and compete effectively will depend, in part, on our ability timely and effectively to manage any future growth and related costs. We may not be able to effectively manage a rapid pace of growth and timely implement improvements to our management infrastructure and control systems.

We may acquire additional businesses or form strategic alliances in the future, and we may not realize the benefits of such acquisitions or alliances.

We may acquire additional businesses or products, form strategic alliances or create joint ventures with third-parties that we believe will complement or augment our existing business. If we acquire businesses with promising markets or technologies, we may not be able to realize the benefit of acquiring such businesses if we are unable to successfully integrate them with our existing operations and company culture. We may have difficulty in developing, manufacturing and marketing the products of a newly acquired company that enhances the performance of our combined businesses or product lines to realize value from expected synergies. We cannot assure that, following an acquisition, we will achieve the revenues or specific net income that justifies the acquisition.

If we lose key management personnel, or if we fail to recruit additional highly skilled personnel, our ability to identify, develop and commercialize new or next generation product candidates will be impaired, could result in loss of markets or market share and could make us less competitive.

We are highly dependent upon the principal members of our management team, including Robert J. Greenberg M.D., Ph.D., our President and Chief Executive Officer, Thomas B Miller, our Chief Financial Officer, and other members of our senior management team. Our executives have significant ophthalmic, regulatory industry, sales and marketing, operational, and/or corporate finance experience. The loss of any management executive or any other principal member of our management team could impair our ability to identify, develop and market new products or effectively deal with regulatory and reimbursement matters.

Our ability to utilize and benefit from our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2013, we had federal and state of California income tax net operating loss carryforwards, which may be applied to future taxable income, of approximately $94,882,000 and $94,491,000, respectively. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until these unused losses expire. However, we may be unable to use these losses to offset taxable income before our unused losses expire at various dates that range from 2023 through 2033. Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," generally defined as a greater than 50 percentage point change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss, or NOL, carryforwards to offset its post-change taxable income may be limited. Limitations may also apply to the utilization of other pre-change tax attributes as a result of an ownership change. We have experienced ownership changes in the past. We may experience additional ownership changes in connection with this offering and in the future as a result of shifts in our stock ownership, including shifts in our stock ownership that are outside of our control. As a result, our ability to use our pre-change NOL carryforwards to offset taxable income may be subject to limitations. In addition, there may be periods during which the use of NOL carryforwards is suspended or otherwise limited under state tax law. For these reasons, we may not be able to utilize and benefit from a material portion of our NOL carryforwards and other tax attributes.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We intend to adopt policies for compliance with these anti-bribery laws, which often carry substantial penalties. We cannot assure you that our internal control policies and procedures always will protect us from reckless or other inappropriate acts committed by our affiliates, employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

Risks Related to Intellectual Property and Other Legal Matters

If we or our licensors are unable to protect our/their intellectual property, then our financial condition, results of operations and the value of our technology and products could be adversely affected.

Patents and other proprietary rights are essential to our business and our ability to compete effectively with other companies is dependent upon the proprietary nature of our technologies. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop, maintain and strengthen our competitive position. We seek to protect these, in part, through confidentiality agreements with certain employees, consultants and other parties. Our success will depend in part on the ability of our licensors to obtain, maintain (including making periodic filings and payments) and enforce patent protection for their intellectual property, in particular, those patents to which we have secured exclusive rights. Our licensors may not successfully prosecute or continue to prosecute the patent applications which we have licensed. Even if patents are issued in respect of these patent applications, we or our licensors may fail to maintain these patents, may determine not to pursue litigation against entities that are infringing upon these patents, or may pursue such enforcement less aggressively than we ordinarily would. Without adequate protection for the intellectual property that we own or license, other companies might be able to offer substantially identical products for sale, which could unfavorably affect our competitive business position and harm our business prospects.

Even if issued, patents may be challenged, invalidated, or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the length of term of patent protection that we may have for our products.

Litigation or third-party claims of intellectual property infringement or challenges to the validity of our patents would require us to use resources to protect our technology and may prevent or delay our development, regulatory approval or commercialization of improvements in the Argus II System or new product candidates. Further, the validity of some of our patents has been challenged.

Pixium Vision (PV) has filed oppositions in the European Patent Office (EPO) challenging the validity of six European patents owned or exclusively licensed by Second Sight. Two of the patents are owned by Johns Hopkins University (JHU) and exclusively licensed to Second Sight. Four of the patents are owned by Second Sight. Second Sight was successful in the opposition division in the two JHU cases. However, at the appeal level one of the JHU patents was preserved and one of JHU patents was invalidated. In the third proceeding PV was successful in the opposition division, and we have appealed. In the fourth case we were successful in the opposition division. The last two have not reached a hearing in the opposition division. We have opposed one Pixium patent, which has not reached a hearing in the opposition division. These challenges to our patent portfolio, if successful, may affect our ability to block competitors from utilizing this intellectual property, but in our view have no material effect on our ability to make and sell the Argus II System or otherwise have any material effect upon us. These EPO proceedings involving us and PV include:

- EP 1061874 *Visual Prosthesis* – upheld by the opposition and appellate divisions.
- EP 1061996 *Apparatus for Preferential Outer Retinal Stimulation* – upheld by the opposition division, lost in the appellate division.
- EP 1171188 *Retinal Color Prosthesis for Color Sight Restoration* – successfully opposed in the opposition division, pending before the Board of Appeal.
- EP2219728 Electrode Array for Even Neural Pressure Having Multiple Attachment Points – successfully upheld in the Opposition Division.
- EP1937352 *Sub-threshold Stimulation to Precondition Neurons for Supra-threshold Stimulation* – opposition hearing is scheduled for January 21, 2015 in Munich, Germany.
- EP2192949 – *Return Electrode for a Flexible Circuit Electrode Array - o*pposition and response filed, pending hearing.
- EP1986733 (Pixium) – *Device with Flexible Multilayer System for Contacting or Electro-stimulation of Living Tissue Cells or Nerves*– Opposition and response filed. We have a favorable preliminary opinion and the hearing is set for March 11, 2015 in Munich, Germany. However, there is no assurance that the result following a hearing will be in our favor.

If we are the target of claims by third parties asserting that our products or intellectual property infringe upon the rights of others we may be forced to incur substantial expenses or divert substantial employee resources from our business and, if successful, those claims could result in our having to pay substantial damages or prevent us from developing one or more product candidates. Further, if a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

If we experience patent infringement claims, or if we elect to avoid potential claims others may be able to assert, we or our collaborators may choose to seek, or be required to seek, a license from the third-party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which would give our competitors access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement claims, we or our collaborators are unable to enter into licenses on acceptable terms. This could harm our business significantly. The cost to us of any litigation or other proceeding, regardless of its merit, even if resolved in our favor, could be substantial. Some of our competitors may be able to bear the costs of such litigation or proceedings more effectively than we can because of their having greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Intellectual property litigation and other proceedings may, regardless of their merit, also absorb significant management time and employee resources.

If we fail to comply with our obligations in the agreements under which we license development or commercialization rights to products or technology from third-parties, we could lose license rights that are important to our business.

We hold exclusive licenses from Johns Hopkins University, Duke University, and the Doheny Eye Institute to intellectual property relating to the Argus II visual prosthesis. These licenses impose various commercialization, milestone payment, profit sharing, insurance and other obligations on us. If we fail to comply with any material obligations, the licensor will have the right to terminate the applicable license, which covers part of the system of the eye implant and thus will be a barrier to manufacture the Argus II System and impair our ability to sell the Argus II. The existing or future patents to which we have rights based on our agreements with Johns Hopkins University, Duke University and the Doheny Eye Institute may be too narrow to prevent third-parties from developing or designing around these patents. Additionally, we may lose our rights to the patents and patent applications we license in the event of a breach or termination of the license agreement. Each license expires with the expiration of the last of the licensed patents. In the case of JHU, the license will expire March 13, 2018. While the JHU agreement includes a patent which is a significant obstacle to our competitors, it is one of many other patents which in our view present material obstacles to our competitors. The DEI license includes ongoing research, making the expiration date indeterminate, but in any event the expiration date is no earlier than August 8, 2033. The total aggregate royalty on both agreements does not exceed 3.25% of Argus II System net sales. All of the patents in the DEI agreement are co-owned with the Doheny Eye Institute. We license the Doheny Eye Institute's interest in the patents to maintain our exclusive use on that intellectual property. Should the license terminate we retain the right to utilize the intellectual property, but may not be able to prevent others from doing so, in which case we may lose a competitive advantage.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

In addition to patented technology, we rely upon, among other things, unpatented proprietary technology, processes, trade secrets and know-how. Any involuntary disclosure to or misappropriation by third-parties of our confidential or proprietary information could enable competitors to duplicate or surpass our technological achievements, potentially eroding our competitive position in our market. We seek to protect confidential or proprietary information in part by confidentiality agreements with our employees, consultants and third-parties. While we require all of our employees, consultants, advisors and any third-parties who have access to our proprietary know-how, information and technology to enter into confidentiality agreements, we cannot be certain that this know-how, information and technology will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. These agreements may be terminated or breached, and we may not have adequate remedies for any such termination or breach. Furthermore, these agreements may not provide meaningful protection for our trade secrets and know-how in the event of unauthorized use or disclosure. To the extent that any of our staff were previously employed by other pharmaceutical, medical technology or biotechnology companies, those employers may allege violations of trade secrets and other similar claims in relation to their medical device development activities for us.

If we are unable to protect the intellectual property used in our products, others may be able to copy our innovations which may impair our ability to compete effectively in our markets.

The strength of our patents involves complex legal and scientific questions and can be uncertain. As of August 11, 2014 we have 294 issued patents and 173 pending patent applications on a worldwide basis. Our patent applications may be challenged or fail to result in issued patents and our existing or future patents may be too narrow to prevent third-parties from developing or designing around our intellectual property and in that event we may lose competitive advantage and our business may suffer.

Further, the patent applications that we license or have filed may fail to result in issued patents. The claims may need to be amended. Even after amendment, a patent may not issue and in that event we may not obtain the exclusive use of the intellectual property that we seek and may lose competitive advantage which could result in harm to our business.

Third-party claims of intellectual property infringement may prevent or delay our commercialization efforts for Argus II and our development and commercialization activities for other product candidates.

Although we are not currently aware of any litigation or other proceedings or third-party claims of intellectual property infringement related to the Argus II System, the medical device industry is characterized by many litigation cases regarding patents and other intellectual property rights. Other parties may in the future allege that our activities infringe their patents or that we are employing their proprietary technology without authorization. We may not have identified all the patents, patent applications or published literature that affect our business either by blocking our ability to commercialize our product, by preventing the patentability of one or more aspects of our products or those of our licensors or by covering the same or similar technologies that may affect our ability to market our product.

In addition, even in the absence of litigation, we may need to obtain licenses from third-parties to advance our research or allow commercialization of our product candidates, and we have done so from time to time. We may fail to obtain future licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly.

We may become involved in future lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may file infringement claims, which can be expensive and time consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours or of our licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

The US Patent and Trademark Office may initiate interference proceedings to determine the priority of inventions described in or otherwise affecting our patents and patent applications or those of our collaborators or licensors. An unfavorable outcome could require us to cease using the technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if a prevailing party does not offer us a license on terms that are acceptable to us. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction of our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our proprietary rights, particularly in countries where the laws may not protect those rights as fully as in the US.

Product liability lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our products.

We face a risk of product liability claims arising from the prosthesis being inserted into the eye, and it is possible that we may be held liable for eye injuries of patients who receive our product. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forego further commercialization of one or more of our products. We maintain product liability insurance that cover our clinical trials and commercial sales, our aggregate coverage limit under these insurance policies for an amount of $5,000,000, and while we believe this amount of insurance currently is sufficient to cover our product liability exposure, these limits may not prove adequate to fully cover potential liabilities. In addition, we may not be able to obtain or maintain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims, which could prevent or inhibit the commercial production and sale of our products. If the use of our products harm or are alleged to harm people, we may be subject to costly and damaging product liability claims that exceed our policy limits and cause us significant losses that could seriously harm our financial condition or reputation.

CE Marking does not absolve us from strict conformity with all applicable European Union legislation and member state regulation where the product is offered and if we do not adhere to these directive and regulations we may incur fines and other penalties that will prevent or delay market penetration of our products.

The CE (European Conformity) marking is a symbol that manufacturers affix to products to indicate that a product conforms to all relevant EU rules and regulations and that the manufacturer has performed all necessary evaluation procedures. Although the CE mark allows manufacturers to place products on the market and permits free movement of goods, it is not a mark of approval by the EU. The manufacturer and its authorized representative in EU are responsible for all aspects of the product assessment, testing, documentation, declaration of conformity and CE marking, even where a formal processing agent, the notified body, is required, as in the case of non-European based manufacturers. In all cases the manufacturer and representative assume the full responsibility and liability even when using the services of a consultant or test laboratory. Liability is not transferrable to third parties, including the notified body which is required for processing the certification. Generally, there is strict liability applied to medical devices subject to the CE marking by directive 85/374/EEC, and testing and reporting does not change or reduce this liability.

Legislative or regulatory reform of the health care system in the US and foreign jurisdictions may adversely impact our business, operations or financial results.

Our industry is highly regulated and changes in law may adversely impact our business, operations or financial results. In March 2010, the Patient Protection and Affordable Care Act, or PPACA, and a related reconciliation bill were signed into law. This legislation changes the current system of healthcare insurance and benefits intended to broaden coverage and control costs. The law also contains provisions that will affect companies in the medical device industry and other healthcare related industries by imposing additional costs and changes to business practices.

Moreover, in some foreign countries, including countries in Europe and Canada, the pricing of approved medical devices is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take 12 months or longer after the receipt of regulatory approval and product launch. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. Our business could be materially harmed if reimbursement of our products is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels.

We cannot predict what healthcare reform initiatives may be adopted in the future. Further federal and state legislative and regulatory developments are likely, and we expect ongoing initiatives in the U.S and Europe. These reforms could have an adverse effect on our ability to obtain timely regulatory approval for new products and on anticipated revenues from the Argus II System and other product candidates, both of which may affect our overall financial condition.

We may incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance requirements.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and NASDAQ, have imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Our management and other personnel will be required to devote a substantial amount of time to these new compliance requirements. Moreover, these rules and regulations will substantially increase our legal and financial compliance costs and will make some activities more time consuming and costly. These rules and regulations will make it more difficult and more expensive for us to maintain our existing director and officer liability insurance or to obtain similar coverage from an alternative provider.

We are an "emerging growth company," and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

For so long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not "emerging growth companies," including not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions for so long as we are an "emerging growth company," which could be as long as five years following the completion of this offering. Investors may find our common stock less attractive because we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile or may decline.

We will be required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to furnish a report by our management on our internal control over financial reporting the year following our first annual report required to be filed with the SEC. The report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. If we are unable to assert that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

Risks Relating to Our Financial Results and Need for Financing

Fluctuations in our quarterly operating results and cash flows could adversely affect the price of our common stock.

The revenues we generate and our operating results will be affected by numerous factors such as:

- the commercial success of the Argus II System,
- our ability to obtain regulatory approval of the Argus II System in additional jurisdictions,
- the emergence of products that compete with our product candidates,
- the status of our preclinical and clinical development programs,
- variations in the level of expenses related to our existing product candidates or preclinical and clinical development programs,
- execution of collaborative, licensing or other arrangements, and the timing of payments received or made under those arrangements,
- any intellectual property infringement lawsuits to which we may become a party,
- and regulatory developments affecting our product candidates or those of our competitors, and
- our ability to obtain reimbursement from government or private payers.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Any quarterly fluctuations in our operating results and cash flows may cause the price of our stock to fluctuate substantially. We believe that, in the near term, quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

We will need additional capital beyond this offering to support our growth. Additional capital, may be difficult to obtain restricting our operations and resulting in additional dilution to our stockholders.

Our business will require additional capital for implementation of our long term business plan. Upon completion of this offering, we believe our cash, cash equivalents and other investments will be sufficient to fund our operations over approximately the next 18 to 24 months. However, the actual amount of funds that we will need for our business development will be determined by many factors, some of which are beyond our control, and we may need funds sooner than currently anticipated. These factors include:

- the amount of our future operating losses,
- third party expenses relating to the commercialization of Argus II System,
- the need and cost of conducting additional clinical trials of the Argus II System for other applications,
- the amount of our research and development, including research and development for Orion I visual prosthesis, marketing and general and administrative expenses, and
- regulatory changes and technological developments in our markets.

As we require additional funds, we may seek to fund our operations through the sale of equity securities, additional debt financing and strategic collaboration agreements. We cannot be sure that additional financing from any of these sources will be available when needed or that, if available, the additional financing will be obtained on terms favorable to us or our stockholders. If we raise additional funds by selling shares of our capital stock, the ownership interest of our current stockholders will be diluted. If we are unable to obtain additional funds on a timely basis or on terms favorable to us, we may be required to cease or reduce further commercialization of the Argus II System, to cease or reduce certain research and development projects, to sell some or all of our technology or assets or business units or to merge all or a portion of our business with another entity.

Risks Related to This Offering, the Securities Market, and Ownership of Our Common Stock

The price of our common stock may be volatile and the value of your investment could decline.

Medical technology stocks have historically experienced high levels of volatility. The trading price of our common stock following this offering may fluctuate substantially. Following the completion of this offering, the market price of our common stock may be higher or lower than the price you pay in the offering, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose substantially all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include:

- announcements of new offerings, products, services, therapies, treatments or technologies, commercial relationships, acquisitions or other events by us or our competitors,
- challenges to our patents and the patents underlying the patents and intellectual property that we license,
- United States and European approvals or denials of our products,
- price and volume fluctuations in the overall stock market from time to time,
- significant volatility in the market price and trading volume of technology companies in general,
- fluctuations in the trading volume of our shares or the size of our public float,
- actual or anticipated changes or fluctuations in our results of operations,
- whether our results of operations meet the expectations of securities analysts or investors,
- actual or anticipated changes in the expectations of investors or securities analysts,
- litigation involving us, our industry, or both,
- regulatory developments in the United States, foreign countries, or both,
- general economic conditions and trends,
- major catastrophic events,

- lockup releases, sales of large blocks of our common stock,
- departures of key employees, or
- an adverse impact on the company from any of the other risks cited herein.

In addition, if the market for medical technology stocks or the stock market, in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, results of operations and financial condition.

Sales of substantial amounts of our common stock in the public markets, including when the "lock-up" period ends, or the perception that sales might occur, could reduce the price of our common stock and may dilute your voting power and ownership interest in us.

Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Upon completion of this offering, we will have 34,543,835 shares of common stock outstanding. All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our "affiliates" as defined in Rule 144 under the Securities Act.

Subject to certain exceptions described under the caption "Underwriting," our directors, officers and our stockholders beneficially owning 10% or more of our common stock and certain of our consultants have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of common stock without the permission of the underwriter for a period of 12 months from the date of this prospectus. Certain of our employees and consultants have agreed to similar lock-up agreements for a period of six months from the date of this prospectus. When these lockup periods expire, the locked-up security holders will be able to sell shares in the public market. In addition, the underwriter may, in its sole discretion, release all or some portion of the shares subject to lock-up agreements prior to the expiration of the applicable lock-up period. See "Shares Eligible for Future Sale" for more information. Sales of a substantial number of such shares upon expiration, or the perception that such sales may occur, or early release of the lock-up, could cause our share price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Holders of up to approximately shares of our common stock including shares of common stock underlying the underwriter's warrant, will have rights, subject to some conditions, to require us to file a registration statement covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register the offer and sale of all shares of common stock that we may issue under our equity compensation plans.

Certain of our stockholders have the ability to control the outcome of matters submitted for stockholder approval and may have interests that differ from those of our other stockholders.

As of July 31, 2014 our executive officers, key employees, directors and their affiliates will beneficially own, in the aggregate approximately ___% of the outstanding voting power of our common stock after this offering. As a result, these stockholders, if acting together, may be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions. They may also have interests that differ from yours and may vote in a manner that is adverse to your interests. This concentration of voting power may have the effect of deterring, delaying or impeding actions that could be beneficial to you, including actions that may be supported by our Board of Directors, and deprive our shareholders of an opportunity to receive a premium for their common stock as part of sale of our company and might ultimately affect the market price of our common stock.

Our securities have no prior market and our stock price may decline after the offering.

Prior to this offering, there has been no public market for shares of our common stock. Although we have applied to list our common stock on the Nasdaq Capital Market, an active public trading market for our common stock may not develop or, if it develops, may not be maintained after this offering. For example, The Nasdaq Stock Market imposes certain securities trading requirements, including requirements related to a minimum bid price, minimum number of stockholders, minimum number of trading market makers, and minimum market value of publicly traded shares. Our company and the underwriter will negotiate to determine the initial public offering price. The initial public offering price may be higher than the trading price of our common stock following this offering. As a result, you could incur losses.

We have broad discretion in the use of proceeds and may allocate the net proceeds from this offering in ways that differ from the estimates discussed in the section titled "Use of Proceeds" with which you may not agree, and if we do not use those proceeds effectively your investment could be harmed.

We intend to use the proceeds of this offering to expand our sales and marketing efforts, enhance our current product, gain new marketing approvals, and continue research into next generation technology, as well as for working capital and general corporate purposes. The allocation of net proceeds of the offering set forth in "Use of Proceeds" in this prospectus below represents our estimates based upon our current plans and assumptions regarding industry and general economic conditions, and our future revenues and expenditures. Our management will have broad discretion over the specific use of the net proceeds that we receive in this offering and may find it necessary or advisable to use portions of the proceeds from this offering for other purposes. Circumstances that may give rise to a change in the use of proceeds and the alternate purposes for which the proceeds may be used are discussed in "Use of Proceeds". You may not have an opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use our proceeds and will need to rely upon the judgment of our management with respect to the use of proceeds. As a result, you and other stockholders may not agree with our decisions. If we do not use the net proceeds that we receive in this offering effectively, our business, results of operations and financial condition could be harmed.

Holders of common stock who purchase shares in this offering, but who do not register and continuously hold shares in their name for two years will lose the Long Term Investor Right and opportunity to receive additional shares from us if those Long Term Investor Rightsare triggered.

We are granting each purchaser of shares in this offering the Long Term Investor Right to receive for no additional investment or payment up to one additional share for each share purchased in this offering if the requirements discussed in "Description of Capital Stock – Long Term Investor Right to Receive Additional Shares" have been met including:

- the purchaser registers those shares in its name, either in certificate or book entry form, within 90 days following the closing date of this offering,
- the purchaser continuously holds those shares in its name until the second anniversary date of the closing date of this offering, and
- the price per share of our common stock does not trade at 200% of the offering price or greater for any five consecutive trading days during the two year period after the closing date of this offering.

If the holder of the shares fails timely to register of record and to hold the shares continuously for the two years after the closing date of this offering, or if the price per share of our common stock trades at 200% of the offering price or greater for any five consecutive trading days during the two year period after the closing date of this offering, the Long Term Investor Right will terminate and the holder will lose the opportunity to benefit from receipt of shares if this Long Term Investor Right is triggered

Registering and keeping the shares in holder's name can delay your ability to dispose of the shares and could cause partial or full loss of your investment in the event of a rapid decline in our share price.

Our shares might be susceptible to financial market volatility and other financial and business related risks that can cause the value of our shares to decline drastically within short period of time. If you register and keep your shares in your name there may be a delay your ability to timely dispose of your shares which can lead to partial or full loss of your investment.

Even if the Long Term Investor Right is triggered we will become obligated to deliver additional shares according to a formula limited to no more than one share for each share acquired in this offering which may still lead to partial or substantial loss of your investment.

Even if you have fully qualified your Long Term Investor Right and it is triggered for the delivery of up to one share on the two years anniversary of the closing date of this offering, you cannot be assured that you will recover your investment or avoid incurring a loss when the additional shares under the Long Term Investor Right are delivered to you.

Because the initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of our outstanding common stock following this offering, new investors will experience immediate and substantial dilution.

The initial public offering price of our common stock will be higher than the pro forma net tangible book value per share of our common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate dilution of $ per share, the difference between the price per share you pay (based on the assumed initial public offering price set forth on the cover page of this prospectus) for our common stock and the pro forma net tangible book value per share of our common stock as of March 31, 2014, after giving effect to the issuance of shares of our common stock in this offering. See "Dilution."

We do not intend to pay dividends for the foreseeable future and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

Future sales and issuances of our equity securities or rights to purchase our equity securities, including pursuant to our equity incentive plans, would result in dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

To the extent we raise additional capital by issuing equity securities; our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to existing stockholders.

If a public market for our common stock develops, it may be volatile. This volatility may affect the ability of our investors to sell their shares as well as the price at which they sell their shares.

If a market for our common stock develops, the market price for the shares may be significantly affected by factors such as variations in quarterly and yearly operating results, general trends in the medical device industry, and changes in state or federal regulations affecting us and our industry. Furthermore, in recent years the stock market has experienced extreme price and volume fluctuations that are unrelated or disproportionate to the operating performance of the affected companies. Such broad market fluctuations may adversely affect the market price of our common stock, if a market for it develops.

Substantial future sales of shares of our common stock in the public market could cause our stock price to fall.

If our common stockholders (including those persons who may become common stockholders upon exercise of our options or warrants) sell substantial amounts of our common stock, or the public market perceives that stockholders might sell substantial amounts of our common stock, the market price of our common stock could decline significantly. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that our management deems appropriate.

We have the right to issue shares of preferred stock. If we were to issue preferred stock, it is likely to have rights, preferences and privileges that may adversely affect the common stock.

We are authorized to issue 10,000,000 shares of "blank check" preferred stock, with such rights, preferences and privileges as may be determined from time-to-time by our board of directors. Our board of directors is empowered, without stockholder approval, to issue preferred stock in one or more series, and to fix for any series the dividend rights, dissolution or liquidation preferences, redemption prices, conversion rights, voting rights, and other rights, preferences and privileges for the preferred stock. No shares of preferred stock are presently issued and outstanding and we have no immediate plans to issue shares of preferred stock. The issuance of shares of preferred stock, depending on the rights, preferences and privileges attributable to the preferred stock, could adversely reduce the voting rights and powers of the common stock and the portion of our assets allocated for distribution to common stockholders in a liquidation event, and could also result in dilution in the book value per share of the common stock we are offering. The preferred stock could also be utilized, under certain circumstances, as a method for raising additional capital or discouraging, delaying or preventing a change in control of our company, to the detriment of the investors in the common stock offered hereby. We cannot assure you that we will not, under certain circumstances, issue shares of our preferred stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION CONTAINED IN THIS PROSPECTUS

This prospectus contains forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "would," "should," "could," "may" or other similar expressions in this prospectus. These statements may be found under the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" included in this prospectus, as well as in this prospectus generally. In particular, these include statements relating to future actions, prospective products, applications, customers, technologies, future performance or results of anticipated products, expenses, and financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our limited cash and a history of losses,
- our future financial and operating results and our ability to achieve profitability,
- our limited experience in marketing our product at a sustainable commercial level and need to expand our domestic and international marketing programs,
- emerging competition and rapidly advancing technology or alternative therapies and treatments for persons suffering from blindness,
- customer demand for the products we develop, effective pricing and obtaining reimbursement under government and private insurance programs,

- our ability to secure additional FDA and CE Mark or other government approvals and certifications for treating AMD or other indications,
- our need to conduct and pay for additional clinical trials to determine efficacy of the Argus II System in treating patients with AMD and for new products that we are planning on developing especially the Orion I product,
- our ability to obtain adequate government and private party insurance reimbursements for our products domestically and in foreign markets,
- the impact of competitive or alternative products, technologies and pricing,
- general economic conditions and events and the impact they may have on us and our potential customers,
- the adequacy of protections afforded to us by the patents that we own and license and the cost to us of maintaining, enforcing and defending those patents and licenses,
- our ability to obtain, expand and maintain patent protection in the future, and to protect our non-patented intellectual property,
- our exposure to and ability to defend third-party claims and challenges to our patents, licenses and other intellectual property rights,
- our ability to obtain adequate financing in the future,
- our ability to continue as a going concern,
- our intentions, expectations and beliefs regarding anticipated growth, market penetration and trends in our business,
- the timing and success of our plan of commercialization,
- the effects of market conditions on our stock price and operating results,
- our ability to timely and effectively adapt our existing technology and have our technology solutions gain market acceptance,
- our plans to use the proceeds from this offering,
- our ability to comply with evolving legal standards and regulations, particularly concerning requirements for being a public company and United States export regulations,
- the attraction and retention of qualified employees and key personnel, and
- other factors discussed in the “Risk Factors” section of this prospectus.

Forward-looking statements are based upon management’s beliefs and assumptions and are made as of the date of this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements included in this prospectus or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise, except to the extent required by federal securities laws. Actual future results may vary materially as a result of various factors, including, without limitation, the risks outlined under the section entitled “Risk Factors” and matters described in this prospectus generally. In light of these risks and uncertainties, we cannot assure you that the forward-looking statements contained in this prospectus will in fact occur.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions based on such data and other similar sources, and on our knowledge of the markets for our solution. The market and industry information included in this prospectus involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such information. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

BUSINESS

Our Company

We were founded in 1998 with the mission to develop, manufacture, and market implantable prosthetic devices that can restore sight to the blind. In 2002, we began a clinical trial of our proof-of-concept device, the Argus I retinal prosthesis, at the University of Southern California. Six human subjects were implanted with the Argus I retinal prosthesis in a study that was designed to demonstrate the feasibility and safety of long-term electrical stimulation of the retina and its ability to restore some functional vision. By 2006, we developed a second generation device, the Argus II Retinal Prosthesis System that, among other attributes, is smaller, has more stimulating electrodes, and is easier to install surgically than the Argus I retinal prosthesis. In that year, we conducted a small pilot study in Mexico, and we utilized data from this pilot study to obtain FDA approval to begin an Investigational Device Exemption (IDE) clinical trial at six hospitals in the US during 2007. In 2008 we expanded the trial to include sites in three European countries. We completed enrollment for this study in August 2009. Based on the long-term results of this study, which demonstrated the benefits of Argus II System, we obtained CE Mark approval in EU in February 2011, and FDA marketing approval, under a Humanitarian Device Exemption, in February 2013. To our knowledge the Argus II System currently is the only retinal prosthesis to be commercialized anywhere in the world and currently is the only such product to obtain FDA marketing approval in the US.

Currently, after more than 15 years of research and development, more than $120 million of investment and over $29 million of direct grants received in support of our technology development, we employ over 100 people in the development (engineering and clinical), manufacture, and commercialization of the Argus II System and future products.

Our Markets

Second Sight is the global leader in vision restoration to the blind. We believe that our competitive advantage and ability to maintain market share in the future will be bolstered by the following:

- We have extensive IP protection that covers every major aspect of the technology we have developed. We have 294 granted patents and 173 patent applications on a worldwide basis. We believe that our IP and our technical approach, which does not rely on light getting to the implant, will result in a device that can deliver cortical stimulation to the brain which, subject to additional research and development, may result in a device that can treat nearly all forms of blindness.
- We have regulatory leadership in that, to our knowledge, we currently possess the only device that is both FDA approved and CE-marked to restore some functional vision to individuals who are or will become blind as a result of RP.
- We continue to achieve meaningful reimbursement levels for the Argus II System in the US and some European countries. We are currently working to expand the number of countries that reimburse us for the Argus II System.
- We plan to offer periodic software upgrades to enhance our customers' experience, which arise from our strong engineering, research and clinical programs. We plan to offer the next upgrade in 2016.
- We expect to expand the numbers of eligible blind persons who will benefit from the Argus II System through additional clinical trials, planned to commence in the fourth quarter of 2014, to treat patients blinded by AMD.
- We intend to develop a new device, the Orion I visual prosthesis, within approximately the 24 to 36 months following this offering that we expect may favorably address virtually all other forms of blindness.

During clinical studies the Argus II System demonstrated clear and significant improvement in visual function both in the clinic and in patient's daily lives. Based on this data, the Argus II Retinal Prosthesis System has been approved for marketing in Europe, the US and at one medical center in Saudi Arabia. We have submitted other applications for regulatory approval or product registration in Canada, Saudi Arabia and Turkey.

The Argus II System is intended to restore some functional vision to patients who are blind and have lost most or all of their vision due to retinitis pigmentosa (which is the approved US indication for use) or due to outer retinal degeneration (which is the broader CE mark indication for use). While there are several diseases and syndromes that comprise outer retinal degeneration, the two most prominent of these are RP and age-related macular degeneration, or AMD. We believe that future product development of the Orion I visual prosthesis will expand the market for our products to include nearly all forms of blindness.

Retinitis Pigmentosa (RP)

RP is a group of inherited disorders that affect the retina. The retina is a layer of nerve cells at the back of the eye. RP is a disease that gradually robs relatively young people of their vision over time. Onset of RP is often noted in the teen years or early twenties, typically as night blindness. This is followed by a period of peripheral vision loss, until the patient is left with a tunnel of vision and then no remaining sight. Although there are various genetic causes (over 100) and thus variability in the disease progression, many people with advanced RP have lost all functional vision by their 40s or 50s. The Argus II System works by bypassing rods and cones which are defunct in these patients and sending electrical signals directly to the retina's remaining healthy cells.

Although there are reported trials for other treatments underway, to our knowledge the Argus II System remains the only approved therapeutic option for end-stage RP in the US, and to our knowledge it is the only treatment option currently commercialized anywhere in the world.

Worldwide, an estimated 1.5 million people suffer from RP[3], which includes about 100,000 in the US[4]. Pan-European data is not readily available, but we believe it is reasonable to estimate that the average prevalence throughout Europe is similar to the average prevalence within the US, and so the ratio of populations could be used to estimate the number of Europeans affected as 167,000 in the 28 EU countries[5,6]. Approximately 25% of people with RP in the US have vision that is 20/200 or worse (legally blind)[7]. Since the bare light perception or worse vision criterion for the US indication is worse than 20/200, we believe that the subset of patients that can be treated by the Argus II System is less than 25,000 in the US. In Europe, the indicated vision loss is severe to profound which, while better than bare light perception, remains somewhat worse than 20/200. We estimate that the subset of RP patients that can be treated in Europe to be somewhat smaller than 42,000. Worldwide, we estimate that 375,000 people are legally blind due to RP, and that a portion of these would be eligible for the Argus II System.

Age Related Macular Degeneration (AMD)

AMD is a relatively common eye condition and the leading cause of vision loss among people age 65 and older[8]. The macula is a small spot near the center of the retina and its damage results in loss of central vision. AMD can start as a blurred area near the center of vision and over time it can grow larger until loss of central vision occurs. Central vision is extremely important for everyday tasks such as reading, writing, and face recognition.

There are three stages of AMD defined in part by the size of drusen (yellow deposits) under the retina. Early and intermediate stage AMD has few symptoms or vision loss. These earlier stages of the disease are usually left untreated or dealt with using diet supplementation. People with advanced AMD have vision loss from damage to the macula. There are two types of late stage AMD:

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[3] Weleber, R.G. and Gregory-Evans, K. (2001) 'Retinitis Pigmentosa and allied disorders.' In Ryan, S.J. (ed.), Retina. Mosby, St. Louis, pp, 362-470.

[4] The Foundation Fighting Blindness estimates that about 100,000 Americans are affected by RP or similar diseases

[5] Eurostat. Retrieved 1 January 2013.

[6] Haim M. Epidemiology of retinitis pigmentosa in Denmark. Acta Ophthalmol Scand Suppl 2002; 1-34.

[7] Grover et al., 'Visual Acuity Impairment in Patients with Retinitis Pigmentosa at Age 45 Years or Older', Ophthalmology. 1999 Sep; 106(9):1780-5.

[8] The Eye Diseases Prevalence Research Group, 2004a; CDC, 2009

· Dry AMD or geographic atrophy: There is a breakdown of light sensitive cells in the macula that send visual information to the brain, and the supporting tissue beneath the macula. This damage causes vision loss.

· Wet AMD or neovascular AMD: Blood vessels grow underneath the retina, these vessels might leak blood which may lead to swelling and damage of the macula. This damage may be severe and fast.

Treatments for AMD:

- The Implantable Miniature Telescope, a magnifying device that is implanted in the eye, is approved for use in patients with severe to profound vision impairment (best corrected visual acuity of 20/160 to 20/800) due to dry AMD. Candidates for the implantable telescope must also have a cataract in the eye intended for implantation. Some patients who are candidates for the Argus II device may also be candidates for the implantable telescope.
- There are currently no treatments for AMD after the disease has caused complete blindness.
- There are currently no established treatments that delay or reverse the progression of Dry AMD other than supplements.
- Therapies exist for Wet AMD that delay the progression of visual impairment or slightly improve the vision, rather than completely curing or reversing its course. These therapies are approved in many regions throughout the world, including the US and EU.

Worldwide, between 20 and 25 million people suffer from vision loss due to AMD[9], and of these about 2 million have vision that is considered legally blind, or worse[10] . In the US, just over two million people experience vision loss due to AMD according to a 2010 study by the National Eye Institute. Of the 1.3 million legally blind Americans[11], we estimate that 42.5% (552,500) are due to AMD.[12] Applying this percent of legally blind due to AMD (42.5%) to the total number of legally blind people in Europe (2.55 million)[13], we estimate the population of legally blind individuals from AMD to be about 1.08 million individuals in Europe. We believe the Argus II System may be able to help a subset of these legally blind AMD patients who have severe to profound vision loss.

We intend to seek FDA approval in the US for use of the Argus II System for AMD. We also intend to explicitly add AMD to our CE label for the use of the Argus II System in patients with AMD in Europe. Our approach will be to implant the electrode array in the central vision area where patients have vision loss and leave any peripheral vision largely unchanged.

Other Diseases resulting in Blindness that can be Treated by Orion I visual prosthesis

Many diseases outside of RP and AMD can also cause blindness. Many of the largest causes of visual impairment (i.e. refractive error and cataracts) are avoidable or curable, and their prolonged or untreated impact on vision is largely observed in developing nations. Some other causes of blindness, such as brain trauma, may also not be suitable for treatment by a cortical stimulator. However, the remaining causes of severe vision loss which include glaucoma, diabetic retinopathy, eye trauma, retinopathy of prematurity and many others can result in severe visual impairment that may prove to be treatable by Orion I visual prosthesis.

According to the World Health Organization (WHO)[14], 285 million people suffer from vision loss worldwide. Of these, 39 million people are considered legally blind. The WHO further estimates that 80% of legal blindness is avoidable, leaving 7.8 million legally blind individuals, including those blind due to AMD and RP, or 5.8 million excluding AMD and RP. In the US, 1.3 million people are legally blind[11], of which we estimate 44.3%, or 575,900, are legally blind due to causes other than preventable/treatable conditions, RP or AMD[12].

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[9] Choptar, A., Chakravarthy, U., and Verma, D. 'Age related Macular Degeneration'. BJM 2003;326:485.

[10] Global Data on Visual Impairments 2010, World Health Organization.

[11] National Eye Institute (http://www.nei.nih.gov/eyedata/blind.asp)

[12] Congdon N, O'Colmain B, Klaver CC, et al. Causes and prevalence of visual impairment among adults in the United States*Arch Ophthalmol.* Apr 2004;122(4):477-485. This percent was derived from the rates of different causes of blindness by different races and racial demographic data from 2010 US Census data.

[13] Global Data on Visual Impairments 2010, World Health Organization.

[14] WHO Fact Sheet number 282, Updated October 2013.

The potentially addressable market for the Orion visual prosthesis is a subset of the legally blind population cited here, or less than 5.8 million worldwide, 575,900 in the US, and 1.13 million in Europe.

Our Technology

We developed the Argus II System primarily in-house following its clinical conception in the early 1990s by a handful of leading retinal doctors, vision scientists, and engineers, and the subsequent formation of the company in 1998. During this development period we created long term safety, reliability and clinical benefit as we encountered, solved and frequently patented solutions to, a number of significant clinical and engineering challenges. These include:

- Development of an electrode array that can rest on and interface with the delicate retina for multiple years without causing damage to the underlying neurons;
- Miniaturization of the implantable micro-electronics package under the constraints of requiring it to be water tight, durable, biocompatible, and biostable, while featuring over 60 electrical connections;
- Development of a flexible polymer based electrode array that does not break down and leak in-vivo for a period of up to decades as demonstrated by accelerated life tests and over five years of continuous use in patients;
- Development of a biocompatible and stable connection to join the polymer array to the micro-electronics package;
- Development of an electrode material that can withstand higher charge densities than the known best neurostimulation industry standard (platinum) - thereby enabling the use of smaller (and hence more in a given area) stimulating electrodes;
- Development of a wireless power and data link that meets international standards and produces stable device function with a moving eye;
- Development of stimulation and rehabilitation methods that improve patients' outcomes; and
- MRI conditional status, that is safe for the patients to undergo MRI under specified conditions.

The Argus II Retinal Prosthesis System consists of an implant, a small portable computer and a pair of glasses with a miniature video camera.

Implant

The implant is an epiretinal (that is, the retinal surface is the site of stimulation) prosthesis that includes a receiver coil (antenna), electronics, and an electrode array. It is implanted in and around the eye. The array has 60 platinum gray electrodes arranged in a 6x10 grid. Each electrode is 200 μm (0.008") in diameter. The array covers about 20° of visual field (diagonally). The flexible polymer thin-film electrode array, which follows the curvature of the retina, is attached to the retina over the macula with a retinal tack. The extra-ocular portion of the Argus II Implant is secured to the eye by means of a scleral band and sutures.

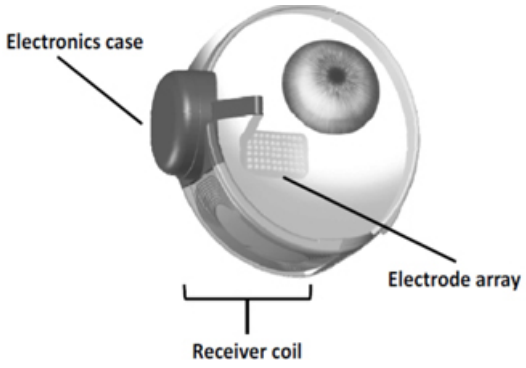


Figure 1: Surgical implant as implanted schematic

(surgical implantation is typically performed in 2 to 4 hours)

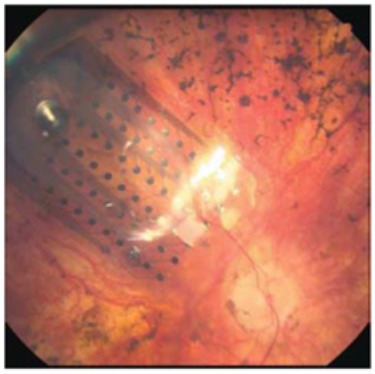


Figure 2: Electrode array. Current version contains 60 platinum gray electrodes

Figure 3: Surgical implant.

Externals

The external equipment consists of a pair of glasses and a video processing unit or VPU. The glasses include a miniature video camera and a transmitter coil. The Argus II Clinician Programming Kit (capital equipment sold to implanting centers – not pictured) is used to program the Argus II System stimulation parameters and video processing strategies for each patient. The software provides modules for electrode control, permitting the clinicians to program the amplitude, pulse-with, and frequency of the stimulation waveform of each electrode.

Figure 4: External Components of the Argus II System

How it works

In a healthy eye, the photoreceptors (rods and cones) on the retina convert light into tiny electrochemical impulses that are sent through the optic nerve and to the brain, where they are decoded into images. If the photoreceptors no longer function correctly (as in RP and AMD), the first step in this process is disrupted and the visual system cannot transform light into images, causing blindness. The Argus II System is designed to bypass damaged photoreceptors altogether and provides real-time visual information to blind patients. The miniature video camera captures a scene and the video is sent to the small VPU where it is processed and transformed into instructions that are sent back to the glasses. These instructions are transmitted wirelessly to the receiver coil in the implant. The signals are then sent to the electrode array, which emits small pulses of electricity. These pulses bypass the damaged photoreceptors and stimulate the retina's remaining cells, which transmit the visual information along the optic nerve to the brain. This process is intended to create the perception of patterns of light which patients can learn to interpret as real-time visual patterns.

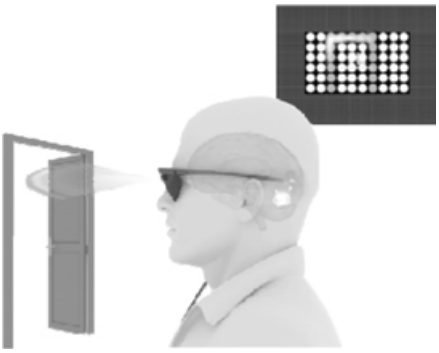


Figure 5: The patient perceives patterns of light created by electrical stimulation.

Long-Term Reliability

The Argus II System has been extensively tested at the component, sub-assembly, and system levels for long term reliability. The hermetic electronics case has been demonstrated to prevent moisture accumulation inside the device for many years. The Argus II implant is specified to last a minimum of five years, however, in vitro tests and actual clinical data suggest the device should last much longer. Production implants have reached more than ten years of lifetime use in accelerated in vitro testing and more than seven years use in real time in patients under active stimulation and normal use conditions.

Our Research and Development

Second Sight's research and development staff is focused on improving the level of vision that the Argus II System can provide to blind patients and adapting the technology to help a broader audience of blind individuals. A portion of the proceeds from this offering will go toward supporting the research and development efforts described below.

Increasing Resolution

We believe that increasing the resolution of the system should enhance the user experience; which would increase the value and benefits of the technology to the patient. We believe that we will be able to increase the system resolution by:

- Developing enhanced image processing: Through enhanced image processing, including contrast enhancement and electronic 'zoom', one patient so far tested has achieved 20/200 level vision as measured by a grating acuity test. [15]
- Creating multiple virtual electrodes: we believe we can use software to electronically create a number of virtual electrodes between the physical ones in the Argus II electrode array. This development could potentially enhance the resolution of existing devices by more than one order of magnitude. Although similar approaches have been successful in other neural stimulators, this approach has not yet been tested clinically on the retina.

Cortical Stimulator

Developing a cortical stimulator is central to our strategy of maintaining our world leadership in restoring sight to those who are blind. There are different diseases that damage the optic nerve or impair the total functioning of the retina. We believe that a cortical stimulator will permit us to bypass the eye and the optic nerve, thereby allowing treatment for a wider variety of disease-related blindness.

Research described in 1968 reported that it was possible for a blind subject to experience light though phosphenes (appearance of light) when the visual cortical region (surface) of the brain was electronically stimulated – just as the Argus II System does in the eye.[16] Functional vision corresponding to visual acuities up to 20/1200 was reported in the early 2000s, and two subjects were reported to have a prototype of a functional prosthesis implanted for more than 20 years without infections or other severe medical reactions.[17] Though these human experiments demonstrated proof of principle, no reliable implantable neurostimulator with a large number of electrodes was available before we developed and introduced the Argus II System.

By implementing relatively minor modifications to the Argus II technology, we believe that the Orion I visual prosthesis can be implanted directly on the surface of the brain in the visual cortex and may be able successfully to restore some functional vision in almost all cases of disease related blindness. Our small electronics case will be implanted under the scalp and the electronic array placed in the visual cortex region of the brain. A transmitter coil similar to the one in current production will send power and signals to the implanted device. We plan to place our electrode array in an indentation in the back of the brain where a location along the surface of the brain maps to a location in our visual world.[18]

[15] Sahel JA, Mohand-Said S, Stanga PE, Caspi A, Greenberg RJ. Acuboost™: Enhancing the maximum acuity of the Argus II Retinal Prosthesis System. IOVS 2013 May; 1389. ARVO E-Abstract.

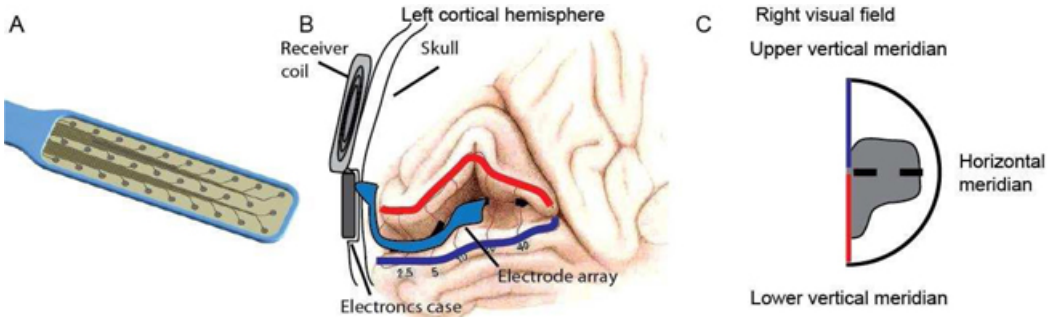
[16] Brindley, G.S. and W.S. Lewin, The sensations produced by electrical stimulation of the visual cortex. J Physiology 1968. 196(2): p. 479-93.

[17] Dobelle WH. Artificial vision for the blind by connecting a television camera to the visual cortex. ASAIO J 2000;46:3-9.

[18] Benson, N.C., et al., The retinotopic organization of striate cortex is well predicted by surface topology. Curr Biol, 2012. 22(21): p. 2081-5.

We anticipate that many of the challenges that we encountered and solved in the process of developing the Argus II System are largely the same challenges in developing a product intended for enabling some functional vision through directly stimulating the brain. For example, a robust implant with a large number of electrodes is required for a cortical or retinal visual prosthesis. We believe the knowledge and technology gained in the development of the Argus II System will contribute to accelerating the development of a cortical stimulator directed at treating blindness.

We can also leverage public information learned from other electrical stimulation implants that are FDA-approved for use in the brain such as Medtronic's Activa deep brain stimulator for Parkinson's, Essential Tremor and Dystonia and more recently Neuropace's RNS brain stimulator for epilepsy. Furthermore, we believe that our specific experience obtaining regulatory approval for these types of devices in the United States and other regions will prove to be helpful in our effort to expand and get new products, such as Orion I visual prosthesis, approved throughout the world.



A: Rendering of the array design seen from top. Bottom has similar outline of electrodes. B: Placement of array in the calcarine sulcus. Array is in blue, the electronics capsule in dark gray and the receiver coil in light gray on the outer surface of the skull. C: Covered visual field with planned array in gray.

Clinical Trials

Second Sight completed a pre-market clinical trial of the Argus II System and data from this trial supported both the FDA (US) and CE Mark (EU) approval of device. Second Sight is currently conducting post-market studies of the Argus II System to continue to collect data regarding the long-term safety and benefit of the Argus II System in patients with severe to profound RP/outer retinal degeneration. We are planning two future clinical trials – one to support expanding the indications for use of the Argus II System for Age-Related Macular Degeneration (AMD) in fourth quarter 2014, and the other to conduct a feasibility study of the Orion I visual cortical prosthesis, planned to start in the fourth quarter of 2016.

Pre-market Clinical Trial of the Argus II System for Retinitis Pigmentosa/Outer Retinal Degeneration

The Argus II System, indicated for patients with severe to profound outer retinal degeneration (limited to RP in the United States), was studied in a clinical trial of 30 subjects in the U.S and EU. The study is registered at www.clinicaltrials.gov under study ID NCT00407602. The study began in 2007 and as of May 2014, there were over 160 subject-years in the clinical trial. As part of post-market surveillance, this study is continuing and we intend to follow subjects for a total of ten years each.

Data collected in this trial demonstrated that the Argus II system has a reasonable safety profile for an ophthalmic device that requires vitreoretinal surgery to implant. There were no unexpected adverse events. The most common, serious adverse events were conjunctival erosion/dehiscence, hypotony (low eye pressure), endophthalmitis (infection in the eye), retinal tear or detachment, and re-tacking. It was also demonstrated that the device can be safely removed: one implant, including the retinal tack, was safely explanted to resolve an adverse event, and three retinal tacks were safely removed during elective revision surgeries to reposition arrays. All adverse events were treatable with standard practices utilized by ophthalmologists. In general, these events did not adversely affect performance with the Argus II system.[19] Furthermore, since approval, we have observed a decrease in the rate of adverse events, most likely in our view due to increased surgical experience with the technology.[20]

The Argus II System provides visual information that can range, depending on the patient, from light detection to form detection. A sub-study of Argus II System clinical trial patients demonstrated that 72% of patients could identify closed set letters, and a subgroup of six patients was able to consistently read letters of reduced size, the smallest measuring 0.9 cm (1.7°) at 30 cm and four patients correctly identify unrehearsed two-, three- and four-letter words.[21] Patients are able to use this visual information to perform functional tasks (such as, locating windows and doors, following lines in a cross walk), to allow them to feel more connected with others (for example, seeing when a person approaches them or when someone walks away), and to simply enjoy visual perception again (such as, seeing the changing light levels on a TV, tracking groups of players as they move around the field at an athletic event and being able to locate the moon). For people with bare or no light perception, even limited restoration of vision can make a significant difference in their lives. [22]

In the clinical trial, the Argus II System provided all 30 subjects with benefit as measured by high-contrast visual function tests. The degree of benefit varied from subject to subject. The Argus II System was also able to provide subjects with clinical benefit as measured by objectively-scored functional vision tests. Subjects performed better with the Argus II system ON vs. OFF on orientation and mobility tests (finding a door and following a line) and on functional vision tasks (sorting white, black and grey socks; following an outdoor sidewalk; and determining the direction of a person walking by).[23]

An assessment of Argus II System subjects' functional vision in and around their home by independent, certified low-vision rehabilitation specialists was also performed. The assessment was called the Functional Low-vision Observer Rated Assessment, or FLORA®. In no cases, did the low vision specialists report that the Argus II System had a negative impact on subjects. In 77% of cases, low vision specialists determined that the subject was receiving (or had received at one time) functional vision and/or well-being benefit from the Argus II System.[24] The results from this clinical trial demonstrated that the Argus II System provided benefits for these blind subjects in terms of visual function (how the eye works), functional vision (performance in vision related activities), and well-being. The study also demonstrated that the Argus II System does not pose an unacceptable risk to blind patients with severe to profound RP with bare or no light perception in both eyes. In 2012, after an in depth review of the clinical trial data, a 22 person (19 voting) FDA-convened panel of experts voted unanimously that the benefits of the Argus II System outweighed the risks.[25]

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[19] Sponsor Executive Summary, FDA Ophthalmic Devices Advisory Panel, September 28, 2012. (http://www.fda.gov/AdvisoryCommittees/Calendar/ucm312582.htm)

[20] Humayun MS, da Cruz L, Dagnelie G, Stanga PE, Ho AC, Greenberg RJ, Birch DG, Duncan JL, Sahel JA. An update on the Argus II epiretinal implant. IOVS 2014 May; 5968. ARVO E-Abstract.

[21] da Cruz L, Coley BF, Dorn J, et al. The Argus II epiretinal prosthesis system allows letter and word reading and long-term function in patients with profound vision loss. Br J Ophthalmology 2013;97:632-6.

[22] Sponsor Executive Summary, FDA Ophthalmic Devices Advisory Panel, September 28, 2012.

[23] Sponsor Executive Summary, FDA Ophthalmic Devices Advisory Panel, September 28, 2012.

[24] Sponsor Executive Summary, FDA Ophthalmic Devices Advisory Panel, September 28, 2012.

[25] Sponsor Executive Summary, FDA Ophthalmic Devices Advisory Panel, September 28, 2012.

Post-Market Clinical Trials

Following CE Mark and FDA approval for the Argus II System, Second Sight is conducting two post-market studies of the device (one in EU and one in the US) to collect additional long-term data on the use of the Argus II System in patients with severe to profound outer retinal degeneration (or RP in the United States). Post-market studies are typically conditions of market approval for medical devices.

In the United States, the study is designed to enroll 53 subjects and will follow each subject for five years. Adverse events, visual function, and functional vision data are being collected for all study participants. Enrollment began in February 2014 and two subjects have been enrolled as of June 30, 2014. The study is registered at www.clinicaltrials.gov under study ID NCT01860092.

In Europe, Second Sight is conducting a post-market study that is designed to enroll 45 subjects and will follow each subject for three years. Adverse events, visual function, and functional vision data are being collected for all study participants. Enrollment began in December 2011 and 29 subjects have been enrolled as of June 30, 2014. The study is registered at www.clinicaltrials.gov under study ID NCT01490827.

In France, Second Sight was selected to receive the first "Forfait Innovation" (Innovation Bundle Payment) from the Ministry of Health, which is a special funding for breakthrough procedures to be introduced into clinical practice. As part of this program Second Sight will be conducting a post market study in France which will enroll 18 subjects and follow them for two years.

Future Clinical Trials

AMD

Second Sight intends to conduct a pilot study of the Argus II System for use in patients with age-related macular degeneration, or AMD. We expect that Argus II System will be used in its current RP configuration, without any significant modifications. We plan to enroll five subjects in the pilot study who have central vision loss due to dry AMD; the subjects will be followed for three years. The study will be conducted at a single center in the UK and we anticipate that the study will begin in late 2014.

Assuming the early results from this pilot study are positive, Second Sight intends to apply for approval to conduct a larger study of AMD (both wet and dry) in the United States and EU in late 2015. This larger study will be used to support efforts to obtain regulatory approval to expand the label for the Argus II System to include AMD in its indications for use. The study would also be used to support efforts to obtain reimbursement in the United States and EU for this expanded indication for use.

Cortical Prosthesis

Second Sight intends to use a portion of the proceeds of this offering in development of a visual cortical prosthesis which will entail modifying the Argus II System. Following completion of the development effort, including verification and validation of the design, we intend to conduct a feasibility clinical trial to assess the safety and benefit of the device in blind individuals. We expect that this feasibility study will be conducted outside the United States and should begin in 2016.

Our Commercialization Plan

We launched the Argus II System in Italy and Germany in late 2011. We have, since early in 2012, also launched the Argus II System in France, the UK, The Netherlands, Spain and Saudi Arabia. In 2013, the Argus II System received FDA approval, and the product was launched in the US in January of 2014, after receiving a required FCC Grant of Equipment Authorization late in 2013. Since that time an investigator-sponsored study in Toronto, Canada has resulted in unit sales to that center (Health Canada marketing approval is being sought, but an exemption for the study has been granted). In this early stage of commercialization, we focused on a controlled launch to ensure adequate service to the centers and to integrate new knowledge gained so as to make necessary adjustments to our products and services in the following larger commercial launch. We currently are poised for a broader launch phase, where the treatment will be made available to more patients. We expect to use a portion of the proceeds of this offering over the next 18 months to expand the commercial roll out of the Argus II System.

Our successful commercialization of this technology and therapy is dependent on implementing our sales and marketing strategy, and obtaining reimbursement of the device by payers.

Sales Strategy

During our commercial launch, we are employing a Centers of Excellence sales strategy and deploying the Argus II System at prominent and reputable eye hospitals. We believe this strategy represents an efficient use of our capital after giving consideration to the following factors:

- The size of the RP patient population.
- The complexity of the technology, surgery, and treatment paradigm.
- The cost of selecting, qualifying, training and supporting new centers.

When selecting new sites, we focus on high quality health providers utilizing the following considerations:

- Geographic desirability,
- Facility and Surgeon skill and reputation,
- Access to patients,
- Regulatory pathway, and
- Reimbursement environment from government agencies or contractors and third party insurers.

In the United States and Canada, we currently have seven centers that are actively implanting and/or recruiting patients to schedule their Argus II retinal prosthesis surgeries. Additionally, we have 11 other centers that have been selected as implanting centers and that are in the process of getting ready to implant their first patients. We expect that of these 11 additional centers, four will be ready to implant in 2014. We intend to continue seeking and recruiting more centers to open additional other active centers in 2015. We anticipate opening other new centers in subsequent years. We believe that we will be able to serve the domestic RP market by having about 70-80 implanting centers across the US.

Outside North America we currently have six centers that actively are implanting and/or recruiting patients to schedule their Argus II retinal prosthesis surgeries (five in Germany and one in Saudi Arabia). Additionally, we have 15 other centers that are either preparing to implant patients or are in the qualification process. Of these 15, we expect that about five additional centers will become active in 2014. We intend to continue recruiting additional centers in 2014 to yield further active centers in 2015. We anticipate that annual new center recruitment, in subsequent years will prove to be an important driver of our implant and revenue growth in foreign markets. We believe that we will be able to serve the European markets for RP by having about 100-120 centers across Europe.

To date, we have employed direct sales to service our initial markets during our controlled launch phase. We believe we can more efficiently support centers that are located at distances from our US and European headquarters by securing distributors in several key markets in order to expand our reach of client marketing and support. To date, we have appointed a distributor in Spain and expect also to appoint a distributor in Turkey before the end of 2014. We expect that our distributors will commit to providing support services that include marketing, market access, reimbursement, sales and service and also commit to annual minimum quantities and volume targets depending on their territories.

To date, we have not faced traditional sales challenges in any of our markets, largely due to the currently unmet clinical need and the lack of any other approved device or competitive treatment for RP caused blindness. Due to pending reimbursement approvals in the United States, many doctors and facilities have expressed interest in providing the Argus II System for their patients but have been unable to do so. We have had unsolicited direct contact from over 1,700 potential patients as a result of media coverage and news of awards that we have received. We have not expended additional significant efforts in recruiting or converting physicians, or with recruiting potential patients. Our patient pipeline has over 50 US patients deemed currently eligible by implanting physicians and awaiting reimbursement authorization to be implanted.

Due to the high cost of the system, government reimbursement (coding, coverage, and payment) is paramount to being able to provide this device to our patients. Please see 'Reimbursement' below. Our primary challenges will be to keep a growing patient pipeline while expanding reimbursement coverage.

Marketing Strategy

To date, and for the foreseeable future, our marketing efforts have been primarily focused on promoting both our brand (for both the product and the company) and on raising awareness amongst and educating certain target groups which include the following:

- Potential patients,
- Potential implanting physicians and medical centers, and
- Potential referring physicians (general practitioners, ophthalmologists, optometrists, and low-vision specialists)

To achieve these objectives we have employed a mix of marketing plans and approaches which includes media relations, trade and professional show attendance, exhibition, and podium presence, sponsoring medical symposia, conducting regional education sessions, partnering with patient advocacy groups focused on blindness and retinal degeneration, and a limited amount of advertising. We employ two in-house marketing professionals currently and a number of specialized consultants.

In the US and abroad, we receive press coverage and we regularly field requests for interviews, filming, and other reporting activities both in consumer and trade media. In the US, the Argus II System has been featured on all four major networks, including ABC World News Tonight with Diane Sawyer, Good Morning America, and The Today Show. Second Sight and Argus II have also been prominently featured in print media including, TIME Magazine, The Wall Street Journal, Bloomberg Businessweek, and many other media outlets. In Europe, the Times of London, the BBC, and the Economist have published articles on us and on the Argus II System.

Articles and other press coverage on the Argus II System have appeared in many prominent ophthalmic and healthcare trade media, including Retinal Physician, OSN, Ophthalmology Times, Retina Today, Retina Times, Advanced Ocular Care, Review of Ophthalmology, Medical Device Daily and Medical Devices Today,

As a result of our marketing efforts along with what we believe to be the compelling and novel nature of our technology as well as the clinical and practical benefits that the Argus II System retinal prostheses has delivered to patients, Second Sight has received various awards within the past two years including:

- TIME: Best Innovations of 2013,
- CNN: The CNN 10: Inventions of 2013,
- MD+DI: 2013 Medical Device Manufacturer of the Year,
- Popular Science: 2013 Innovation of the Year,
- Inc.: The 25 Most Audacious Companies 2013,
- FFB: Visionary Award – Dr. Robert Greenberg,
- OIS: Eye on Innovation Award,
- Cleveland Clinic: Top Medical Innovation of 2014,
- World Economic Forum: Technology Pioneer 2014,
- Edison Awards: 2014 Gold Winner – Science/Medical Category, and
- MIT Technology Review: The 50 Smartest Companies for 2014.

Reimbursement

Reimbursement, which is third party coverage and payment for health care services rendered to patients by government and private insurance providers, varies significantly in form and function across countries.

United States

In the US, hospitals or ambulatory surgery centers, known as ASCs, are the primary purchasers of the Argus II system. Hospitals, ASCs and physicians bill third-party payers, including Medicare, Medicare Advantage and private payers for costs associated with providing the services and the Argus II System. Regardless of age, Medicare provides coverage to the blind simply on the basis of their disability, and so the majority of patients for Argus II System are insured by Medicare or Medicare Advantage plans.

In order to have adequate reimbursement for devices and services, we are required to obtain coding, coverage, and payment. Additionally, the required codes and payment vary based on the site of service such as in-patient hospital, out-patient hospital, ASC, or physician's office. Most Argus II System procedures are performed on an out-patient basis, while a small number may be performed in an in-patient setting. The company has successfully obtained a required code and payment (at the US list price) from the national office of Medicare in both settings of care.

Medicare contractors, Advantage Plans, and private payers determine coverage based on their opinion that a procedure or service is considered medically necessary. Some payers may deny reimbursement if they decide that the procedure or the device is not medically necessary. As of July 1, 2014, the Argus II System is or has been covered by some Medicare, Medicare Advantage plans and private payers through a formal coverage policy or on a case-by-case basis. However, some Medicare contractors and private payers are not yet covering the procedure. Currently, two Medicare contractors are covering the Argus II System, two are not, and four remain silent. Second Sight is actively engaging the dissenting plans to obtain favorable coverage for the Argus II System through either a formal coverage policy or on a case-by-case basis. Although we expect more and more payers to agree to cover the Argus II System, there can be no assurance that all Medicare, Medicare Advantage or private payers will, in fact, cover and reimburse the procedures using our products in whole or in part in the future or that payment rates will be adequate.

Europe

Second Sight achieved reimbursement for the Argus II System in Germany in 2011 with a process dedicated to innovative procedures referred to as NUB (Neue Untersuchung und Behandlungsmethoden). This reimbursement under NUB is valid for one year in a specific number of hospitals. Under the NUB program, each hospital negotiates the payment for the procedure with the insurances for "additional costs associated with the innovative treatment", and in 2011 two hospitals managed to get a sustainable funding to start the first procedures. Between 2011 and 2014 the funding was renewed four times and the number of successful hospitals increased from two to seven. More than 10,000 different applications for these reimbursement schemes are submitted yearly, and only approximately 10-15% of procedures are reimbursed. Over the next few years we expect our Argus II therapy to be covered under the standard payment system which would mean the device would be reimbursed at all centers and the annual negotiation would no longer be necessary.

In France, Second Sight was selected to receive the first "Forfait Innovation" (Innovation Bundle Payment) from the Ministry of Health, which is a special funding for breakthrough procedures to be introduced into clinical practice. This program has been commissioned for the first time in 2014, and to our knowledge the Argus II System is one of only two products that have been selected for this funding after rigorous healthcare technology assessment by "haute authorité de santé" (French HTA authority). In the longer term, we expect Argus II therapy to be covered under the standard payment system (GHM-LPP system).

In Italy the Argus II System has been available in the Tuscany region since 2011 under a hospital/regional funding program. We expect that the Argus II System will be available in several other regions as well under similar funding programs and patients across the country will have a possibility to be treated in these centers with prior government approvals required in some of these regions. Within the next several years, we expect to have the Argus II System be accessible across Italy with funding from national government or regional governments.

The Argus II System is going through a review process under National Specialized Services program in England and other funding programs in a few other markets across EU and the Middle East where we expect the Argus II System to become eligible for reimbursement at the national or regional level for eligible patients during next one to three years. We expect the number of markets granting reimbursement to grow from two to four in the next 12 months.

A multi-market economic evaluation (Anil Vaidya, Elio Borgonovi, Rod S Taylor, José-Alain Sahel, Stanislao Rizzo, Paulo Eduardo Stanga, Amit Kukreja, Peter Walter; BMC Ophthalmology 2014; 14: 49. Published online 2014 April 14. doi: 10.1186/1471-2415-14-49) has been conducted on the Argus II System that affirms the Argus II System to be a cost-effective intervention compared to the usual care of RP patients. The lifetime analysis ICER (Incremental Cost Effectiveness Ratio) for the Argus II System falls below the published societal willingness to pay in EU. According to this assessment, the Argus II System treatment has a cost that is still fairly low for a technology addressing a rare population such as retinitis pigmentosa.

Warranty

We generally provide a standard limited warranty for the Argus II System covering replacement over the following periods after implant

- three years on implanted epiretinal prosthesis,
- one or two years (depending on domestic or foreign market requirements) on external components other than batteries and chargers, and
- three months on batteries and chargers.

Based on our experience to date, the Argus II System has proven to be a reliable device generally performing as intended. We have accrued warranty expense of $334,205 as of March 31, 2014, which we believe to be adequate.

Our Competition

The US life sciences industry is highly competitive and well-positioned for future growth. The treatment of blindness varies based on the cause; generally there are six categories of treatments in development for the treatment of blindness from retinal disease:

- Retinal Prostheses: aimed at giving more visual ability to a blind patient via implanting a device in the eye to stimulate remaining retina cells. Electrical neurostimulation technology has seen growing use in recent years for numerous applications– such as chronic pain, Parkinson's, Essential tremor, Epilepsy, and others.
- Transplants: transplanting retinal tissue to stimulate remaining retina cells.
- Genetics and Gene Therapy: involves identifying a specific gene that is causing retinal problems (there are over 120 for retinitis pigmentosa alone) resulting in visual impairments and blindness; and inserting healthy genes into an individual's cells using a virus to treat the diseases.
- Stem Cells: generally involves implanting immature retinal support cells aimed at slowing retinal degeneration.
- Optogenetics Therapy: aimed at slowing down, reversing, and/or eliminating the process by which photoreceptors in the eye are compromised. This therapy also requires infecting the patient's cells with a virus. However, instead of fixing a gene defect, this approach would cause cells within the eye to become light sensitive. Animal work has shown that these cells are not sensitive enough to respond to ambient light, so this approach currently also requires a light amplifier outside the body to increase light delivered to the retina.
- Nutritional Therapy: involves diets or supplements that are thought to prevent or slow the progress of vision loss.

Projects in these six areas are still undergoing either animal or early clinical trials; some, like gene therapy, stem cell therapy and optogenetics remain highly speculative for most conditions. Additionally, we believe that it is currently unlikely that gene therapy and stem cell therapy will prove effective in end stage RP patients.

In the area of retinal prosthetics, there are a number of potentially competing efforts underway. We believe that most, if not all of these efforts, are not as advanced as the Argus II System in terms of commercialization, especially in the United States.

Commercial efforts by others include:

- Retina Implant AG: A German company that is developing the Alpha IMS, a wireless sub-retinal implant using the image from the eye's own optical system Retina Implant AG has a CE mark and to our knowledge expects to start commercialization of its product during 2015 in EU. To our knowledge, Retina Implant has not yet applied for or obtained FDA approval to begin a clinical trial.
- Pixium Vision: A French company that is developing the IRIS (Intelligent Retinal Implant System) that is surgically placed into the eye and attached to the surface of the retina. Similar to our Argus II technology, its system uses a camera and a wireless transmitter. Pixium is reported to be in clinical studies with IRIS and we believe plans to submit a CE mark application in 2015[26]. To our knowledge, Pixium Vision has not yet applied for or obtained FDA approval to begin a clinical trial.
- NanoRetina in Israel and several other early stage companies are reported to have developed intellectual property or technology that may improve retinal prostheses in the future, but to our knowledge none of these efforts has resulted in a completed system that has been tested clinically in patients anywhere.

Academic entities are also working on vision restoring implants. To our knowledge these include Bionic Vision Australia (early prototype device developed and to our knowledge implanted in three human subjects), Boston Retinal Implant project (preclinical phase) and Stanford University (preclinical). Of these projects, we believe most have not yet demonstrated a working implant, only one has begun long-term clinical work in humans, and to our knowledge none has received FDA approval to begin clinical trials in the US.

No other device to our knowledge has been successful in long-term human trials, currently making the Argus II System the sole implant being marketed for treating RP in the US, EU, and Saudi Arabia. We anticipate that our identified competitors are unlikely to obtain significant commercial traction in EU (even should they obtain CE Marks) until they have developed in depth clinical data showing the reliability, effectiveness, and safety of their devices. Based on current FDA guidance for retinal prostheses, we estimate any other competitor is at a minimum five years away from obtaining FDA approval in the US.

Government Regulations

The Argus II System is regulated within the category of medical devices. Medical device products are subject to rigorous FDA and other governmental agency regulations in the United States and as well as in foreign countries. Noncompliance with applicable requirements can result in import detentions, fines, civil penalties, injunctions, suspensions or losses of regulatory approvals or clearances, recall or seizure of products, operating restrictions, denial of export applications, governmental prohibitions on entering into supply contracts, and criminal prosecution. Failure to obtain regulatory approvals or the restriction, suspension or revocation of regulatory approvals or clearances, as well as any other failure to comply with regulatory requirements, would have a material adverse effect on our business, financial condition and results of operations.

The FDA regulates, among other things, the clinical testing, design, manufacture, labeling, packaging, marketing, distribution, post-market surveillance, and record-keeping for these products to ensure that medical products distributed in the United States are safe and effective for their intended uses.

[26] http://www.lerevenu.com/bourse/biotechs-et-medtechs/l-actualite-du-secteur/201405285385f194c6854/pixium-vision-interview-du-pdg-bernard-gilly

In the United States, the Argus II System is classified as a Class III device, which is reserved for life-sustaining, life-supporting and implantable devices. The most common path to market approval for Class III devices in the US is the Pre-Market Approval (PMA) process. To obtain PMA approval, the manufacturer must demonstrate that a device is safe and effective for its intended use. Class III devices intended for rare patient populations may also be approved under an alternative regulatory pathway, called the Humanitarian Device Exemption (HDE). To utilize the HDE approval process, a device must be designated a Humanitarian Use Device (HUD). To qualify as a humanitarian use device, the device must be used to treat or diagnose a disease or condition that manifests itself in fewer than 4,000 individuals per year in the United States, and there must be no alternative treatments available in the United States. To obtain HDE approval, the manufacturer is required to demonstrate that a device is safe and provides a probable benefit for its intended use.

Significant changes to existing products and new products, such as the cortical stimulation to be utilized by Orion I visual prosthesis, must be approved by the FDA prior to distribution. Modifications or enhancements that could significantly affect the safety or effectiveness of the device or that constitute a major change to the intended use of the device will require new PMA or HDE application and approval. Other changes may require a supplement or other change notification that must be reviewed and approved by the FDA. Modified devices for which a new PMA or HDE application, supplement or notification is required cannot be distributed until the application is approved by the FDA. An adverse determination or a request for additional information could delay the market introduction of new products, such as Orion I visual prosthesis, which could have a material adverse effect on our business, financial condition and results of operations. We may not be able to obtain PMA or HDE approval in a timely manner, if at all, for Orion I visual prosthesis or any future devices or modifications to Orion I visual prosthesis or such devices for which we may submit a PMA or HDE application.

PMA and HDE applications must contain valid scientific evidence to support the safety and effectiveness (or probable benefit for an HDE) of the device, which includes the results of clinical trials, all relevant bench tests, and laboratory and animal studies. The application must also contain a complete description of the device and its components, as well as a detailed description of the methods, facilities and controls used for its manufacture, including, where appropriate, the method of sterilization and its assurance. In addition, the application must include proposed labeling, advertising literature and any required training methods.

If human clinical trials of a device are required in connection with an application and the device presents a significant risk, the sponsor of the trial is required to file an application for an Investigational Device Exemption (IDE) before beginning human clinical trials. Usually, the manufacturer or distributor of the device is the sponsor of the trial. The IDE application must be supported by data, typically including the results of animal and laboratory testing, and a description of how the device will be manufactured. If the application is reviewed and approved by the FDA and one or more appropriate Institutional Review Boards (IRBs), human clinical trials may begin at a specified number of investigational sites with a specified number of patients. If the device presents a non-significant risk to the patient, a sponsor may begin clinical trials after obtaining approval for the study by one or more appropriate institutional review boards, but FDA approval for the commencement of the study is not required. Sponsors of clinical trials are permitted to sell those devices distributed in the course of the study if the compensation received does not exceed the costs of manufacture, research, development and handling. A supplement for an Investigational Device Exemption must be submitted to and approved by the FDA before a sponsor or an investigator may make a significant change to the investigational plan that may affect the plan's scientific soundness or the rights, safety or welfare of human subjects.

Upon receipt of a PMA or HDE application, the FDA makes a threshold determination as to whether the application is sufficiently complete to permit a substantive review. If the FDA makes this determination, it will accept the application for filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the application. An FDA review of a PMA application generally takes one to two years from the date the application is accepted for filing; review of an HDE application can be shorter than a PMA. However, this review period is often significantly extended by requests for more information or clarification of information already provided in the submission. During the review period, the submission may be sent to an FDA-selected scientific advisory panel composed of physicians and scientists with expertise in the particular field. The FDA scientific advisory panel issues a recommendation to the FDA that may include conditions for approval. The FDA is not bound by the recommendations of the advisory panel. Toward the end of the PMA or HDE application review process, the FDA will conduct an inspection of the manufacturer's facilities to ensure that the facilities are in compliance with applicable good manufacturing practice. If the FDA evaluations of both the PMA/HDE application and the manufacturing facilities are favorable, the FDA will issue a letter. This letter usually contains a number of conditions, which must be met in order to secure final approval of the application. When those conditions have been fulfilled to the satisfaction of the FDA, the agency will issue an approval letter authorizing commercial marketing of the device for specified indications and intended uses.

The PMA/HDE application review process can be expensive, uncertain and lengthy. A number of devices for which PMA/HDE approval has been sought have never been approved for marketing. The FDA may also determine that additional clinical trials are necessary, in which case the approval may be significantly delayed while trials are conducted and data is submitted in an amendment to the PMA/HDE application. Modifications to the design, labeling or manufacturing process of a device that has received PMA/HDE approval may require the FDA to approve supplements or new applications. Supplements to a PMA/HDE application often require the submission of additional information of the same type required for an initial premarket approval, to support the proposed change from the product covered by the original application. The FDA generally does not call for an advisory panel review for PMA/HDE supplements, though applicants may request one. If any PMAs/HDEs are required for our products, we may not be able to meet the FDA's requirements or we may not receive any necessary approvals. Failure to comply with regulatory requirements or to receive any necessary approvals would have a material adverse effect on our business, financial condition and results of operations.

Regulatory approvals, if granted, may include significant labeling limitations and limitations on the indicated uses for which the product may be marketed. Conditions of approval for a PMA/HDE application also often include the requirement to conduct a post-market study or studies. In addition, to obtain regulatory approvals and clearances, the FDA and some foreign regulatory authorities impose numerous other requirements with which medical device manufacturers must comply. FDA enforcement policy strictly prohibits the marketing of approved medical devices for unapproved uses. Any products we manufacture or distribute under FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA. The FDA also requires us to provide it with information on death and serious injuries alleged to have been associated with the use of our products, as well as any malfunctions that would likely cause or contribute to death or serious injury.

The FDA requires us to register as a medical device manufacturer and list our products. We are also subject to inspections by the FDA to confirm compliance with good manufacturing practice. These regulations require that we manufacture our products and maintain documents in a prescribed manner with respect to manufacturing, testing, quality assurance and quality control activities.

We are also subject to a variety of other controls that affect our business. Labeling and promotional activities are subject to scrutiny by the FDA and, in some instances, by the Federal Trade Commission. The FDA actively enforces regulations prohibiting marketing of products for unapproved users. We are also subject, as are our products, to a variety of state and local laws and regulations in those states and localities where our products are or will be marketed. Any applicable state or local regulations may hinder our ability to market our products in those regions. Manufacturers are also subject to numerous federal, state and local laws relating to matters such as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. We may be required to incur significant costs to comply with these laws and regulations now or in the future. These laws or regulations may have a material adverse effect on our ability to do business.

International sales of our products are subject to the regulatory requirements of each country in which we market our products. The regulatory review process varies from country to country. In EU, the European Union has promulgated rules that require medical products to affix the CE mark, an international symbol of adherence to quality assurance standards and compliance with applicable European medical directives. Once the CE mark has been duly applied to a device, the manufacturer may commercially distribute the product in all countries that are members of the European Union, and in several other countries that recognize the CE Mark, such as Switzerland and Turkey. Similar to the US, once the device has received the CE mark, companies are required to report certain serious adverse events, are required to conduct post-market surveillance, and in some countries are required to register or list the products.

To obtain the CE Mark for the Argus II System, we were required to demonstrate compliance with several European directives and standards, including the Active Implantable Medical Device Directive (AIMDD), and ISO 13485:2003 ("Medical devices, Quality management systems, and Requirements for regulatory purposes"). Second Sight contracts with a European Notified Body, an organization that reviews design documentation for our device and audits us annually to ensure compliance to the AIMDD directive and the ISO 13485 standard. In addition, significant changes to our device design, and new devices or new indications for existing products, would need to be reviewed and approved by the Notified Body, prior to allowing us to apply the CE mark to the new product. Losing the right to affix the CE mark to our Argus II device or any future products could have a material adverse effect on our business, financial condition and results of operations.

In EU, replacement of the existing Medical Device Directive and Active Implantable Medical Device Directive with new regulations have been proposed and are under review by governing bodies in EU. Two of the proposed changes that could have a significant impact on the review of Second Sight's products by European Union regulators include: (1) requiring review of applications for certain high risk devices by an outside committee, which is in addition to review by the Notified Body; and (2) increasing the requirements for clinical data that are used to support an application. If the proposed changes are adopted into law, this could increase the cost and time required to obtain approval for our products in EU.

We will be responsible for obtaining and maintaining regulatory approvals for our products. The inability or failure to comply with the varying regulations or the imposition of new regulations would materially adversely affect our business, financial condition and results of operations.

Our Intellectual Property

Our success depends, partially, on our ability to protect our core technology and intellectual property. We rely on a combination of patents, patent applications, trademarks, trade secrets, including know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights, to protect our proprietary rights.

As of June 30, 2014, we have:

- 95 pending US patent applications and provisional patent applications
- 211 US granted patents
- 78 pending foreign patent applications
- 83 foreign granted patents

Our issued patents expire between March 2018 and October 2033. We cannot assure that any of our patent applications will result in the issuance of a patent or whether the examination process will require us to narrow our claims. In addition, any patents may be contested, circumvented, found unenforceable or invalid, and we may not be able to prevent third parties from infringing them. As we intend to expand our international operations, our patent portfolio, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries.

Our international patents include:

- 49 Australia;
- 20 France, UK, and Germany;
- 1 France, UK, Germany and Switzerland;
- 1 UK, Germany and Switzerland;
- 9 Japan; and
- 3 Canada

We have focused on obtaining patents primarily in the US and EU, as we have identified these jurisdictions to be our primary markets. We believe that the significant development and regulatory costs and expense of commercializing a product such as the Argus II System will be a material impediment to any competitor who attempts to market a visual prosthesis if excluded from these markets by not having access to our intellectual property.

We actively seek to identify and protect our intellectual property. We have a dual strategy of filing for and obtaining patents to block potential competitors, and filing patents where we believe our technology would be useful in other products. Our patent portfolio covers many aspects of our implant device and its supporting equipment. We have also patented alternative intellectual property paths that do not cover our device, but could present a possible alternative implant solution to a competitor. However, there can be no assurance that our pending patent applications or any future patent applications will be approved or will not be challenged successfully by third parties, that any issued patents will protect our technology or will not be challenged by third parties, or that the patents of others will not have an adverse effect on our ability to conduct our operations. No assurance can be given that others will not independently develop a similar or competing technology or design around any patents that have been or may be issued to us.

Our Licenses and Agreements

We have exclusive world-wide royalty-bearing licenses on intellectual property related to the Argus II System from Johns Hopkins University, Duke University which we entered into in October 2000, and the Doheny Eye Institute which we entered into in April 2002. Total royalties we pay under these licenses will not exceed 3.25 % of our net revenue. The Johns Hopkins license includes a patent covering a system of wireless communication between the external part and implanted part of our device. While the Johns Hopkins patents licensed to us may present a significant impediment to any competitors selling in the US or European markets, they expire in 2018.

Grants

We and our partners have been successful at securing a number of grants from the US federal government. These grants support our research and development, are non-dilutive to our equity and do not need to be repaid. The government, however, retains 'March-In' rights in connection with these grants - a non-exclusive right to practice inventions developed from grant funding. Grants received by us to-date include:

- R24 EY012893 – Development/Testing of Artificial Retinas for the Blind, in the amount of $13, 197,584,
- R01 EY012893 – Research/Development of Artificial Retinas for the Blind, in the amount of $12,917,718,
- RC3 EY020778 – Development and Testing of Low Vision Assessment Tools for Retinal Prosthesis, Robert Greenberg in the amount of $2,988,224, and
- R41 NS058244 – Hermetic Nanowire Interconnects for Neural Prostheses, in the amount of $459,172.
- Source: http://projectreporter.nih.gov/

We also intend to apply for future grants to help offset research and development costs.

Our Manufacturing and Quality Assurance

We have a single manufacturing facility, located at our principal office in Sylmar, California. The manufacturing areas at this location are housed in a single building, and include approximately 10,000 square feet of controlled environment rooms (CERs) suitable for implant manufacturing. At present less than half of this space is being used for Argus II implant production. At the same site are spaces for assembling the external (non-implantable) components of our system and for the labeling, receiving and shipping, and stockroom functions. Finished goods are held at this location and at our contracted distributor in Europe.

We rely on many suppliers to provide materials and services necessary to produce and test our products. Many of these materials or services are currently provided by sole source suppliers. We expect to secure additional providers as our production volumes increase. We attempt to mitigate the sole source risk, by among other things, increasing parts inventory as a partial hedge against interruptions in parts supply. In many cases, where it is known that a second or alternative supplier would be costly and/or time consuming to develop, we are actively seeking to develop such alternative sources.

Our manufacturing department currently employs 45 persons and the quality assurance department has an additional nine members. We operate a day shift and smaller swing shift, and at this staffing level we can manufacture up to 10 devices per month. To support anticipated added demand from the commercial launch of the Argus II System, we believe that the space available at the current facility when fully utilized and operating at two full shifts will prove sufficient to build and assemble approximately 100 devices per month.

Employees

As of June 30, 2014 we had 112 employees, including approximately 53 in operations; eight in selling, marketing and distribution; 37 in clinical, regulatory and research and development; and 14 in administration. Of these persons, we employed 96 in the United States and 16 in Europe. We believe that the continued success of our business will depend, in part, on our ability to attract and retain qualified personnel, and we are committed to developing our people and providing them with opportunities to contribute to our growth and success. None of these employees is covered by a collective bargaining agreement, and we believe our relationship with our employees is good to excellent.

Properties

Our principal office and facilities are located at 12744 San Fernando Road, Building 3, Sylmar, California 91342, and consists of approximately 45,351 rentable square feet at a base rent of $30,883 per month. Our lease expires in February 2022 and grants us an option to extend the lease term for an additional 60 months period. We have rented these premises from Mann Biomedical Park LLC, an entity affiliated with our Chairman of the Board, Alfred E. Mann. We believe that the terms of this lease are at least as favorable as those that may have been obtained from a non-affiliated third party. We believe that these premises are adequate for our foreseeable needs.

Our European offices are located on the Innovation Park at EPFL, Rue Jean Daniel Colladon, CH 1015 Lausanne. The lease consists of 180 square meters at a base rent of 7,079 CHF per month, or currently about $7,922 per month. Our lease is currently monthly with a six month notice required for termination, with the Foundation for the Innovation Park at EPFL.

Legal Proceedings

We are not a party to any pending legal proceedings other than those involving Pixium Vision described in “Risk Factors—Risks Related to Intellectual Property and Other Legal Matters” on page 22.

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 section of this prospectus titled "Summary Selected Financial Information" and our financial statements and related notes appearing elsewhere in this prospectus. In addition to historical information, this discussion and analysis here and throughout this prospectus contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited, to those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We were founded in 1998 with a mission to develop, manufacture, and market prosthetic devices that restore vision to the blind. Our principal offices are located in Sylmar, California, approximately 25 miles northwest of downtown Los Angeles. We also have an office in Lausanne, Switzerland, that manages our commercial and clinical operations in Europe and the Middle East.

Our first commercial product, the Argus II System, is a retinal prosthesis that can provide some functional vision to individuals blinded by retinitis pigmentosa (RP). The Argus II System is an implantable neurostimulation device that uses electrical stimulation of the retina (based on a wireless video camera feed) to replace the function of the defunct photo-receptors in RP patients.

Our major corporate, clinical and regulatory milestones include:

- In 1998, we were founded.
- In 2002, we commenced clinical trials for our prototype product, the Argus I retinal prosthesis.
- In 2006, we commenced clinical trials for the Argus II System, which later became our first commercial product.
- In 2011, we received marketing approval in Europe (CE Mark) for the Argus II System.
- In 2013, we received marketing approval in the United States (FDA) for the Argus II System.

We began selling the Argus II System in Europe at the end of 2011, in Saudi Arabia in 2013, and in the United States and Canada in 2014. We have limited regulatory approval in Canada and Saudi Arabia, and we are currently applying for full approval. To date, all of our sales have been made by our direct sales force, but we plan to add partners and distributors to enhance our coverage of existing and future markets. In 2014, we entered into our first distribution agreement, that covers the country of Spain, and we are at various stages of negotiations with a number of other distributors for countries in Europe and the Middle East.

We have achieved certain insurance reimbursement milestones in the United States (Medicare Transitional Pass Through Payment, New Technology Add-on Payment, and coverage by a number of insurers/payers), but reimbursement hurdles remain as not every payer is covering this technology. In Europe, we have achieved government reimbursement in Germany, and additional reimbursement is being sought in a number of other countries. Obtaining reimbursement from governmental or private insurance companies is critical to our future commercial success. Due to the cost of the Argus II System, our sales will be limited without the availability of third party reimbursement.

Going Concern

From inception, our operations have been funded primarily through the sales of our common stock and convertible debt, research and clinical grants, and product revenue generated by the sale of our Argus II System. During the two years ended December 31, 2013, we funded our business primarily through the issuance of convertible debt with the face value of $19,519,162 and $10,000,000 in 2013 and 2012, respectively, and the issuance of common stock aggregating $2,400,685 and $7,880,080 in 2013 and 2012, respectively. See Notes 9 and 11 of the Notes to our Consolidated Financial Statements for the years ended December 31, 2013 and 2012 for a discussion of our convertible debt and common stock issuances during 2013 and 2012.

Our financial statements have been presented on the basis that our business is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We are subject to the risks and uncertainties associated with a business with one product line and limited commercial product revenues, including limitations on our operating capital resources and uncertain demand for our products. We have significant convertible debt and have incurred recurring operating losses and negative operating cash flows since inception, and we expect to continue to incur operating losses and negative operating cash flows for at least the next few years. As a result, our independent registered public accounting firm, in its report on the Company's 2013 and 2012 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern without this offering which will raise operating capital and convert the debt to equity.

Plan of Operation

We intend to use the proceeds of this offering to fund our current business operations, expand our sales and marketing efforts, enhance our current product, gain new marketing approvals, and continue research into next generation technology.

We currently market and sell our products in the United States, Europe and Saudi Arabia. We will use a portion of the proceeds from this offering to expand our sales and marketing organizations in these existing markets to increase sales coverage, market penetration and revenue in these markets. Over the next 12 to 18 months, we intend to introduce the Argus II System in additional countries through our direct sales force or by working with partners and distributors.

We intend to use a portion of the proceeds of this offering to enhance the resolution of our Argus II System. Increasing the resolution of the system may enhance the user experience and increase our potential market size. Image resolution may be achieved by enhanced image processing, including contrast enhancement and electronic zooming. In addition, we believe that, through software enhancements, we may be able to create a number of virtual electrodes between the physical electrodes on the current retinal implant. This could potentially enhance the resolution of existing devices by ten-fold or more.

Currently, our Argus II System is approved for persons suffering from RP. We believe we can expand the market for the Argus II System beyond RP to patients with severe to profound vision loss due to age-related macular degeneration or AMD. We intend to use a portion of the proceeds of this offering to conduct a pilot study, of about five patients, in Europe beginning in late 2014 to determine the utility of the Argus II System for use in persons suffering from AMD. If successful, we will conduct further clinical studies to gain marketing approval for this expanded indication. If the Argus II System is successfully developed and approved for sale to treat AMD, as to which there can be no assurances, we believe that the potential addressable market opportunity for that device will significantly exceed our existing RP markets for the Argus II System.

We also plan to also use a portion of the proceeds from this offering to design and develop a product for cortical stimulation that we refer to as the Orion I visual cortical prosthesis, which we expect will be able to provide some vision restoration to individuals with almost all unpreventable forms of blindness. Our objective in designing and developing the Orion I visual cortical prosthesis is to bypass the retina and optic nerve and to directly stimulate the visual cortex region of the brain. If the Orion I visual cortical prosthesis is successfully developed and approved for sale, as to which there can be no assurances, we believe that the potential addressable market opportunity for that device will greatly exceed our existing RP markets for the Argus II System.

The amounts that we actually spend for any specific purpose may vary significantly and will depend on a number of factors, including, but not limited to, the pace of progress of our commercialization and development efforts, actual needs with respect to research and development, clinical testing, regulatory approval, market conditions, insurance reimbursement, and changes in or revisions to our product, sales and marketing strategies. Investors will be relying on the judgment of our management regarding the application of the proceeds from the sale of our common stock.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09),*Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 and has not determined the effect of the standard on our ongoing financial reporting.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08),*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)*. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The company is currently evaluating the impact of adopting ASU 2014-08 on the company's results of operations or financial condition.

In February 2013, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date. This guidance provides direction for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing guidance in US GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance will become effective for the company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The company adoption of this guidance had no material impact on the company’s consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830). This guidance resolves the diversity in practice relating to financial reporting involving a parent entity’s accounting for the cumulative translation adjustment of foreign currency into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, this guidance resolves the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. This guidance will become effective for the company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The company adoption of this guidance had no material impact on the company’s consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Loss, or a Tax Credit Carryforward Exists (a consensus the FASB Emerging Issues Task Force). This guidance provides direction on financial statement presentation of unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB’s objective in issuing this guidance was to eliminate diversity in practice resulting from a lack of guidance on this topic in current US GAAP. This guidance applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. This guidance will become effective for the company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The company adoption of this guidance had no material impact on the company’s consolidated financial statements.

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

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. See Note 2 to our consolidated financial statements for the years ended December 31, 2012 and 2013 for a more complete description of our significant accounting policies.

Revenue Recognition. Our revenue is derived from the sale of its Argus II System, which is implanted during a surgery, and intended to provide some functional vision to patients blinded by retinitis pigmentosa (RP). We sell to university hospitals, teaching hospitals, large medical centers, and ambulatory surgical centers. We recognize revenue when four basic criteria are met: (1) persuasive evidence of an arrangement exists; (2) surgical implantation has occurred; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. We generally use customer purchase orders or purchase agreements to determine the existence of an arrangement. Sales transactions are based on prices that are determinable at the time we accept the customer's purchase order. In order to determine whether collection is reasonably assured, we assess a number of factors, including creditworthiness of the customer and medical insurance coverage. If we determine that collection is not reasonably assured, we will defer the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment. We may periodically grant special terms, such as extended payment terms. We defer revenues when these special terms are granted until a final price is fixed and collection becomes reasonably assured. Due to the nature of our revenue recognition policy of recording revenue only after surgical implantation, we have had no returns related to Argus II System recorded as revenue.

Stock-Based Compensation. Pursuant to Financial Accounting Standards Board ("FASB") ASC 718 Share-Based Payment ("ASC 718"), the Company records stock-based compensation expense for all stock-based awards.

Under ASC 718, the Company estimates the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The assumptions used in the Black-Scholes valuation model are as follows:

- Grant Price — the grant price of the issuances are determined based on the estimated fair value of the shares at the date of grant.
- Risk-free interest rate — the risk free interest rate for periods within the contractual life of the option is based on the U.S. treasury yield in effect at the time of grant.

- Expected lives — as permitted by SAB 107, due to the Company's insufficient history of option activity, the management utilizes the simplified approach to estimate the options expected term, which represents the period of time that options granted are expected to be outstanding.
- Expected volatility — is determined based on average historical volatilities of comparable companies in the similar industry.
- Expected dividend yield — is based on current yield at the grant date or the average dividend yield over the historical period. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Patent Costs. The Company has over two hundred domestic and foreign patents. Due to the uncertainty associated with the successful development of one or more commercially viable products based on Company's research efforts and any related patent applications, all patent costs, including patent-related legal, filing fees and other costs, including internally generated costs, are expensed as incurred. Patent costs were $669,011 and $689,633 for the years ended December 31, 2013 and 2012, respectively, and are included in general and administrative expenses in the consolidated statements of operations.

Convertible Promissory Notes and Warrants. The warrants and embedded beneficial conversion feature of convertible promissory notes are classified as equity under FASB ASC Topic 815-40 "Derivatives and Hedging — Contracts in Entity's Own Equity". The Company allocates the proceeds of the convertible promissory notes between convertible promissory notes and the financial instruments related to warrants associated with convertible promissory notes based on their relative fair values at the commitment date. The fair value of the financial instruments related to warrants associated with convertible promissory notes is determined utilizing the Black-Scholes option pricing model and the respective allocated proceeds to the warrants is recorded in additional paid-in capital. The Company utilized the Black-Scholes option valuation model using the same valuation assumptions as described herein for Stock Based Compensation. The embedded beneficial conversion feature associated with convertible promissory notes is recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital in accordance with ASC Topic 470-20 "Debt — Debt with Conversion and Other Options." The portion of debt discount resulting from the allocation of proceeds to the financial instruments related to warrants associated with convertible promissory notes is being amortized over the life of the convertible promissory notes. For the portion of debt discount resulting from the allocation of proceeds to the beneficial conversion feature, it is amortized over the term of the notes from the respective dates of issuance.

Results of Operations

Product Revenue. Our product revenue is derived from the sale of our Argus II System. We began selling our product in Europe in 2011, Saudi Arabia in 2012, and the United States and Canada in 2014. Our objective is to increase our product revenue over the next several years as we pursue commercialization of our product, as our product becomes more well-known and accepted in the market, and as insurance coverage becomes more widespread.

Cost of sales. We have two components to our cost of sales: the cost of goods sold and production process development costs. Our cost of sales also includes a non-cash component related to the amortization of deferred stock-based compensation.

- Cost of goods sold consists of the cost of our Argus II System that we manufacture at our Sylmar, California facility, and the cost includes salaries, other personnel costs, material, overhead, warranty and other costs.

- Production process development expenses consist of salaries and related personnel costs, and material costs related to developing and refining our production processes. Our product involves new and technologically complex materials and processes. As we move from making small quantities of our product for clinical trials to larger quantities for commercial distribution, we must develop new manufacturing techniques and processes that allow us to scale production. We are currently experiencing low yields on our manufacturing process, but we expect that over the next few years we will be able to refine our processes and improve our manufacturing yields. Accordingly, we expect that manufacturing process development expenses will decline over the next few years.

Operating Expenses. We generally recognize our operating expenses as we incur them in four general operational categories: research and development, clinical and regulatory, sales and marketing, and general and administrative. Our operating expenses also include a non-cash component related to the amortization of deferred stock-based compensation allocated to research and development, clinical and regulatory, sales and marketing and general and administrative personnel. From time to time we receive grants from institutions or agencies, such as the National Institutes of Health, to help fund the some of the cost of our development efforts. We record these grants as offsets to the costs as they are incurred to complete the related work.

- Research and development expenses consist primarily of employee compensation and consulting costs related to the design, development, and enhancements of our current and potential future products, offset by grant revenue received in support of specific research projects. We expense our research and development costs as they are incurred. We expect research and development expenses to increase in the future as we pursue further enhancements of our existing product and develop technology for our potential future products, such as the Orion I visual cortical prosthesis. We also expect to receive additional grants in the future that will be offset primarily against research and development costs.
- Clinical and regulatory expenses consist primarily of salaries, travel and related expenses for personnel engaged in clinical and regulatory functions, as well as internal and external costs associated with conducting clinical trials and maintaining relationships with regulatory agencies. We expect clinical and regulatory expenses to increase substantially as we assess the safety and efficacy of enhancements to our current Argus II System, seek to expand the indications for the Argus II System, such as AMD, and prepare to initiate clinical studies of potential future products, such as the Orion I visual cortical prosthesis.
- Sales and marketing expenses consist primarily of salaries, commissions, travel and related expenses for personnel engaged in sales, marketing and business development functions, as well as costs associated with promotional and other marketing activities. We expect sales and marketing expenses to increase substantially as we hire additional sales personnel, initiate additional marketing programs, develop relationships with new distributors, and expand the number of doctors and medical centers that buy and implant our Argus II System and any future products.
- General and administrative expenses consist primarily of salaries and related expenses for executive, legal, finance, human resources, information technology and administrative personnel, as well as recruiting and professional fees, patent filing costs, insurance costs and other general corporate expenses, including rent. We expect general and administrative expenses to increase as we add personnel and incur additional costs related to the growth of our business and operation as a public company.

Interest expense on convertible promissory notes. Interest expense is a non-cash expense associated with the Company's convertible promissory notes. Simple interest is accrued at 7.5% per annum based on the face value of the convertible promissory notes outstanding during the year. The accrued interest is added to the amount of outstanding debt, but does not earn additional interest. The terms of the convertible promissory notes provide for conversion of principal and accrued interest into equity on an IPO, among other events, at $5.00 per share. Accordingly, there will be no interest expense related to the convertible promissory notes after our planned IPO.

Amortization of discount on convertible promissory notes. As discussed more fully above, our convertible promissory notes issued during 2012 and 2013 were issued with detachable warrants and an embedded beneficial conversion feature, which were recorded as an issuance discount with an offsetting credit to additional paid-in capital. This issuance discount is amortized as a non-cash charge over the term of the convertible promissory note. The terms of the convertible promissory notes provide for conversion into equity on an IPO, among other events, at $5.00 per share. At December 31, 2013, the unamortized issuance cost related to our convertible promissory notes was $12,032,146. In the event the convertible promissory notes are converted into equity before their maturity dates, this unamortized discount will be written off as a charge to the current period's net income. Accordingly, in fiscal periods after the planned IPO, there will be no amortization of the issuance discount related to the convertible promissory notes.

Comparison of the Years Ended December 31, 2013 and 2012

Overview. During 2012 the company completed clinical trials that led to the February 2013 FDA marketing approval for the Argus II System. In early 2013, the company shifted resources from product development and clinical testing to increase investment in production capabilities and commercialization efforts. This shift in spending was accomplished by decreasing staffing levels in the research and development and clinical and regulatory areas during the first quarter of 2013 while increasing staffing levels in operations and sales and marketing throughout the year. For the 2013 year, total employee count increased from 108 at January 1 to 112 at December 31, but the mix of employees shifted towards production and commercialization.

Revenue. Our product sales increased from $1,367,224 in 2012 to $1,564,933 in 2013, an increase of $197,709, or 14%. This increase in product revenue was due to implanting twenty-two Argus II Systems in 2013 compared to fifteen implants in the prior year. In 2012, all implants were sold in Europe; in 2013, implants were sold in Europe and the Middle East. Product sales did not commence in the United States and Canada until 2014.

Cost of sales. Cost of sales increased from $4,396,746 in 2012 to $5,629,320 in 2013, an increase of $1,232,574, or 28%. This increase consists of an $118,008, or 12%, increase in cost of products sold and a $1,114,566, or 33%, increase in production process development costs. The increase in cost of goods sold is primarily attributable to shipping more units in 2013 compared to 2012. The increase in production process development costs is primarily due to increasing our production capacity, including the addition of direct and indirect personnel, while still experiencing low yields. We will continue to invest in improving our manufacturing processes, and we expect manufacturing yields to improve and we expect our production process expenses to decrease over the next several years, although we expect significant fluctuations on a quarter to quarter basis.

Research and development expense. Research and development expense increased from $3,045,157 in 2012 to $3,248,466 in 2013, an increase of $203,309, or 7%. This increase in expense is primarily due to $426,690 of lower grant revenue offsets in 2013 compared to 2012, and to a higher level of stock-based compensation in 2013. Offsetting these increases, compensation costs were lower in 2013 due to a lower level of staffing. We expect research and development costs to increase in the future as we pursue further enhancements of our existing product and develop technology for our potential future cortical implant product.

Clinical and regulatory expense. Clinical and regulatory expense decreased from $3,726,556 in 2012 to $3,215,290 in 2013, a decrease of $511,266, or 14%. This decrease from 2012 to 2013 is primarily attributable to a lower level of staffing during 2013 compared to 2012, and a lower level of clinical trial activity after the company received FDA marketing approval for the Argus II System. We expect clinical and regulatory costs will increase in the future as we conduct clinical trials to assess possible enhancements to our existing product, and assess safety and the efficacy of our current product for treating blindness due to age related macular degeneration, or AMD.

Selling and marketing expense. Selling and marketing expense increased from $2,194,590 in 2012 to $3,301,452 in 2013, an increase of $1,106,862, or 50%. This increase in costs is attributable to an increase in selling and marketing personnel, resulting in higher compensation costs, as well as higher marketing and market research related costs. While we expect these costs to increase in the future as we increase our selling and marketing resources to accelerate the commercialization of our product, we expect selling and marketing expense to decrease over time when expressed as a percentage of revenue.

General and administrative expense. General and administrative expense increased from $4,025,558 in 2012 to $4,167,934 in 2013, an increase of $142,376, or 4%. After we become a public company, we expect these costs to increase as we incur the additional costs of being a public company, including higher legal, accounting, insurance, exchange listing, and other costs.

Interest expense on the convertible promissory notes. Interest expense on the convertible promissory notes increased from $138,934 in 2012 to $1,588,687 in 2013, an increase of $1,449,753, or 1,043%. This increase is due to the higher average level of debt outstanding during 2013 compared to 2012.

Amortization of issuance discount on convertible promissory notes. Amortization of issuance discount on convertible promissory notes increased from $128,097 in 2012 to $3,424,931 in 2013, an increase of $3,296,834, or 2,574%. This increase is due to the higher average level of debt outstanding during 2013 compared to 2012, and to higher value attributed to the beneficial conversion feature associated with promissory notes issued in 2013. As of December 31, 2013, the unamortized issuance discount on the convertible promissory notes was $12,032,146.

Net loss. Net loss was $16,279,127 for the year ended December 31, 2012, as compared to $22,968,925 for the year ended December 31, 2013.

Comparison of the Three Months Ended March 31, 2014 and 2013

Revenue. Our revenue increased from $451,875 in the first quarter of 2013 to $656,726 in 2014, an increase of $204,851, or 45%. This increase in product revenue was due to implanting six Argus II Systems in the first quarter of 2014 compared to four implants in the first quarter of the prior year. In 2013, all implants were in Europe and the Middle East, whereas in the first quarter of 2014, there were four implants in the United States and two in Europe.

Cost of sales. Cost of sales decreased from $1,897,179 in the first quarter of 2013 to $727,433 in the first quarter of 2014, a decrease of $1,169,746, or 62%. This decrease consists of a $71,130 decrease in cost of products sold and a $1,098,616 decrease in process development costs. The decrease in process development costs is primarily due to increasing our production yields in the first quarter of 2014 relative to the first quarter of 2013. We will continue to invest in improving our manufacturing processes, and we expect manufacturing yields to improve and we expect our production process development expenses to decrease over the next several years, although we expect significant fluctuations on a quarter to quarter basis.

Research and development expense. Research and development expense decreased from $1,079,478 in the first quarter of 2013 to $1,039,486 in the first quarter of 2014, a decrease of $39,992, or 4%. This decrease is primarily due to lower stock-based compensation charges in the current year. We expect research and development costs to increase in the future as pursue further enhancements of our existing product and develop technology for our potential future cortical implant product.

Clinical and regulatory expense. Clinical and regulatory expense decreased from $811,410 in the first quarter of 2013 to $594,662 in the first quarter of 2014, a decrease of $216,748, or 27%. This decrease is primarily attributable to lower levels of staffing in 2014 compared to 2013. We expect clinical and regulatory costs to increase in the future as we conduct clinical trials to assess possible enhancements to our existing product, and assess the safety and efficacy of our current product for treating blindness due to age related macular degeneration.

Selling and marketing expense. Selling and marketing expense increased from $613,779 in in the first quarter of 2013 to $1,254,503 in same period in 2014, an increase of $640,724, or 104%. This increase in costs is attributable to an increase in personnel, as well as higher marketing related costs, as we increased our efforts to commercialize the Argus II System. While we expect these costs to increase in the future as we increase our selling and marketing resources to accelerate the commercialization of our product, we expect selling and marketing expense to decrease over time when expressed as a percentage of product revenue.

General and administrative expense. General and administrative expense increased from $993,921 in the first quarter of 2013 to $1,497,127 in the same period of 2014, an increase of $503,206, or 51%. This increase is primarily attributable to stock-based compensation charges of $392,737 related to an option grant to our chief executive officer in the first quarter of 2014. After we become a public company, we expect our general and administrative costs to increase as we incur the additional costs of being a public company, including higher legal, accounting, insurance, exchange listing, and other costs.

Interest expense on the convertible promissory notes. Interest expense on the convertible promissory notes increased from $219,801 in the first quarter of 2013 to $545,900 same period of 2014, an increase of $326,099, or 148%. This increase is due to the higher average level of debt outstanding during the first quarter of 2014 compared to same period of 2013.

Amortization of issuance discount on convertible promissory notes. Amortization of issuance discount on convertible promissory notes increased from $285,596 in the first quarter of 2013 to $1,440,017 in same period of 2014, an increase of $1,154,421, or 404%. This increase is due to the higher average level of debt outstanding during the first quarter of 2014 compared to same period of 2013, and to higher value attributed to the beneficial conversion feature associated with promissory notes issued in 2013. As of March 31, 2014, the unamortized issuance discount on the convertible promissory notes was $10,592,129.

Net loss. Net loss was $5,447,344 for the three months ended March 31, 2013, as compared to $6,438,753 for the three months ended March 31, 2014.

Liquidity and Capital Resources

Our company's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. We have experienced recurring operating losses and negative operating cash flows since inception, and have financed our working capital requirements through the recurring sale of our equity securities. As a result, our independent registered public accounting firm, in its report on our 2013 and 2012 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern (see "Going Concern" above").

We are planning an initial public offering of approximately 3,500,000 shares of our common stock (a "Share"), generating gross proceeds of approximately $31,500,000, and intend to use the proceeds from such offering to invest in our business to expand sales and marketing efforts, enhance current product, gain regulatory approvals for additional indications, and continue research and development into next generation technology. Each Share sold in this offering will be coupled with a non-transferable contractual right which could allow the holder to obtain at no additional cost up to one additional share on the second anniversary of the closing date of the offering (the "Long Term Investor Right℠"). For a holder of a Share to benefit from the Long Term Investor Right, the holder must: (1) hold the Share obtained in the offering after the closing date of the offering, (2) register the Share in its name, and not in "street name," no later than 90 days after the closing date of the offering, and (3) continuously hold the Share in certificate or book entry form during the two years after the closing date of the offering. If the holder of the Share fails to timely make the registration and to hold the Share continuously for the two years after the closing date of the offering, the Long Term Investor Right will terminate. If the common stock trades on its principal exchange at 200% of the Offering Price or greater on five consecutive trading days during the two years after the closing date the Long Term Investor Right will terminate. The Long Term Investor Right will convert into common stock if our shares do not trade on their principal exchange at 200% of the Offering Price or greater on five consecutive trading days during the two years after the closing date.

At December 31, 2013, we had cash and money market funds totaling $8,674,179, as compared to $4,454,792 at December 31, 2012, an increase of $4,219,387, or 95%. Working capital was $9,104,436 at December 31, 2013, as compared to $4,275,975 at December 31, 2012, an increase of $4,828,461 or 113%. We use our cash, money market funds and working capital to fund our operating activities.

During 2013, we used $17,426,862 of cash in operating activities, consisting of a net loss of $22,968,925, reduced by non-cash charges of $6,099,284 for depreciation and amortization of property and equipment, stock-based compensation, amortization of discount on convertible notes payable, and non-cash interest accrued on convertible notes payable, and increased by a net change in operating assets and liabilities of $557,221. This compares to 2012, when we used $15,321,214 of cash in operating activities, consisting of a net loss of $16,279,127, reduced by non-cash charges of $1,499,605 for depreciation and amortization of property and equipment, stock-based compensation, amortization of discount on convertible notes payable, and non-cash interest accrued on convertible notes payable, and increased by a net change in operating assets and liabilities of $541,692.

Investing activities in 2013 and 2012 used $4,547,580 and $2,847,259 of cash, respectively. Of these totals, $4,301,576 related to investments in money market funds in 2013, compared to $2,651,176 in 2012. We also used $246,004 to purchase property and equipment in 2013, compared to $196,083 in 2012.

Financing activities provided $21,974,617 of cash in 2013, including $19,519,162 from the issuance of convertible promissory notes primarily to existing investors and $2,400,685 from the issuance of common stock to new investors at $7.00 per share. In 2012, financing activities provided $17,984,016 of cash, including $10,000,000 from the issuance of convertible promissory notes and $7,880,080 from the issuance of common stock primarily to existing investors at $5.00 per share. In 2013, we repaid convertible promissory notes totaling $53,666. Cash provided by stock option exercises was $108,436 in 2013 and $103,936 in 2012.

At March 31, 2014, we had cash and money market funds of $4,583,421, as compared to $8,674,179 at December 31, 2013, a decrease of $4,090,758, or 47%, during the first quarter of 2014. Working capital was $5,883,001 at March 31, 2014, as compared to $9,104,436 at December 31, 2013, a decrease of $3,221,435, or 35%.

During the first quarter of 2014, we used $4,656,850 of cash in operating activities, consisting primarily of a net loss of $6,438,753, offset by non-cash charges of $2,659,002 for depreciation and amortization of property and equipment, stock-based compensation, amortization of discount on convertible notes payable, and non-cash interest accrued on convertible notes payable, and increased by a net change in operating assets and liabilities of $877,099. This compares to the first quarter of 2013, when we used $4,637,359 in operating activities, consisting primarily of a net loss of $5,447,344, offset by non-cash charges of $877,306 for depreciation and amortization of property and equipment, stock-based compensation, amortization of discount on convertible notes payable, and non-cash interest accrued on convertible notes payable, and increased by a net change in operating assets and liabilities of $67,321.

Investing activities in the first quarter of 2014 provided $4,389,036, reflecting $4,480,759 in proceeds from money market investments, offset by $91,723 for the purchase of equipment. In the first quarter of 2013, investing activities used $1,748,060 of cash, reflecting $1,703,837 investment in money market funds and $44,223 used for the purchase of equipment.

Financing activities provided $703,494 of cash in first quarter of 2014, from the issuance of $700,000 of common stock at $7.00 per share to new investors and $3,494 from stock option exercises. In the first quarter of 2013, financing activities provided $6,365,664 of cash from the issuance of $6,385,545 of convertible promissory notes to existing investors and $33,785 from the exercise of stock options, offset by convertible note repayments totaling $53,666.

To date, we have not generated sufficient revenue from product sales to finance our operations. Funding for the business has come primarily through the issuance of equity and convertible debt, and grants from private institutions and government agencies. Over the next few years, we intend to invest in (1) sales and marketing in order to increase the distribution and demand for our products, (2) research and development to enhance our existing products and develop next generation products, and (3) clinical and regulatory efforts to expand indications for our existing product and to assess the feasibility of future products. Additionally, after the completion of the proposed public offering, we expect that our general and administrative expenses will increase as we incur the substantial incremental costs associated with being a public company. While our objective is to generate sufficient revenue from the sales of our products to reach breakeven on a cash flow basis in the next several years, there can be no assurance that we will be successful in doing so. If we are unsuccessful in generating a sufficient level of product revenue to fund all or part of our business, the proceeds from this proposed public offering may not be sufficient to finance the company beyond the next eighteen to twenty-four months and we will need to raise additional capital (of which there can be no assurances).

Principal Commitments

Effective February 2012, the company entered into a lease agreement (the “Sylmar Lease”) with a company owned by the major stockholder of the company for office space for a term of five years that expires on February 28, 2017. The Sylmar Lease included rental of additional space commencing January 1, 2013 and a five year option to renew. The lease requires the company to pay real estate taxes, insurance and common area maintenance each year, and is subject to periodic cost of living adjustments. In April 2014, the Sylmar Lease was renegotiated with the term ending on February 28, 2022, and a five year option to renew. The new lease also requires the company to pay real estate taxes, insurance and common area maintenance each year and includes automatic increases in base rent in base rent each year.

The company's Swiss subsidiary rents office space in Switzerland on a month-to-month basis for CHF 7,079 (approximately $7,922 at December 31, 2013) per month.

Total rent expense was approximately $766,000 and $458,000 for the years ended December 31, 2013 and 2012, respectively. Future minimum rental payments required under the operating leases are as follows for the years ended December 31:

Years	Amount
2014	709,647
2015	778,448
2016	808,068
2017	833,045
2018	858,036
Thereafter	2,888,696
Total	$ 6,875,940

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

Trends, Events and Uncertainties

Research and development of new technologies are, by their nature, unpredictable. Although we will undertake development efforts with commercially reasonable diligence, there can be no assurance that the net proceeds from this offering will be sufficient to enable us to develop our technology to the extent needed to create future sales to sustain operations as contemplated herein. If the net proceeds from this offering are insufficient for this purpose, we will consider other options to continue our path to commercialization, including, but not limited to, additional financing through follow-on stock offerings, debt financing, co-development agreements, curtailment of operations, suspension of operations, sale or licensing of developed intellectual or other property, or other alternatives.

We cannot assure you that our technology will be adopted or that we will ever achieve sustainable revenues sufficient to support our operations. Even if we are able to generate revenues, there can be no assurances that the company will be able to achieve profitability or positive operating cash flows. There can be no assurances that the company will be able to secure additional financing on acceptable terms or at all. If cash resources are insufficient to satisfy the company's ongoing cash requirements, the company would be required to scale back or discontinue its technology and product development programs, or obtain funds, if available (although there can be no certainty), through strategic alliances that may require the company to relinquish rights to certain of its products, or to curtail or discontinue its operations entirely.

Other than as discussed above and elsewhere in this prospectus, we are not currently aware of any trends, events or uncertainties that are likely to have a material effect on our financial condition in the near term, although it is possible that new trends or events may develop in the future that could have a material effect on our financial condition.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the names and ages of all of our directors and executive officers as of July 31, 2014. Our officers are appointed by, and serve at the pleasure of, the board of directors.

Name	Age	Position(s)
Robert Greenberg, M.D., Ph.D.	46	President, Chief Executive Officer and Director
Alfred E. Mann	88	Chairman of the Board of Directors
Thomas B. Miller	59	Chief Financial Officer
Anne-Marie Ripley	44	Vice President of Clinical and Regulatory Affairs
Gregoire Cosendai, Ph.D.	42	Vice President of European Operations
Brian Mech, Ph.D.	45	Vice President of Business Development
Edward Randolph	56	Vice President of Manufacturing
William J. Link, Ph.D.	68	Director
Aaron Mendelsohn	63	Director
Gregg Williams	55	Director

There are no family relationships between any of our executive officers or directors.

Robert J. Greenberg has been the President, Chief Executive Officer and Director of Second Sight Medical Products, Inc. since its inception. Prior to the formation of Second Sight, Dr. Greenberg worked co-managing the Alfred E. Mann Foundation. From 1997 to 1998, he served as lead reviewer for IDEs and 510(k)s at the Office of Device Evaluation at the US Food and Drug Administration in the Neurological Devices Division. In 1998, he received his medical degree from The Johns Hopkins School of Medicine. From 1991 to 1997, Dr. Greenberg conducted pre-clinical trials demonstrating the feasibility of retinal electrical stimulation in patients with retinitis pigmentosa. This work was done at the Wilmer Eye Institute at Johns Hopkins in Baltimore and led to the granting of his Ph.D. from the Johns Hopkins Department of Biomedical Engineering. His undergraduate degree was in Electrical Engineering and Biomedical Engineering from Duke University.

Alfred E. Mann is one of our founders and has been one of our directors since inception. He has been a director of MannKind Corporation since April 1999, its Chairman of the Board since December 2001 and its Chief Executive Officer since October 2003. He founded and formerly served as Chairman and Chief Executive Officer of MiniMed, Inc., a publicly traded company focused on diabetes therapy and micro infusion drug delivery that was acquired by Medtronic, Inc. in August 2001. Mr. Mann also founded and, from 1972 through 1992, served as Chief Executive Officer of Pacesetter Systems, Inc. and its successor, Siemens Pacesetter, Inc., a manufacturer of cardiac pacemakers, now the Cardiac Rhythm Management Division of St. Jude Medical Corporation. Mr. Mann founded and since 1993, has served as Chairman and until January 2008, as Co-Chief Executive Officer of Advanced Bionics Corporation, a medical device manufacturer focused on neurostimulation to restore hearing to the deaf and to treat chronic pain and other neural deficits that was acquired by Boston Scientific Corporation in June 2004. In January 2008, the former stockholders of Advanced Bionics Corporation repurchased certain segments from Boston Scientific Corporation and formed Advanced Bionics LLC for cochlear implants and Infusion Systems LLC for infusion pumps. Mr. Mann was non-executive Chairman of both entities. Advanced Bionics LLC was acquired by Sonova Holdings on December 30, 2009. Infusion Systems LLC was acquired by the Alfred E. Mann Foundation in February 2010. Mr. Mann has also founded and is non-executive Chairman of Bioness Inc., which is developing rehabilitation neurostimulation systems; Quallion LLC, which produces batteries for medical products and for the military and aerospace industries; and Stellar Microelectronics Inc., a supplier of electronic assemblies to the medical, military and aerospace industries. Mr. Mann also founded and is the managing member of PerQFlo, LLC, which is developing drug delivery systems. Mr. Mann is the managing member of the Alfred E. Mann Foundation and is also non-executive Chairman of Alfred Mann Institutes at the University of Southern California, and AMI Technion, and the Alfred Mann Foundation for Biomedical Engineering. Mr. Mann holds bachelor's and master's degrees in Physics from the University of California at Los Angeles, honorary doctorates from Johns Hopkins University, the University of Southern California, Western University and the Technion-Israel Institute of Technology and is a member of the National Academy of Engineering. The Board believes that Mr. Mann's business experience, including his extensive experience as a founder, board member and executive officer of medical device companies, combined with his business acumen and judgment provide our Board with valuable scientific and operational expertise and leadership skills.

Thomas B. Miller has been our Chief Financial Officer since May 2014. From 2000 to 2014 he was Chief Financial Officer of Ixia, a public company engaged in the design and manufacture of network test and monitoring products for the telecommunications industry. From 1997 to 1999 he was the Director of Finance and Controller of CoCensys, a public biotechnology company engaged in the discovery and development of new drugs to treat neurological and psychiatric disorders. Mr. Miller received a Masters of Business Administration from the University of Southern California and a Bachelor of Arts, Economics from the University of California, Berkeley.

Anne-Marie Ripley has been our Vice President of Clinical and Regulatory Affairs since July 2005. From 2002 to 2005 she worked for the Alfred E. Mann Foundation, a non-profit organization that was conducting research and development for innovative bionic devices for people suffering from disabilities due to stroke and spinal cord injury with a final position as Vice President of Clinical and Regulatory Affairs. From 1999 to 2002, she was the Vice President of Data & Site Management and later Vice President of Operations at MD DataDirect, a start-up, web-based market research firm specializing in real-time cardiology device usage information. From 1992 to 1999 she worked in clinical and regulatory affairs (with a final position at the Director level) at Eclipse Surgical Technologies (now Cardiogenesis), a maker of interventional cardiology, cardiac surgery and orthopedic devices. Ms. Ripley received her Bachelor of Arts in Public Policy from Stanford University.

Gregoire Cosendai was our Director of European Operations from 2008 to 2010 and has since 2010 been our Vice President of European Operations. Between 2005 and 2008 he acted as a consultant for Second Sight. From 2001 to 2008 he was director of business development for the Alfred E. Mann Foundation. From 1995 to 2001 he was clinical engineer at the ENT clinic at the Geneva Hospital. Mr. Cosendai received a PhD from EPFL Lausanne on developing new speech coding strategies for cochlear implants and a Master of Electrical Engineering (Ing. dipl. EPFL elec.) from EPFL Lausanne.

Brian Mech has been our Vice President of Business Development since 2008 and has been with the company since 1999. From 1999 to 2008 Mr. Mech held roles as a Materials Science Engineer and Director of Business Development at Second Sight. From 1997 to 1999, Mr. Mech was an Engineering Research Associate at the University of Michigan. Mr. Mech began his career at Second Sight working on advanced implantable package design, and has assumed responsibilities in the areas of implant design, pre-clinical testing, clinical support, reimbursement, sales and marketing, and business development. Mr. Mech received his Ph.D. in Materials Science from the University of Toronto and an MBA from the Anderson School of Management at the University of California, Los Angeles.

Edward Randolph has been our Vice President of Manufacturing since 2007. From 2003 to 2007, Mr. Randolph was Director of Manufacturing Engineering at Boston Scientific Corp., a worldwide manufacturer of medical devices and products. From 2001 to 2003, Mr. Randolph was a Director of Manufacturing Engineering at Cygnus, Inc., manufacturer of non-invasive transdermal drug delivery systems. Mr. Randolph received his Master of Science in Engineering from Stanford University and his Bachelor of Science in Architecture from Massachusetts Institute of Technology.

William J. Link has been a member of our Board of Directors since 2003. Mr. Link is a co-founder and managing director of Versant Ventures, a venture capital firm specializing in early-stage investing in healthcare companies, since its inception in 1999. Prior to co-founding Versant Ventures, Mr. Link was a general partner at Brentwood Venture Capital from 1998 to present. Mr. Link also founded and served as chairman and CEO of Chiron Vision, a subsidiary of Chiron Corporation specializing in ophthalmic surgical products, from 1986 to 1997 which was sold to Bausch and Lomb in 1997. Prior to Chiron Vision, Mr. Link founded in 1978 and served as President of American Medical Optics (AMO), a division of American Hospital Supply Corporation, which was sold to Allergan in 1986. Mr. Link also served on the Board of AMO's successor company, Advanced Medical Optics (AMO) which was acquired by Abbott in 2009, from 2002 to 2009. Mr. Link was an Assistant Professor in the Department of Surgery at the Indiana University School of Medicine from 1973 to 1976. Mr. Link received his BSc, MSc and Ph.D. from Purdue University.

Aaron Mendelsohn is a founder and has been a director of Second Sight since inception. Mr. Mendelsohn served on the board of Advanced Bionics since shortly after its founding in 1993 until its sale in 2004. Mr. Mendelsohn was also a founder and director of MRG from its inception in 1998 until its sale in 2001 to Medtronic, Inc. Mr. Mendelsohn serves on the board of directors for the Alfred E. Mann Institute for Biomedical Engineering at USC since its inception in 1998 and is a member of it Executive Committee. Mr. Mendelsohn is a founder and a director of Nanoprecision Holding Company, Inc., a world leader in manipulating materials at nanometer scale, since 2007. He is also a founder and director of Nanoprecision Medical, Inc, a drug delivery company working in nanotechnology, since its inception in 2011. Mr. Mendelsohn is a founder and serves as Chairman of the Maestro Foundation since it was organized in 1983. The Maestro Foundation is a leading non-profit musical philanthropic organization which hosts a premier chamber music series and lends professional-level instruments and bows to young, career-bound classical musicians. Mr. Mendelsohn received his B.A. from UCLA and J.D. from Loyola University School of Law Los Angeles.

Gregg Williams has been a member of our Board of Directors since June 2009. Mr. Williamshas been the Chief Executive Officer at Williams International Corporation since April 2005. Mr. Williams serves as the Chairman and President of Williams International Corporation and served as its Chief Operating Officer. He is a Member of Strategic Advisory Council of Bye Aerospace, Inc. Mr. Williams received a Bachelor of Science in Engineering from the University of Utah in 1982.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics that will apply to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics will be available on the investor relations page on our website. We intend to post any amendment to our code of business conduct and ethics, and any waivers of such code for directors and executive officers, on our website or in filings under the Exchange Act.

Board of Directors

Director Independence

In connection with this offering, we intend to list our common stock on the Nasdaq Capital Market. Under the rules of The Nasdaq Stock Market, independent directors must comprise a majority of a listed company's board of directors within a specified period of time after the completion of an initial public offering. In addition, the rules of The Nasdaq Stock Market require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of The Nasdaq Stock Market, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise or impair such director's ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors has determined that each of Alfred E. Mann, William J. Link, and Gregg Williams are "independent directors" as defined under the applicable rules and regulations of the Securities and Exchange Commission, or SEC, and the listing requirements and rules of The Nasdaq Stock Market.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and governance committee, each of which will have the composition and responsibilities described below. Our board of directors will appoint a chair of each committee upon its establishment. Members will serve on these committees until their resignation or as otherwise determined by our board of directors.

Audit Committee

Alfred E. Mann, William J. Link, and Gregg Williams, each of whom is non-employee member of our board of directors, have been designated to serve on our audit committee. Our board of directors has determined that each of Alfred E. Mann, William J. Link, and Gregg Williams satisfies the requirements for independence and financial literacy under the rules and regulations of The Nasdaq Stock Market and the SEC. Our board of directors has also determined that Alfred E. Mann qualifies as an "audit committee financial expert," as defined in the SEC rules, and satisfies the financial sophistication requirements of The Nasdaq Stock Market. The audit committee will be responsible for, among other things:

- appointing, overseeing, and if need be, terminating any independent auditor;
- assessing the qualification, performance and independence of our independent auditor;
- reviewing the audit plan and pre-approving all audit and non-audit services to be performed by our independent auditor;
- reviewing our financial statements and related disclosures;
- reviewing the adequacy and effectiveness of our accounting and financial reporting processes, systems of internal control and disclosure controls and procedures;
- reviewing our overall risk management framework;
- overseeing procedures for the treatment of complaints on accounting, internal accounting controls, or audit matters;
- reviewing and discussing with management and the independent auditor the results of our annual audit, reviews of our quarterly financial statements and our publicly filed reports;
- reviewing and approving related person transactions; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

Our audit committee operates under a written charter, adopted by our board of directors, which satisfies the applicable rules and regulations of the SEC and the applicable listing standards of The Nasdaq Stock Market.

Compensation Committee

Alfred E. Mann, William J. Link, and Gregg Williams, each of whom is a non-employee member of our board of directors, will comprise our compensation committee. Our board of directors has determined that each of Alfred E. Mann, William J. Link, and Gregg Williams meets the requirements for independence under the rules of The Nasdaq Stock Market and the SEC and is an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The compensation committee will be responsible for, among other things:

·reviewing the elements and amount of total compensation for all officers;
·formulating and recommending any proposed changes in the compensation of our Chief Executive Officer for approval by the board;
·reviewing and approving any changes in the compensation for officers, other than our Chief Executive Officer;
·administering our equity compensation plans;
·reviewing annually our overall compensation philosophy and objectives, including compensation program objectives, target pay positioning and equity compensation; and
·preparing the compensation committee report that the SEC will require in our annual proxy statement.

Our compensation committee operates under a written charter, adopted by our board of directors, which satisfies the applicable rules and regulations of the SEC and the applicable listing standards of The Nasdaq Stock Market.

Nominating and Governance Committee

Alfred E. Mann, William J. Link, and Gregg Williams, each of whom is a non-employee member of our board of directors, will comprise our nominating and governance committee. Our board of directors has determined that each of Alfred E. Mann, William J. Link, and Gregg Williams meets the requirements for independence under the rules of The Nasdaq Stock Market for service on this committee. The nominating and governance committee will be responsible for, among other things:

·evaluating and making recommendations regarding the composition, organization and governance of our board of directors and its committees,
·identifying, recruiting and nominating director candidates to the board if and when necessary;
·evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees,
·reviewing and making recommendations with regard to our corporate governance guidelines and compliance with laws and regulations, and
·reviewing and approving conflicts of interest of our directors and corporate officers, other than related person transactions reviewed by the audit committee.

Our nominating and governance committee operates under a written charter adopted by our board of directors, which satisfies the applicable listing standards of The Nasdaq Stock Market.

Compensation Committee Interlocks and Insider Participation

None of the prospective members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the compensation committee or director (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has one or more executive officers who will serve on our compensation committee or our board of directors.

Non-Employee Director Compensation

Members of our board of directors did not receive compensation for their service as directors for the year ended December 31, 2013. Commencing on completion of this offering, each of our non-employee directors will be paid an annual retainer of $50,000 for service on the Board of Directors. The Chairman of our Board will receive an annual retainer of $75,000. Each of our non-employee directors who serves as a committee chair will receive, in addition to the annual retainer, an additional retainer of $6,000 per year for his or her service as committee chair and non-chair committee members receive an additional retainer of $4,000 per year; provided, however, the Audit Committee chair's additional retainer is $16,000 per year and each non-chair Audit Committee member's additional retainer is $8,000 per year. All fees will be paid in shares of our stock on June 1 of each year and the stock price per share value shall be determined by an average closing price of our stock for the preceding twenty trading days of our common stock on its principal exchange. In July 2014, our board voted to award our chairman, Alfred E. Mann, a bonus of 25,000 shares of common stock in recognition of his many years of service to Second Sight.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers during 2013. As an emerging growth company, we have elected to comply with the executive compensation disclosure rules applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act of 1933, as amended, or the Securities Act, which require compensation disclosure for our principal executive officer and the two most highly compensated executive officers other than our principal executive officer. Throughout this prospectus, these three officers are referred to as our "named executive officers."

Name and Principal Positions		Salary ($)	Bonus (A) ($)	Option Awards (B)	All Other Compensation ($)	Total ($)
Robert J. Greenberg, M.D.,						
Ph.D. President, Chief	2013	336,953	49,343	-	12,309	398,605
Executive Officer,	2012	328,953	-	112,522	313,610	755,085
Thomas B. Miller, Chief	2013	-	-	-	-	-
Financial Officer	2012	-	-	-	-	-
Anne-Marie Ripley, Vice						
President of Clinical and	2013	178,645	26,397	-	3,527	208,569
Regulatory Affairs	2012	201,118	-	22,504	4,181	227,803
Gregoire Cosendai, Ph.D.,						
Vice President of European	2013	204,272	19,261	-	13,633	237,166
Operations	2012	202,301	-	22,504	13,410	238,215
Brian Mech, Ph.D.,						
Vice President of Business	2013	190,757	28,249	-	3,767	222,773
Development	2012	188,325	-	22,504	4,299	215,128
Edward Randolph,	2013	187,160	15,655	-	3,706	206,521
Vice President of Manufacturing	2012	183,793	-	22,504	3,843	210,140

Executive Officer Employment Letter

We have no employment agreements with any of our executive officers.

Thomas B. Miller

We issued an executive employment letter dated March 21, 2014 to Thomas B. Miller, our Chief Financial Officer. The letter has no specific term and provides for at-will employment. The letter provides that Mr. Miller's current annual base salary is $225,000. We also have agreed to grant Mr. Miller a stock option to purchase 175,000 shares of our common stock, at $7.00 per share, vesting in four equal annual installments commencing July 14, 2015, in accordance with our stock option plan. The letter supersedes all existing agreements and understandings Mr. Miller may have concerning his employment relationship with us.

Pension Benefits and Nonqualified Deferred Compensation

We do not provide a defined benefit pension plan for our employees, and none of our named executive officers participated in a nonqualified deferred compensation plan in 2013.

Non-Equity Incentive Plan Compensation

We do not provide a non-equity compensation plan for our employees.

Employee Benefit and Stock Plan

In 2003, the board of directors adopted a 2003 Equity Incentive Plan. On July 15, 2011, the board of directors adopted a 2011 Equity Incentive Plan to substantially replace the 2003 Plan and also approved a complete restatement of the 2003 Plan. Our stockholders approved the Restatement of the 2003 Plan and the adoption of the 2011 Plan on July 21, 2011. The 2003 and 2011 Plans are substantially identical and shall hereinafter be collectively referred to as our "Plan". Our Plan permits the grant of non-statutory incentive stock options to our employees and any parent and subsidiary corporations' employees. Our Plan also permits option grants to certain independent contractors who provide services to us.

The maximum number of shares that we are authorized to grant under our 2011 plan is 4,000,000 which is offset and reduced by options granted and exercised under the 2003 plan.

Shares Available

Plan administration. The Plan is administered by the compensation committee which consists of Alfred E. Mann, William J. Link and Gregg Williams appointed by our board of directors. The compensation committee has the authority to determine the terms and conditions of awards, and to interpret and administer the Plan.

Stock options. Stock options may be granted under our Plan. The term of an incentive stock option may not exceed 10 years. The committee determines the exercise price of an option. Payment of the exercise price may be made in cash, shares or other property acceptable to the committee, as well as other types of consideration permitted by applicable law. After the termination of service of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for thirty days following the termination of service (subject to extension upon approval of the Committee). However, in no event may an option be exercised later than the expiration of its term. Subject to the provisions of our Plan, the committee determines the other terms of options.

Non-transferability of awards. Unless the committee provides otherwise, our Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Certain adjustments. In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under our Plan, the committee will adjust the number and class of shares that may be delivered under our Plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits set forth in our Plan. In the event of our proposed liquidation or dissolution, the committee will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or change in control. Our Plan provides that in the event of a merger or change in control, as defined under the Plan, each outstanding award will be treated as provided for in the individual award agreement.

Amendment, termination. Our board of directors will have the authority to amend, suspend or terminate the Plan provided such action does not require stockholder approval and will not impair the existing rights of any participant . Our Plan will automatically terminate in 2021, unless we terminate it sooner.

401(k) Plan

The Company has a 401(k) Savings Retirement Plan that covers substantially all full-time employees who meet the plan's eligibility requirements and provides for an employee elective contribution. The Plan provides for employer matching contributions or profit sharing contributions to eligible employees. Employer contributions are discretionary and determined annually by the Board of Directors. For the years ended December 31, 2013 and 2012, employer contributions to the Plan totaled approximately $110,000 and $129,000, respectively.

We are required to contribute to a government-sponsored pension plan for the employees of our Switzerland-based subsidiary. For the years ended December 31, 2013 and 2012, the employer's portion of the amounts contributed to the subsidiary's pension plan on behalf of those employees were approximately $94,000 and $78,000, respectively.

Indemnification of Officers and Directors

Our restated articles of incorporation contain provisions that limit the liability of officers and directors for monetary damages to the fullest extent permitted under California law. Consequently, our directors will not be personally liable to us or our shareholders for monetary damages for any breach of fiduciary duties as directors, except liability that might arise from:

- acts or omissions that involve intentional misconduct or a knowing and culpable violation of law;
- acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director;
- any transaction from which a director derived and improper personal benefit;
- for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of a serious injury to the corporation or its shareholders;
- acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders; or
- unlawful payments of dividends, stock repurchases or redemptions under Sections 310 and 316 of the California Code

In addition, our restated articles of incorporation authorize us to provide indemnification to directors, officers, employees or other agents through bylaw provisions, agreements with agent, vote of shareholders or disinterested directors or otherwise to the fullest extent permitted by law.

Our amended and restated bylaws provide that we will indemnify directors and officers and we may indemnify other employees or agents.

Our amended and restated bylaws further provide that we may advance expenses incurred by or on behalf of a director or officer in defending any proceeding for which indemnification is required or permitted before the final disposition of the proceeding, subject to limited exceptions.

We have entered into indemnification agreements with our directors, officers and key employees, and we maintain director's and officer's liability insurance under which directors and officers are insured against loss (as defined in the policy) as a result of certain claims that could be brought against them. Our indemnification agreements may be broader than the specific indemnification provisions contained in the Califorina Code. These agreements require us to advance expenses incurred by our directors, officers and key employees in defending or investigating any action, suit or proceeding in which they may become involved. We believe that our bylaws provisions and these agreements are necessary to attract and retain qualified individuals to serve as directors, officers and key employees.

The limitation of liability and indemnification provisions in our amended and restated articles of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as we may provide indemnification for liabilities arising under the Securities Act to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

USE OF PROCEEDS

We estimate the gross proceeds from the sale of 3,500,000 shares of common stock in this offering, prior to deducting underwriting discounts and commissions and the estimated offering expenses payable by us, will be approximately $_____, (approximately $_____, if the over-allotment option granted to the underwriter is exercised in full).

We estimate that we will receive net proceeds of approximately $_____, after deducting underwriting discounts and commissions and our underwriter's accountable expense allowance, and other estimated expenses of the offering payable by the company of approximately $_____, which includes legal, accounting, printing costs and various fees associated with the registration and listing of our shares. If the underwriter exercises its right to purchase an additional 525,000 shares of common stock to cover over-allotments, we will receive approximately $_____, after deducting $_____ for underwriting discounts and commissions.

Our management will have broad discretion in the application of the net proceeds, from this offering and investors will be relying on the judgment of our management regarding the application of the proceeds from this offering. We may find it necessary or advisable to use portions of the proceeds from this offering for other purposes. Circumstances that may give rise to a change in the use of proceeds and the alternate purposes for which the proceeds may be used include:

- the existence of unforeseen or other opportunities or the need to take advantage of changes in timing of our existing activities;
- the need or desire on our part to accelerate, increase, reduce or eliminate one or more existing initiatives due to, among other things, changing regulations, changing market conditions and competitive developments or interim results of research and development efforts;
- results from our business development and marketing efforts;
- the effect of foreign, federal, state, and local regulation;
- our ability to continue attracting grant or other development funding; and/or
- the presentation of strategic opportunities of which we are not currently aware (including acquisitions, joint ventures, licensing and other similar transactions).

From time to time, we may evaluate these and other factors and we anticipate continuing to make such evaluations to determine if the existing allocation of resources, including the proceeds of this offering, is being optimized.

The other principal purposes of this offering are to:

·increase our visibility in the markets we serve;
·strengthen our balance sheet;
·create a public market for our common stock;
·facilitate our future access to the public capital markets;
·provide liquidity for existing stockholders; and
·improve the effectiveness of our equity compensation plans in attracting and retaining key employees.

Pending uses as described above, we intend to invest the net proceeds from this offering in short-term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the US government as well as bank demand deposits..

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future, if at all. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2014, on:

- an actual basis;
- a pro forma basis, giving effect to the automatic conversion of $29,519,162 principal amount of indebtedness and accrued, plus unpaid interest as of the date of the offering into _____ shares of common stock to be effective immediately upon the consummation of this offering; and
- a pro forma as adjusted basis to reflect, in addition, our sale of shares of common stock in this offering at an assumed initial public offering price of $9.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read the information in this table together with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	As of March 31, 2014 (unaudited)		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
Cash	$ 452,566		
Convertible promissory notes payable	$ 21,197,029	—	—
Stockholders' (deficit) equity:			
Preferred stock, no par value, 10,000,000 shares authorized, none issued and outstanding,	—		—
Common stock, no par value, 200,000,000 shares authorized, 23,155,673 shares issued and outstanding, actual; 200,000,000 shares authorized, 29,513,505 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	89,049,192		
Additional paid-in capital	21,346,310		
Notes receivable, including amount due from officer of $425,434 at March 31, 2014 to finance stock option exercises	(587,049)		
Accumulated other comprehensive loss	(313,177)		
Accumulated earnings (deficit)	(123,901,474)		)
Total stockholders' (deficit) equity	(14,406,198)		
Total capitalization	$ 6,790,831		

The number of shares of our common stock to be outstanding after this offering is based on 29,513,505 shares of our common stock (including common stock issuable upon conversion of convertible notes) outstanding as of March 31, 2014, (31,043,835 shares of common stock outstanding at July 31, 2014) and excludes:

- 2,277,290 shares of our common stock issuable upon exercise of outstanding options (2,540,698 shares of common stock at July 31, 2014);
- 1,180,766 shares of our common stock issuable upon exercise of warrants;

- 1,064,445 shares of our common stock reserved for future grants pursuant to our Plan (677,015 shares of common stock, net of exercises at July 31, 2014);
- up to 3,500,000 shares issuable upon trigger of the Long Term Investment Right described under “Description of Capital Stock – Long Term Investor Right to Receive Additional Shares”; and
- the shares of our common stock issuable upon exercise of the underwriter’s warrant.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after the completion of this offering.

As of March 31, 2014, our pro forma net tangible book value was approximately $___ million, or $__ per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of March 31, 2014, assuming the conversion of $29,519,162 in principal of amount of indebtedness inclusive of accrued interest into shares of common stock, each effective upon the completion of this offering.

After giving effect to our sale in this offering of 3,500,000 shares of our common stock, at an assumed initial public offering price of $ 9.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2014 would have been approximately $ million, or $ per share of our common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to investors purchasing shares in this offering.

The following table illustrates this dilution:

Assumed initial public offering price per share		$ 9.00
Pro forma net tangible book value per share as of March 31, 2014, before giving effect to this offering	$	
Increase in pro forma net tangible book value per share attributable to new investors purchasing shares in this offering		
Pro forma as adjusted net tangible book value per share, after giving effect to this offering		$
Dilution per share to new investors purchasing shares in this offering		$

If the underwriter exercises its over-allotment option in full, the pro forma as adjusted net tangible book value per share of our common stock would be $ per share, and the dilution per share to new investors purchasing shares in this offering would be $ per share.

The following table summarizes, on a pro forma as adjusted basis as of March 31, 2014, after giving effect to (i) the automatic conversion of $29,519,162 principal amount of indebtedness, together with accrued interest thereon of $2,269,996, into shares of common stock and (ii) completion of this offering at an assumed initial public offering price of $9.00 per share, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%	$	%	$
New public investors					
Total		100.0%	$	100.0%	

To the extent that our outstanding warrants are exercised, investors will experience further dilution.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriter's over-allotment option. If the underwriter exercises its over-allotment option in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock to be outstanding after this offering is based on 31,043,835 shares of our common stock (including common stock issuable upon automatic conversion of convertible notes) outstanding as of July 31, 2014, and excludes:

- 2,540,698 shares of our common stock issuable upon exercise of outstanding options
- 1,180,766 shares of our common stock issuable upon exercise of warrants;
- 677,015 shares of our common stock reserved for future grants pursuant to our Plan; and
- up to 3,500,000 shares of our common stock issuable upon trigger of the Long Term Investor Right; and
- the shares of our common stock issuable upon exercise of the underwriter's warrant.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following describes transactions since January 1, 2011 to which we have been a party and, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers, or beneficial holders of more than 5% of any class of our capital stock, or their immediate family members, had or will have a direct or indirect material interest.

Other than as described below, there has not been, nor is there any currently proposed, transaction or series of related transactions to which we have been or will be a party other than compensation arrangements, which are described under “Executive Compensation" above.

Office Lease

We lease our office and laboratory space in Sylmar, California under an operating lease with Mann Biomedical Park, LLC an entity affiliated with Alfred Mann, Chairman of the Board and one of our co-founders. We entered into the lease of our Sylmar facility effective February 2012, for a term of five years that was to expire on February 28, 2017. This lease included rental of additional space commencing January 1, 2013 and we obtained a five year option to renew. The lease required us to pay real estate taxes, insurance and common area maintenance each year, and was subject to periodic cost of living adjustments. In April 2014, we entered into a new lease with the term ending on February 28, 2022. The new lease provides us with a five year option to renew, requires us to pay real estate taxes, insurance and common area maintenance each year and includes automatic increases each year. See "Business-Properties" above and Note 15 of Notes to Consolidated Financial Statements." In the opinion of management the terms of this lease are no less favorable than those that might be obtained from an unaffiliated third party.

Officer Loans

In May 2011, we entered into a loan agreement with our president whereby we provided him with $319,000 to finance the exercise of stock options to purchase 100,000 shares. The loan bore interest at 2.26% per annum and had a maturity date of May 31, 2016. On December 11, 2013, we entered into a second loan agreement with our president to allow him the funds to exercise stock options covering the purchase of 200,000 shares of common stock for $100,000. This loan bore interest at 1.64% per annum and had a maturity date of December 31, 2018. As of March 31, 2014 the balance outstanding under these two loans, including accrued interest, was $425,434. In July 2014, our board of directors approved forgiving these loans and related accrued interest of approximately $420,425.

Convertible Notes and Warrants

During 2012 and 2013, Second Sight borrowed money primarily from existing stockholders in three separate private placement rounds through the issuance of convertible promissory notes totaling $29,519,162. Entities affiliated with three members of our board of directors, Alfred E. Mann, Gregg Williams and Aaron Mendelsohn, acquired in those rounds a total of $23,378,808 in face value of our convertible notes payable on the same terms and conditions as other investors in those financings. These notes are unsecured, bear simple interest of 7.5% per year accrued on the outstanding face value of the notes, and may be converted into shares of our common stock at $5.00 per share upon the occurrence of certain events, one of which is an initial public offering of our common stock. In connection with all three rounds of these notes during 2012 and 2013, we issued warrants to purchase shares of our common stock to those investors. These warrants grant the holder the right to purchase additional shares of common stock of the Company equal to the product of (a) twenty percent, multiplied by (b) the face amount of the convertible note divided by $5.00. The exercise price for each share purchased under the warrant is $5.00. Until their expiration date, the warrants may be exercised at any time, and from time to time, in whole or in part. In connection with their purchase of convertible notes, entities affiliated with these three members of our board of directors, Alfred E. Mann, Gregg Williams and Aaron Mendelsohn, also acquired in those rounds warrants to purchase an aggregate of 935,152 shares of common stock . See "Principal Stockholders."

Finder Fees

In connection with a private placement of our common stock completed in July 2014 we paid an entity affiliated with Aaron Mendelsohn, one of our directors, a finder fee of 26,785 shares of common stock.

Indemnification Agreements

We have entered into indemnification agreements with each of our current directors, executive officers and certain other directors. The indemnification agreements and our amended and restated certificate of incorporation and amended and restated bylaws require us to indemnify our directors and officers to the fullest extent permitted by California law. See "Executive Compensation—Indemnification of Officers and Directors."

Policies and Procedures for Related Party Transactions

Following the completion of this offering, our audit committee will have the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which a related person has or will have a direct or indirect material interest. Upon completion of this offering, our policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members. Our audit committee charter provides that our audit committee shall review and approve or disapprove any related party transactions.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of July 31, 2014, as adjusted to reflect the sale of common stock in this offering, for:

- each of our directors;
- each of our named executive officers;
- all of our current directors and executive officers as a group; and
- each person, or group of affiliated persons, who beneficially owned more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 31,043,835 shares of our common stock outstanding as of July 31, 2014. We have based our calculation of the percentage of beneficial ownership after this offering on 34,543,835 shares of our common stock outstanding immediately after the completion of this offering and conversion of indebtedness, assuming that the underwriter will not exercise its option to purchase up to an additional 525,000 shares of our common stock. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares of common stock subject to warrants held by the person that are currently exercisable or exercisable within 60 days of July 31, 2014. However, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Second Sight Medical Products, Inc., 12744 San Fernando Road, Building 3, Sylmar, California 91342.

	Number of Shares	Percentage of Shares Beneficially Owned	
Name of Beneficial Owner	**Beneficially Owned**	**Before the Offering**	**After the Offering**
Directors and Executive Officers:			
Robert J. Greenberg, M.D., Ph.D. (1)	1,056,677		
Alfred E. Mann (2)	11,261,001		
William J. Link (3)	4,492,975		
Aaron Mendelsohn (4)	993,593		
Gregg Williams (5)	6,102,107		
Thomas B. Miller (6)	-		
Anne-Marie Ripley(7)	125,985		
Gregoire Cosendai, Ph.D.(8)	79,294		
Brian Mech, Ph.D.(9)	106,262		
Edward Randolph(10)	114,900		
All current directors and executive officers as a group (10 persons)(10)			

* Represents beneficial ownership of less than one percent.

(1) Includes 304,000 shares held by Robert J. Greenberg and currently exercisable options to purchase 752,677 shares of common stock and excludes invested options to purchase 76,641 shares of common stock.

(2) *Includes (a) the following held by Alfred E. Mann Living Trust (i) 3,204,852 shares of common stock, (ii) 1,964,865 shares of common stock to be received on conversion of promissory notes (iii) 360,000 shares of common stock issuable upon exercise of warrants; (b) 5,706,284 shares of common stock held by Incumed and (c) 25,000 shares of common stock owned directly by Mr. Mann, but excludes the following securities held by Claude Mann, the wife of Alfred E. Mann, (i) 60,000 shares of common stock, (ii) 209,083 shares of common stock to be received on conversion of promissory notes and (iii) 20,000 shares of common stock issuable upon exercise of warrants. Mr. Mann disclaims any beneficial ownership of securities owned by Claude Mann.*

(3) *Includes 4,370,964 shares held by Versant Venture Capital II, L.P.("VVC"); 82,949 shares held by Versant Affiliates Fund II-A, L.P. ("VAF"); and 39,062 shares held by Versant Side Fund II, L.P.; Mr. Link is managing director of Versant Ventures II, LLC, the general partner of VVC, VAF and VSF and may be deemed a beneficial owner of these shares.*

(4) *Includes (i) 26,785 shares owned by* Mendelsohn Investment Services, LLC, *the following held by Mendelsohn Family Enterprises LLC (ii) 331,113 shares held of record, (iii) 447,208 shares to be received on conversion of promissory notes (v) 80,232 shares of common stock upon exercise of warrants and (vi) 108,255 shares held by Mr. Mendelsohn individually. Mr. Mendelsohn has voting and dispositive power over the shares held by* Mendelsohn Investment Services, LLC *and by Mendelsohn Family Enterprises LLC.*

(5) *Includes the following held by the Sam Williams Trust (i) 3,119,328 shares held of record (ii) 2,257,85 shares of common stock to be received on conversion of promissory notes and (iii) 454,921 shares of common stock issuable on exercise of warrants. Gregg Williams has voting and dispositive power over the shares of the Sam Williams Trust*

(6) *Excludes unvested options to purchase 175,000 shares of common stock.*

(7) *Includes vested options to purchase 125,985 shares of common stock and excludes unvested options to purchase 18,453 shares of common stock.*

(8) *Includes vested options to purchase 102,018 shares of common stock and excludes unvested options to purchase 22,724 shares of common stock.*

(9) *Includes vested options to purchase 106,262 shares of common stock and excludes unvested options to purchase 29,703 shares of common stock.*

(10) *Includes vested options to purchase 114,900 common stock and excludes unvested options to purchase 16,890 shares of common stock.*

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 200,000,000 shares of common stock and 10,000,000 shares of preferred stock.

As of July 31, 2014, we had outstanding 31,043,835 shares of common stock, held by __ stockholders of record, assuming the automatic conversion of all of our convertible promissory notes into common stock effective upon the completion of this offering. In addition, immediately prior to this offering, we had outstanding warrants to purchase 1,180,766 shares of our common stock and have outstanding options to purchase 2,540,698 shares of our common stock.

Common Stock

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders and cumulative voting rights in the election of our directors. Under California law, in any election of directors, each stockholder is entitled to cumulative voting at such election. This means that each stockholder may cast, in person or by proxy, as many votes in the aggregate as that stockholder is entitled to vote, multiplied by the number of directors to be elected. A stockholder is entitled and can elect to cast all of his or her votes for any director or for any two or more as the stockholder would choose. Our Bylaws provide that the holders of a majority of the outstanding shares of our common stock, if present in person or by proxy, represent a quorum for the transaction of business at stockholders meetings. In most instances, if holders of a majority of the common stock present in person or by proxy at any meeting vote “for” a matter, the matter passes. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive ratably any dividends declared by our board of directors out of assets legally available. Upon our liquidation, dissolution, or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then-outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are validly issued, fully paid and non-assessable.

Long Term Investor Right to Receive Additional Shares

In connection with this offering, each beneficial owner of our common stock (an “IPO Shareholder”), who purchases shares directly in this offering (“IPO Shares”), may qualify to receive up to, but no more than, one additional share of common stock from us per each share purchased in this offering (“IPO Supplemental Shares”) pursuant to the contractual obligation of the Company in association with the sale of the offered shares (“Long Term Investor Right[SM]”). In order to qualify to receive IPO Supplemental Shares, if any, an IPO Shareholder must, within 90 days following the closing date of this offering (the “Closing Date”), take whatever action necessary to become the direct registered owner of his, her or its IPO Shares and may not place or deliver those shares into "street name." Except for those limited circumstances described below, these rights are not and will not be transferable, assignable, subject to pledge or otherwise alienable, and the registered holder of these rights will immediately and automatically forfeit the number of IPO Supplemental Shares to which it might be entitled if the IPO Shareholder has sold or has otherwise transferred the IPO Shares during the “holding period,” which is the period commencing on the Closing Date and ending on the two-year anniversary of the Closing Date. Any right that is terminated and forfeited, from that time, will be null and void and have no further force or effect. The transfer of any or all of the IPO Shares without suffering a forfeiture of the right to receive IPO Supplemental Shares during the holding period will only be allowed

- on the IPO Shareholder's death, by will or operation of law to the IPO Shareholder's spouse, ex-spouse, child, grandchild, stepchild or
- by or as a result of divorce proceedings or
- to a trust or other similar estate planning vehicle for the benefit of the IPO Shareholder or
- on liquidation of any corporation, trust or other entity

provided that in each such case, each transferee must agree in writing to receive and hold the IPO Supplemental Shares so transferred subject to the Long Term Investor Right and there shall be no further transfer of those IPO Supplemental Shares.

We will issue the IPO Supplemental Shares to IPO Shareholders who have not otherwise forfeited their rights as a result of their selling or otherwise transferring IPO Shares during the holding period if, during the two-year period immediately following the Closing Date (i) the average closing price per share of our common stock over any five consecutive trading days does not equal or exceed 200% of IPO price per share (subject to adjustment as set forth below). Any additional shares will be issued in accordance with the records of the Company as promptly as practicable following the second anniversary of the Effective Date to those IPO Shareholders who have not otherwise forfeited their rights. If the common stock trades on its principal exchange at 200% of the IPO price per share or greater on five consecutive trading days during the two years after the closing date the Long Term Investor Right will terminate.

The formula to determine the number of IPO Supplemental Shares to be issued on a trigger of the Long Term Investor Right, which shall not exceed one share of common stock per Long Term Investor Right, will be: (i) *200% of the Offering Price* minus (ii) *the average of the highest consecutive closing prices in any 90 day trading period on the principal exchange during the two years after the Closing Date* (the "Measurement Average") divided *by the Measurement Average*. Fractional shares issuable to a qualifying IPO Shareholder resulting from the calculation will be rounded up to the next whole share of Common Stock, taking into account the aggregate number of Long Term Investor Rights of a holder. For illustrative purposes only: where, for example, the Offering Price is $9.00, 200% of the Offering Price is $18, if the Measurement Average is $12 and if the qualifying IPO Shareholder has retained 1,000 IPO Shares, then (i) $18 minus $12, (ii) divided by $12 results in the qualifying IPO Shareholder receiving an additional one-half of a share of common stock per each Long Term Investor Right, or an aggregate of 500 IPO Supplemental Shares. The Offering Price for purposes of the calculation of the amount of common stock to be issued on a Long Term Investor Right will be subject to adjustment in the event of a reorganization, recapitalization or split-up of our shares, our issuance of a stock dividend or any similar event. The amount of IPO Supplemental Shares, if any, to be issued will be computed by independent public accountant as soon as practicable following the second anniversary of the Closing Date. The determination by such independent public accountant will be final and binding on us and on all qualifying IPO Shareholders and we will within 15 days after receipt of written determination mail to shareholders certificates evidencing the additional shares.

Preferred Stock

Our Articles of Incorporation permit us to issue up to 10,000,000 shares of preferred stock in one or more series and with rights and preferences that may be fixed or designated by our board of directors without any further action by our stockholders. We currently have no shares of preferred stock outstanding.

Subject to the limitations prescribed in our Articles of Incorporation and under California law, our Articles of Incorporation authorize the board of directors, from time to time by resolution and without further stockholder action, to provide for the issuance of shares of preferred stock, in one or more series, and to fix the designation, powers, preferences and other rights of the shares and to fix the qualifications, limitations and restrictions thereof. The issuance of preferred stock with certain voting, conversion and/or redemption rights could adversely affect the rights of holders of our common stock, including with respect to voting, dividends and liquidation. Preferred stock could also be issued quickly with terms calculated to delay, defer or prevent a change in control of Second Sight or to make removal of management more difficult. Additionally, the issuance of preferred stock may decrease the market price of our common stock.

Demand Registration Rights

The holders of an aggregate of shares of our common stock, or their permitted transferees, are entitled to demand registration rights pursuant to Shareholders Agreement. Under the terms of the Shareholders Agreement, we will be required, upon the written request of holders of at least of the shares that are entitled to registration rights under the Shareholders Agreement to register, as soon thereafter as practicable, all or a portion of these shares for public resale. We are required to effect only one registration pursuant to this provision of the rights agreement. Depending on certain conditions, however, we may defer such registration for up to 90 days twice in any 12-month period. We are not required to effect a demand registration earlier than 180 days after the effective date of this offering.

Stock Options and Warrants

As of July 31, 2014, we have reserved the following shares of common stock for issuance pursuant to stock option and warrant agreements:

- 2,540,698 shares of our common stock are reserved for issuance under various outstanding option agreements, at a weighted average exercise price of $4.84 per share;
- 1,180,766 shares of our common stock, at an exercise price of $5.00 per share are reserved for issuance under various outstanding warrant agreements; and
- 4,000,000 shares of our common stock have been reserved for the issuance of awards under our 2011 Equity Incentive Plan.

Convertible Promissory Notes

During 2012 and 2013, Second Sight borrowed money primarily from existing investors in three separate rounds through the issuance of convertible promissory notes totaling $29,519,162. These notes are unsecured, bear simple interest of 7.5% per annum accrued on the outstanding face value of the notes, and may be converted into shares of our common stock at $5.00 per share upon the occurrence of certain events, one of which is an initial public offering of our common stock

Warrants

In connection with each of the three separate rounds by which we borrowed a total of $29,519,162 we also issued to 17 beneficial holders of convertible promissory notes , warrants that in the aggregate permit them to purchase 1,180,766 shares of our common stock for a period of five years. In June 2014 our board of directors amended the terms of the warrants to eliminate provisions that required the holders to exercise the warrants at $5 per share or have them terminated without value on completion of this offering. Three of our directors beneficially own in the aggregate warrants to purchase 935,152 shares of common stock. See "Principal Stockholders".

Authorized Common and Preferred Stock

Effects of authorized but unissued common stock and blank check preferred stock. In August 2014 we amended our articles of incorporation to increase authorized common stock from 35,000,000 shares of common stock to 200,000,000 shares of common stock and to authorize 10,000,000 shares of blank check preferred stock. One of the effects of the existence of authorized but unissued common stock and undesignated preferred stock may be to enable our board of directors to make more difficult or to discourage an attempt to obtain control of Second Sight by means of a merger, tender offer, proxy contest or otherwise, and thereby to protect the continuity of management. If, in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal was not in our best interest, these shares could be issued by the board of directors without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover transaction by diluting the voting or other rights of the proposed acquirer or insurgent stockholder group, by putting a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors, by effecting an acquisition that might complicate or preclude the takeover, or otherwise.

In addition, our restated articles of incorporation grant our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance also may adversely affect the rights and powers, including voting rights, of those holders and may have the effect of delaying, deterring or preventing a change in control of our Company.

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be . The transfer agent's address is , and its telephone number is .

Exchange Listing

We have applied to list our common stock on the Nasdaq Capital Market under the symbol "EYES."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for shares of our common stock. Future sales of substantial amounts of shares of common stock, including shares issued upon the exercise of outstanding warrants and options, in the public market after this offering, or the possibility of these sales occurring, could adversely affect the prevailing market price for our common stock or impair our ability to raise equity capital.

Upon the completion of this offering, a total of shares of common stock will be outstanding, assuming the then automatic conversion of all outstanding convertible promissory notes into shares of common stock. All 3,500,000 shares of common stock sold in this offering by us, plus any shares sold upon exercise of the underwriter's over-allotment option, will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by "affiliates," as that term is defined in Rule 144 under the Securities Act.

The remaining shares of common stock that are outstanding at the completion of this offering will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below.

Subject to the lock-up agreements described below and the provisions of Rules 144 and 701 under the Securities Act, these restricted securities will be available for sale in the public market beginning more than 180 days after the date of this prospectus.

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without complying with the manner of sale, volume limitation, or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described below, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been one of our affiliates during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. However, all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

Lock-Up Agreements

Our directors, officers, stockholders beneficially owning 10% or greater of our equity securities and certain of our consultants have agreed that, without the prior written consent of MDB Capital Group LLC, they will not, during the period ending 12 months after the date of this prospectus:

- offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of common stock, capital stock, or any securities convertible into or exchangeable or exercisable for shares of common stock or other capital stock;
- make any demand for or exercise any right with respect to the registration of any shares of common stock or other such securities; or
- enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition. The aggregate number of shares subject to this one year lock-up amount to [ ] shares of common stock. Employees and certain consultants owning [ ] shares of common stock and owning options to purchase [ ] shares of common stock have agreed to a comparable lock-up of their securities for a period of six months after the date of this prospectus. These agreements is subject to certain exceptions. See “Underwriting” for additional information. Our board and MDB Capital have agreed that our President and CEO may sell up to [ ] shares of common stock in the period commencing February 15, 2015 and ending April 15, 2015.

Registration Statements on Form S-8

Following the six month anniversary of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of common stock to be issued or reserved for issuance under our equity incentive plan. Shares covered by this registration statement will be eligible for sale in the public market, upon the expiration or release from the terms of the lock-up agreements and subject to vesting of such shares.

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement dated the date of this prospectus with MDB Capital Group, LLC ("MDB Capital Group"), as the managing underwriter, we have agreed to sell to the underwriter and the underwriter has agreed to purchase from us the number of shares of common stock indicated in the table below at the public offering price, less the underwriting discounts and commissions set forth on the cover page of this prospectus, as it may be supplemented from time to time.

Underwriter	Number of Shares
MDB Capital Group, LLC	
Total	3,500,000

The underwriter is committed to purchase all of the common shares offered by us,if they purchase any shares, other than those covered by the option to purchase additional shares described below. The underwriting agreement provides that the underwriter's obligations to purchase shares of our common stock are subject to conditions contained in the underwriting agreement. A copy of the underwriting agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part.

We have been advised by the underwriter that they propose to offer the shares of our common stock directly to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers that are members of the Financial Industry Regulatory Authority ("FINRA"). Any of the securities sold by the underwriter to securities dealers will be sold at the public offering price less a selling concession not in excess of $ per share. After the public offering of the shares, the offering price and other selling terms may be changed by the underwriter.

None of our securities included in this offering may be offered or sold, directly or indirectly, nor may this prospectus and any other offering material or advertisements in connection with the offer and sales of any of our common stock, be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons who receive this prospectus are advised to inform themselves about and to observe any restrictions relating to this offering of our common stock and the distribution of this prospectus. This prospectus is neither an offer to sell nor a solicitation of any offer to buy any of our common stock included in this offering in any jurisdiction where that would not be permitted or legal.

MDB Capital Group has advised us that the underwriter does not intend to confirm sales to any accounts over which it exercises discretionary authority.

Underwriting Discount and Expenses

The following table summarizes the underwriting discount and commission to be paid to the underwriter by us.

	Without Over-Allotment	With Over-Allotment
Public offering price	$ 31,500,000	$ 36,225,000
Underwriting discount to be paid to the underwriter	1,260,000	1,449,000
Accountable expense allowance	200,000	200,000
Net proceeds, before other expenses	$ 30,040,000	$ 34,576,000

We estimate the total expenses payable by us for this offering to be approximately $ million ($ million if the underwriter's over-allotment option is exercised in full), which amount includes (i) the aggregate underwriting discount of $1,260,000 ($1,449,000 if the underwriter's over-allotment option is exercised in full), (ii) reimbursement of the expenses of the underwriter on an accountable basis not to exceed $200,000, including the fees of underwriter's counsel of which $25,000 has been advanced on a refundable and accountable basis being paid by us, and (iii) other estimated expenses of approximately $ which includes legal, accounting, printing costs and various fees associated with the registration and listing of our shares. In no event will the aggregate expenses reimbursed to the underwriter exceed $200,000.

Over-allotment Option

We have granted to the underwriter an option, exercisable not later than 45 days after the date of this prospectus, to purchase up to an additional 525,000 shares of our common stock (up to 15% of the shares firmly committed in this offering) at the public offering price, less the underwriting discount, set forth on the cover page of this prospectus. The underwriter may exercise the option solely to cover over-allotments, if any, made in connection with this offering. If any shares of common stock are purchased pursuant to the over-allotment option, the underwriter will offer these shares of common stock on the same terms as those on which the other shares of common stock are being offered hereby.

Determination of Offering Price

There is no current market for our common stock. The underwriter is not obligated to make a market in our securities, and even if they choose to make a market, they can discontinue their market making at any time without notice. Neither we nor the underwriter can provide any assurance that an active and liquid trading market in our securities will develop or, if developed, that the market will continue.

The public offering price of the shares offered by this prospectus has been determined by negotiation between us and the underwriter. Among the factors considered in determining the public offering price of the shares were:

- our history, current and proposed business activities, and our prospects;
- the industry in which we operate;
- our past and present operating results;
- the nature and extent of our intellectual property and of our proposed products, including Orion I;
- the nature and extent of domestic and foreign regulatory approvals for our Argus II product;
- the previous experience of our executive officers; and
- the general condition of the securities markets at the time of this offering.

The offering price stated on the cover page of this prospectus should not be considered an indication of the actual value of the shares. That price is subject to change as a result of market conditions and other factors, and neither we nor the underwriter can assure you that an active trading market for the shares will develop or that after the offering the shares will trade in the public market at or above the initial public offering price.

Underwriter Warrant

We have agreed to issue to the underwriter a warrant to purchase shares of our common stock (up to 20% of the shares of common stock sold in this offering, including the over-allotment, to the extent exercised). The warrant is exercisable in whole or in part at $11.25 per share (125% of the price of the common stock sold in this offering), commencing in 180 days after the effective date of the registration statement for this offering and expiring on the fifth anniversary of the effective date of the registration statement. The warrant and the shares of common stock underlying the warrant have been deemed compensation by FINRA and are therefore subject to a 180 days lock up pursuant to Rule 5110(g)(1) of FINRA. The underwriter (or permitted assignees under Rule 5110(g)(1)) will not sell, transfer, assign, pledge, or hypothecate the warrant or the securities underlying the warrant, nor will it engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrant or the underlying securities for a period of 180 days from the effective date of the registration statement for this offering.

Lock-Up Agreements

Our directors, officers and stockholders beneficially owning 10% or more of our common stock and certain of our consultants have agreed that they will not sell, contract to sell, grant any option for the sale or otherwise dispose of any of our equity securities, or any securities convertible into or exercisable or exchangeable for our equity securities, without the consent of MDB Capital Group, LLC for a period of 12 months from the date of this prospectus. Certain of our employees and consultants holding options and shares have agreed to a similar lock-up, for six months from the date of this prospectus. MDB Capital Group, LLC may consent to an early release from the applicable lock-up period, as it determines in its discretion as to potential seller and quantity, if, in their opinion, the market for the common stock would not be adversely impacted by sales or for any other reason. Other than our president to whom MDB Capital has provided a release from the lock up so as to permit him to sell up to shares of common stock during the period commencing on February 15, 2015 and ending April 15, 2015, we are unaware of any other officer, director or stockholder who intends to ask for consent to dispose of any of our equity securities during the relevant lock-up periods.

Indemnification

We will agree to indemnify the underwriter against certain liabilities, including certain liabilities arising under the Securities Act, and to contribute to payments that the underwriter may be required to make for these liabilities.

Short Positions and Penalty Bids

The underwriter may engage in over-allotment, syndicate covering transactions, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales by the underwriter of shares in excess of the number of shares the underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by an underwriter is not greater than the number of shares that it may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriter may close out any short position by either exercising its over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the over-allotment option. If an underwriter sells more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if an underwriter is concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit an underwriter to reclaim a selling concession from a syndicate member when the shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on Nasdaq Capital Market, and if commenced, they may be discontinued at any time.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the underwriter make any representation that the underwriter will engage in these transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by the underwriter, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the underwriter, prospective investors may be allowed to place orders online. The underwriter may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriter on the same basis as other allocations.

Other than the prospectus in electronic format, the information on the underwriter's website and any information contained in any other website maintained by the underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the underwriter in its capacity as underwriter and should not be relied upon by investors.

The underwriter's compensation in connection with this offering is limited to the fees and expenses described above under "Underwriting Discount and Expenses."

LEGAL MATTERS

Law Offices of Aaron A. Grunfeld, 11111 Santa Monica Boulevard, Suite 1840, Los Angeles, California 90255, will pass upon the validity of the shares of common stock offered by this prospectus. Golenbock Eiseman Assor Bell & Peskoe LLP, 437 Madison Avenue, New York, New York 10022, is acting as counsel to MDB Capital Group, LLC. Aaron A. Grunfeld is the beneficial owner of 10,715 shares of our common stock.

CHANGES IN ACCOUNTANTS

In June 2014, we dismissed Cooper, Moss, Resnick, Klein & Co., LLP (CMRK) as our independent public accounting firm, because CMRK is not registered with the Public Company Accounting Oversight Board. On June 16, 2014, we engaged Gumbiner Savett Inc. ("Gumbiner") as our new independent registered public accounting firm. The decision to dismiss CMRK and to retain Gumbiner was approved by our board of directors.

For the fiscal years ended December 31, 2011 and December 31, 2012, CMRK's reports on our consolidated financial statements contained an emphasis of matter paragraph regarding substantial doubt about the Company's ability to continue as a going concern. The CMRK's report on our consolidated financial statements did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to audit scope, or accounting principles. During the fiscal years ended December 31, 2011 and December 31, 2012 and through the date of CMRK's dismissal, there were no disagreements with CMRK on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that would have caused CMRK to make reference to the subject matter of the disagreement in its reports. During the fiscal years ended December 31, 2011 and December 31, 2012 and through the date of CMRK's dismissal, we did not experience any of the events set forth in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K.

During the fiscal years ended December 31, 2011 and December 31, 2012 and through the date that we retained Gumbiner, we did not consult Gumbiner regarding any of the matters set forth in paragraphs (i) and (ii) of Item 304(a)(2) of Regulation S-K.

EXPERTS

The financial statements of Second Sight Medical Products for the years ended December 31, 2013 and 2012 included in this prospectus have been audited by Gumbiner Savett Inc., an independent registered public accounting firm as set forth in their report. We have included these financial statements in this prospectus in reliance upon the report of Gumbiner Savett Inc., given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933 with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. You may obtain copies of this information by mail from the public reference room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1(800) SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

Information contained on or that can be accessed through our website is not part of this prospectus and the inclusion of our website address in this prospectus is intended as an inactive textual reference only.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash	$ 452,566	$ 62,565
Money market funds	4,130,855	8,611,614
Accounts receivable	594,736	468,644
Inventories, net	3,255,058	2,346,770
Prepaid expenses and other current assets	343,522	298,223
Total current assets	8,776,737	11,787,816
Property and equipment, net of accumulated depreciation	737,923	723,474
Deposits and other assets	169,907	162,131
Total assets	$ 9,684,567	$ 12,673,421
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 498,212	$ 314,327
Accrued expenses	785,025	662,883
Accrued compensation expense	1,076,339	1,146,028
Accrued clinical trial expenses	454,052	491,267
Deferred revenue	80,108	68,875
Total current liabilities	2,893,736	2,683,380
Convertible promissory notes, including $16,942,955 and $15,389,215 payable to related parties at March 31, 2014 and December 31, 2013, respectively, including accrued interest of $2,269,996 and $1,724,096 at March 31. 2014 and December 31, 2013, respectively, net of unamortized discount of $10,592,129 and $12,032,146 at March 31, 2014 and December 31, 2013, respectively	21,197,029	19,211,112
Total liabilities	24,090,765	21,894,492
Commitments and contingencies		
Stockholders' deficiency:		
Preferred stock, no par value, 10,000,000 shares authorized and none outstanding	—	—
Common stock, no par value; 200,000,000 shares authorized; shares issued and outstanding: 23,155,673 and 23,050,073 at March 31, 2014 and December 31, 2013, respectively	89,049,192	88,311,192
Additional paid-in capital	21,346,310	20,785,499
Notes receivable, including amount due from an officer of $425,434 and $423,217 at March 31, 2014 and December 31, 2013, respectively, to finance stock option exercises	(587,049)	(587,543)
Accumulated other comprehensive loss	(313,177)	(267,498)
Accumulated deficit	(123,901,474)	(117,462,721)
Total stockholders' deficiency	(14,406,198)	(9,221,071)
Total liabilities and stockholders' deficiency	$ 9,684,567	$ 12,673,421

See accompanying notes to condensed consolidated financial statements

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Product sales	$ 656,726	$ 451,875
Cost of sales		
Cost of products sold	345,268	416,398
Production process development	382,165	1,480,781
Total cost of sales	727,433	1,897,179
Gross loss	(70,707)	(1,445,304)
Operating expenses:		
Research and development, net of grant revenue	1,039,486	1,079,478
Clinical and regulatory	594,662	811,410
Selling and marketing	1,254,503	613,779
General and administrative	1,497,127	993,921
Total operating expenses	4,385,778	3,498,588
Loss from operations	(4,456,485)	(4,943,892)
Interest income	2,823	1,880
Interest expense on convertible promissory notes	(545,900)	(219,801)
Amortization of issuance discount on convertible promissory notes	(1,440,017)	(285,596)
Other income, net	826	65
Net loss	$ (6,438,753)	$ (5,447,344)
Net loss per common share – Basic and diluted	$ (0.28)	$ (0.24)
Weighted average common shares outstanding – Basic and diluted	23,072,693	22,377,155

See accompanying notes to condensed consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Net loss	$ (6,438,753)	$ (5,447,344)
Other comprehensive loss:		
Foreign currency translation adjustments	(45,679)	(59,171)
Comprehensive loss	$ (6,484,432)	$ (5,506,515)

See accompanying notes to condensed consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
(unaudited)

	Common Stock		Additional Paid-in Capital	Notes Receivable for Stock Option Exercises	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount					
Balance, December 31, 2013	23,050,073	$ 88,311,192	$ 20,785,499	$ (587,543)	$ (267,498)	$ (117,462,721)	$ (9,221,071)
Issuance of shares of common stock in connection with private placement	100,000	700,000	—	—	—	—	700,000
Finder's fee paid on private placement	5,000	35,000	(35,000)				—
Exercise of stock options	600	3,000	—	—	—	—	3,000
Stock-based compensation expense	—	—	595,811	—	—	—	595,811
Repayment of notes receivable for stock option exercises, net	—	—	—	494	—	—	494
Comprehensive loss							
Net loss	—	—	—	—	—	(6,438,753)	(6,438,753)
Foreign currency translation adjustment	—	—	—	—	(45,679)	—	(45,679)
Comprehensive loss	—	—	—	—	(45,679)	(6,438,753)	(6,484,432)
Balance, March 31, 2014	23,155,673	$ 89,049,192	$ 21,346,310	$ (587,049)	$ (313,177)	$ (123,901,474)	$ (14,406,198)

See accompanying notes to condensed consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Cash flows from operating activities:		
Net loss	$ (6,438,753)	$ (5,447,344)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	77,274	79,052
Stock-based compensation	595,811	292,857
Amortization of discount on convertible notes payable	1,440,017	285,596
Non-cash interest accrued on convertible notes payable	545,900	219,801
Changes in operating assets and liabilities:		
Restricted cash	—	163,576
Accounts receivable	(126,092)	(422,999)
Grants receivable	—	47,567
Inventories	(908,288)	560,805
Prepaid expenses and other current assets	(53,075)	(67,529)
Accounts payable	183,885	(133,923)
Accrued expenses	84,927	190,987
Accrued compensation expenses	(69,689)	(396,296)
Deferred revenue	11,233	(9,509)
Net cash used in operating activities	(4,656,850)	(4,637,359)
Cash flows from investing activities:		
Purchase of property and equipment	(91,723)	(44,223)
Investment in money market funds	4,480,759	(1,703,837)
Net cash provided by (used in) investing activities	4,389,036	(1,748,060)
Cash flows from financing activities:		
Proceeds from sale of common stock	700,000	—
Proceeds from exercise of common stock options	3,494	33,785
Repayment of convertible notes	—	(53,666)
Proceeds from issuance of convertible promissory notes	—	6,385,545
Net cash provided by financing activities	703,494	6,365,664
Effect of exchange rate changes on cash	(45,679)	(59,171)
Cash:		
Net increase (decrease)	390,001	(78,926)
Balance at beginning of period	62,565	144,754
Balance at end of period	$ 452,566	$ 65,828

(Continued)

See accompanying notes to condensed consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
(unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Supplemental disclosures of cash flow information:		
Non-cash financing and investing activities:		
Fair value of warrants issued in connection with convertible promissory notes	$ —	$ 1,030,281
Fair value of beneficial conversion feature in connection with convertible promissory note	$ —	$ 3,430,953

During the three months ended March 31, 2014, the Company issued 5,000 shares of its common stock valued at $35,000 as finder's fee in connection with the private placement of its common stock.

See accompanying notes to condensed consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Three Months Ended March 31, 2014 and 2013

1. Basis of Presentation

The condensed consolidated financial statements of Second Sight Medical Products, Inc. ("Second Sight" or "the Company") at March 31, 2014, and for the three months ended March 31, 2014 and 2013, are unaudited. The accompanying unaudited interim condensed financial statements and information have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management of the Company, all adjustments (including normal recurring adjustments) have been made that are necessary to present fairly the financial position of the Company as of March 31, 2014, and the results of its operations for the three months ended March 31, 2014 and 2013, and its cash flows for the three months ended March 31, 2014 and 2013. These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2013 included elsewhere in this document. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full fiscal year. The condensed consolidated balance sheet at December 31, 2013 has been derived from the Company's audited consolidated financial statements at such date.

2. Organization and Business Operations

Organization and Business Operations

Second Sight Medical Products, Inc. ("Second Sight" or "the Company"), formerly Second Sight LLC, was founded in 1998 as a limited liability company and was subsequently incorporated in the State of California in 2003. Second Sight develops, manufactures and markets implantable prosthetic devices that can restore some functional vision to patients blinded by outer retinal degenerations, such as Retinitis Pigmentosa.

In 2007, Second Sight formed Second Sight (Switzerland) Sarl, initially to manage clinical trials for its products in Europe, and later to manage sales and marketing in Europe and the Middle East. As the laws of Switzerland require at least two corporate stockholders, Second Sight (Switzerland) Sarl is 99.5% owned directly by the Company and 0.5% owned by an executive of Second Sight, who is acting as a nominee of the Company. Accordingly, Second Sight (Switzerland) Sarl is considered 100% owned for financial statement purposes and is consolidated with Second Sight for all periods presented.

The Company began clinical trials of a prototype product in 2002. The Company's current product, the Argus II system, entered clinical trials in 2006, received CE Mark approval for marketing and sales in the European Union ("EU") in 2011, and approval by the United States Food and Drug Administration ("FDA") for marketing and sales in the United States in 2013. The Company began selling its product in Europe in 2011, in Saudi Arabia in2013, and in the United States in 2014. The Company signed a distribution agreement covering Spain in 2014.

The Company is planning an initial public offering of approximately $31,500,000 and intends to use the proceeds from such offering to invest in its business to expand sales and marketing efforts, enhance current product, gain regulatory approvals for additional indications, and continue research and development into next generation technology.

Going Concern

The Company's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, the Company has experienced recurring operating losses and negative operating cash flows since inception and expects to incur continuing operating losses and negative operating cash flows for the next few years.

To date, the Company has not generated sufficient revenues from product sales to achieve positive earnings and operating cash flows to enable the Company to finance its operations internally. Funding for the business to date has come primarily through the issuance of convertible debt and equity securities, as well as grants from private institutions and government agencies. Over the next two to three years, the Company intends to invest its working capital resources in (1) sales and marketing in order to increase the distribution and demand for its products, (2) research and development to enhance its existing products and develop the next generation of products, and (3) clinical and regulatory efforts to expand indications for its existing products and to assess the feasibility of future products. In order to accomplish such objectives, the Company will need substantial additional working capital resources, which it intends to obtain through an initial public offering. However, if the initial public offering is delayed or unsuccessful, the Company anticipates continuing to fund its working capital requirements, albeit at lower levels then currently envisioned, through the issuance of convertible debt and equity securities to related and unrelated parties, but there can be no assurances that the Company will be successful in this regard.

Although the Company's objective is to increase its revenues from the sales of its products within the next few years sufficient to reach operating and cash flow breakeven levels, there can be no assurances that the Company will be successful in this regard. After the completion of the proposed initial public offering, if the Company is unsuccessful in generating a sufficient level of product revenues to fully fund its operations within the next two to three years, the Company may consider raising additional debt and/or equity capital. However, there can be no assurances that the Company will be able to secure any such additional financing on acceptable terms and conditions or at all. If cash resources become insufficient to satisfy the Company's ongoing cash requirements, the Company would be required to scale back or discontinue its technology and product development programs and/or clinical trials, or obtain funds, if available (although there can be no certainty), through strategic alliances that may require the Company to relinquish rights to its products, or to discontinue its operations entirely.

The report from the Company's independent registered public accounting firm relating to the year ended December 31, 2013 states that there is substantial doubt about the Company's ability to continue as a going concern.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements include the financial statements of Second Sight and Second Sight Switzerland. Intercompany balances and transactions have been eliminated in consolidation.

Accounts receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers or interest on past due amounts. Management estimates the allowance for doubtful accounts based on review and analysis of specific customer balances that may not be collectible and how recently payments have been received. Accounts are considered for write-off when they become past due and when it is determined that the probability of collection is remote. There was no allowance for doubtful accounts at March 31, 2014 and December 31, 2013.

Inventories

Inventories are stated at the lower of cost or market, determined by first-in, first-out method. Inventories consist primarily of raw materials, work in progress and finished goods, which includes all direct material, labor and other overhead costs. The Company establishes a reserve to mark down its inventory for estimated unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value based on assumptions about the usability of the inventory, future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory markdowns may be required.

Property and Equipment

Property and equipment are recorded at historical cost less accumulated depreciation and amortization. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the condensed consolidated statements of operations.

Depreciation is provided for using the straight-line method in amounts sufficient to relate the cost of assets to operations over their estimated service lives. Leasehold improvements are amortized over the shorter of the life of the asset or the related lease term. Estimated useful lives of the principal classes of assets are as follows:

Lab equipment	5 – 7 years
Computer hardware and software	3 – 7 years
Leasehold improvements	1 – 5 years or the term of the lease, if shorter
Furniture, fixtures and equipment	5 – 10 years

The Company reviews its property and equipment for impairment annually or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. There were no impairment losses recognized in 2014 and 2013.

Depreciation and amortization of property and equipment amounted to $77,274 and $79,052 for the three months ended March 31, 2014 and 2013, respectively.

Research and Development

Research and development costs are charged to operations in the period incurred and amounted to $1,039,486 and $1,079,478 for the three months ended March 31, 2014 and 2013, respectively.

Patent Costs

The Company has over two hundred domestic and foreign patents. Due to the uncertainty associated with the successful development of one or more commercially viable products based on Company's research efforts and any related patent applications, all patent costs, including patent-related legal, filing fees and other costs, including internally generated costs, are expensed as incurred. Patent costs were $191,325 and $175,341 for the three months ended March 31, 2014 and 2013, respectively, and are included in general and administrative expenses in the condensed consolidated statements of operations.

Revenue Recognition

The Company's revenue is derived from the sale of its Argus II retinal implant, which is implanted during retina surgery to provide limited vision to patients blinded by Retinitis Pigmentosa.

The Company sells to university hospitals, teaching hospitals and large medical centers. The Company recognizes revenue when four basic criteria are met: (1) persuasive evidence of an arrangement exists; (2) surgical implantation has occurred; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. The Company generally uses customer purchase orders or contracts to determine the existence of an arrangement. Sales transactions are based on prices that are determinable at the time that the customer's purchase order is accepted by the Company. In order to determine whether collection is reasonably assured, the Company assesses a number of factors, including creditworthiness of the customer and medical insurance coverage. If the Company determines that collection is not reasonably assured, the Company will defer the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment. The Company may periodically grant special terms, such as extended payment terms. The Company defers revenues when these special terms are granted until a final price is fixed and collection becomes reasonably assured. Due to the nature of the Company's revenue recognition policy of recording revenue only after surgical implantation, the Company has had no returns related to Argus II System recorded as revenue.

Grant Receipts and Liabilities

From time to time, the Company receives grants that help fund specific development programs. Any amounts received pursuant to grants are offset against the related operating expenses as the costs are incurred. During the three months ended March 31, 2014 and 2013, no grants were offset against operating expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, 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. Actual amounts may differ from those estimates.

Concentration of Risk

Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, money market funds, and trade accounts receivable. The Company maintains cash and money market funds with financial institutions that management deems reputable, and at times, cash balances may be in excess of FDIC and SIPC insurance limits. The Company extends differing levels of credit to customers, and typically does not require collateral.

The Company also maintains a cash balance at a bank in Switzerland. Accounts at such bank are insured up to an amount specified by the deposit insurance agency of Switzerland.

Customer Concentration

During the three months ended March 31, 2014 and 2013 (unaudited), the following customers comprised more than 10% of revenues:

	2014	**2013**
Customer 1	70%	0%
Customer 2	17%	0%
Customer 3	13%	0%
Customer 4	0%	63%
Customer 5	0%	24%
Customer 6	0%	12%

As of March 31, 2014 and December 31, 2013, the following customers comprised more than 10% accounts receivable:

	March 31 2014 (unaudited)	**December 31, 2013**
Customer 1	73%	0%
Customer 2	17%	0%
Customer 3	0%	45%
Customer 4	0%	21%
Customer 5	5%	20%

Geographic Concentration

During the three months ended March 31, 2014 and 2013, regional revenue, based on customer location, consisted of the following:

	2014	2013
North America	70%	-
Europe and Middle East	30%	100%

Sources of Supply

Several of the components, materials and services used in the Company's current Argus II product are available from only one supplier, and substitutes for these items cannot be obtained easily or would require substantial design or manufacturing modifications. Any significant problem experienced by one of the Company's sole source suppliers could result in a delay or interruption in the supply of components to the Company until that supplier cures the problem or an alternative source of the component is located and qualified. Even where the Company could qualify alternative suppliers the substitution of suppliers may be at a higher cost and cause time delays that impede the commercial production of the Argus II, reduce gross profit margins and impact the Company's abilities to deliver its products as may be timely required to meet demand.

Foreign Operations

The accompanying consolidated condensed financial statements as of March 31, 2014 and December 31, 2013 include assets amounting to approximately $866,000 and $729,000, respectively, relating to operations of the Company in Switzerland. It is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

Fair Value of Financial Instruments

The authoritative guidance with respect to fair value established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, and requires that assets and liabilities carried at fair value be classified and disclosed in one of three categories, as presented below. Disclosure as to transfers in and out of Levels 1 and 2, and activity in Level 3 fair value measurements, is also required.

Level 1. Observable inputs such as quoted prices in active markets for an identical asset or liability that the Company has the ability to access as of the measurement date. Financial assets and liabilities utilizing Level 1 inputs include active-exchange traded securities and exchange-based derivatives.

Level 2. Inputs, other than quoted prices included within Level 1, which are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange based derivatives, mutual funds, and fair-value hedges.

Level 3. Unobservable inputs in which there is little or no market data for the asset or liability which requires the reporting entity to develop its own assumptions. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds, and are measured using present value pricing models.

The Company determines the level in the fair value hierarchy within which each fair value measurement falls in its entirety, based on the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, the Company performs an analysis of the assets and liabilities at each reporting period end.

Money market funds are the only financial instrument that is measured and recorded at fair value on the Company's balance sheet on a recurring basis.

Stock-Based Compensation

Pursuant to Financial Accounting Standards Board ("FASB") ASC 718 Share-Based Payment ("ASC 718"), the Company records stock-based compensation expense for all stock-based awards.

Under ASC 718, the Company estimates the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The assumptions used in the Black-Scholes valuation model are as follows:

- Grant Price — the grant price of the issuances are determined based on the estimated fair value of the shares at the date of grant.
- Risk-free interest rate — the risk free interest rate for periods within the contractual life of the option is based on the U.S. treasury yield in effect at the time of grant.
- Expected lives — as permitted by SAB 107, due to the Company's insufficient history of option activity, the management utilizes the simplified approach to estimate the options expected term, which represents the period of time that options granted are expected to be outstanding.
- Expected volatility — is determined based on average historical volatilities of comparable companies in the similar industry.
- Expected dividend yield — is based on current yield at the grant date or the average dividend yield over the historical period. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Convertible Promissory Notes and Warrants

The warrants and embedded beneficial conversion feature of convertible promissory notes are classified as equity under FASB ASC Topic 815-40 "Derivatives and Hedging — Contracts in Entity's Own Equity". The Company allocates the proceeds of the convertible promissory notes between convertible promissory notes and the financial instruments related to warrants associated with convertible promissory notes based on their relative fair values at the commitment date. The fair value of the financial instruments related to warrants associated with convertible promissory notes is determined utilizing the Black-Scholes option pricing model and the respective allocated proceeds to the warrants is recorded in additional paid-in capital. The Company utilized the Black-Scholes option valuation model using the same valuation assumptions as described herein for Stock Based Compensation. The embedded beneficial conversion feature associated with convertible promissory notes is recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital in accordance with ASC Topic 470-20 "Debt — Debt with Conversion and Other Options." The portion of debt discount resulting from the allocation of proceeds to the financial instruments related to warrants associated with convertible promissory notes is being amortized over the life of the convertible promissory notes. For the portion of debt discount resulting from the allocation of proceeds to the beneficial conversion feature, it is amortized over the term of the notes from the respective dates of issuance.

Comprehensive Income or Loss

The Company complies with provisions of FASB ASC 220, Comprehensive Income, which requires companies to report all changes in equity during a period, except those resulting from investment by owners and distributions to owners, for the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events from non-owner sources.

Comprehensive and other comprehensive income (loss) is reported on the face of the financial statements. For the three months ended March 31, 2014 and 2013 comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss) which, for the Company, consists entirely of foreign currency translation adjustments.

Foreign Currency Translation and Transactions

The financial statements and transactions of the subsidiary's operations are reported in the local (functional) currency of Swiss francs (CHF) and translated into US dollars in accordance with U.S. GAAP. Assets and liabilities of those operations are translated at exchange rates in effect at the balance sheet date. The resulting gains and losses from translating foreign currency financial statements are recorded as other comprehensive income (loss). Revenues and expenses are translated at the average exchange rate for the reporting period. Foreign currency translation gains (losses) resulting from exchange rate fluctuations on transactions denominated in a currency other than the foreign operations' functional currencies are included in expenses in the condensed consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under an asset and liability approach for financial accounting and reporting for income taxes. Accordingly, the Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements and the tax basis of assets and liabilities.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made. The Company has incurred losses for tax purposes since inception and has significant tax losses and tax credit carryforwards. These amounts are subject to valuation allowances as it is not likely that they will be realized in the next few years.

Warranties

The Company's policy is to warrant all shipped products against defects in materials and workmanship for two years by replacing failed parts. The Company also provides a three-year manufacturer's warranty covering implant failure by providing a functionally-equivalent replacement implant. Accruals for product warranties are estimated based on historical warranty experience and current product performance trends, and are recorded at the time revenue is recognized as a component of cost of sales. The warranty liabilities are reduced by material and labor costs used to replace parts over the warranty period in the periods in which the costs are incurred. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The warranty liabilities are included in accrued expenses in the consolidated balance sheet.

Net Loss per Share

The Company's computation of earnings per share ("EPS") includes basic and diluted EPS. Basic EPS is measured as the income (loss) available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible notes payable, convertible preferred stock, preferred stock warrants and common stock options) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the respective periods. Basic and diluted loss per common share is the same for all periods presented because all convertible notes payable, common stock warrants and common stock options outstanding were anti-dilutive.

At March 31, 2014 and 2013, the Company excluded the outstanding securities summarized below, which entitle the holders thereof to ultimately acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

	2014	2013
Convertible notes payable	6,357,832	3,348,151
Common stock warrants	1,180,766	655,422
Common stock options	2,277,290	2,658,008
Total	9,815,888	6,661,581

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards, if adopted, will have a material effect on the condensed consolidated financial statements.

4. Money Market Funds

Money market funds at March 31, 2014 totaled $4,130,855 and consisted of $1,536,207 in the City National Rochdale Government Fund Class S, $1,652,390 in Preferred Deposit, $896 in the BBIF Money Fund Class 3, and $941,362 in FFI Institutional Fund. Money market funds at December 31, 2013 totaled $8,611,614 and consisted of $768,368 in the City National Rochdale Government Fund Class S, $3,550,845 in a Preferred Deposit, $3,351,104 in the BBIF Money Fund Class 3, and $941,297 in the FFI Institutional Fund.

The investment objective of the City National Rochdale Government Money Market Fund is to preserve principal and maintain a high degree of liquidity while providing current income through a portfolio of liquid, high quality, short-term U.S. Government bonds and notes, at least 80% of which is in U.S. Government securities. The City National Rochdale Government Money Market Fund is managed by City National Rochdale, LLC. The Preferred Business Deposit Fund is managed by Merrill Lynch and is designed to provide liquidity, safety and competitive yields. The investment objective of the BBIF Money Fund is to seek current income, preservation of capital and liquidity through a diversified portfolio of U.S. dollar-denominated short-term securities with maturities of not more than 397 days (13 months). The BBIF Money Fund is managed by BlackRock Advisors, LLC. The investment objective of the FFI Institutional Fund is to seek maximum current income consistent with liquidity and the maintenance of a portfolio of high-quality, short-term money market securities. The FFI Institutional Fund is managed by BlackRock Advisors, LLC.

The following table presents money market funds at their level within the fair value hierarchy at March 31, 2014 and December 31, 2013.

March 31, 2014: (unaudited)	**Total**	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 4,130,855	$ 4,130,855	$ —	$ —

December 31, 2013:	**Total**	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 8,611,614	$ 8,611,614	$ —	$ —

5. Inventories

Inventories consisted of the following at March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
	(unaudited)	
Raw materials	$ 523,344	$ 510,802
Work in process	2,474,367	2,617,502
Finished goods	1,730,845	814,258
	4,728,556	3,942,562
Allowance for Excess and Obsolescence	(1,473,498)	(1,595,792)
	$ 3,255,058	$ 2,346,770

6. Production Process Development Costs

Prior to obtaining regulatory approvals to commercially market its product, the Company had manufactured its Argus II product in small quantities sufficient to support its clinical trials. To meet the anticipated commercial demand for the Argus II, the Company began to expand its manufacturing capabilities in 2011 by hiring more direct and indirect manufacturing personnel and by developing new manufacturing and quality control processes. Given the technologically complex nature of the materials used and processes employed by the Company to manufacture the Argus II, the Company's production yields to date have been low, which has resulted in a high level of scrap and unabsorbed overhead cost relative to each sellable unit that has been produced. The Company has segregated costs associated with these low yields and classified them in cost of sales as production process development costs.

7. Property and Equipment

Property and equipment consisted of the following at March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
	(unaudited)	
Laboratory equipment	$ 3,051,154	$ 2,986,770
Computer hardware and software	1,476,079	1,448,640
Leasehold improvements	359,065	359,173
Furniture, fixtures and equipment	129,239	129,231
	5,015,537	4,923,814
Accumulated depreciation and amortization	(4,277,614)	(4,200,340)
	$ 737,923	$ 723,474

8. Related Party Transactions

As of both March 31, 2014 and December 31, 2013, three members of the Company's Board of Directors and certain of their affiliates (collectively, the "Related Party Investors") held $23,378,808, in face value of the Company's convertible promissory notes. These convertible notes, which are more-fully described in Note 9, entitle the Related Party Investors to (i) simple interest of 7.5% per annum accrued on the outstanding face value of convertible notes, (ii) warrants to purchase shares of the Company's common stock at $5.00 per share, and (iii) the right to convert their convertible notes into shares of the Company's common stock at $5.00 per share upon the occurrence of certain events, one of which is an initial public offering of the Company's common stock. As of March 31, 2014 and December 31, 2013, the Related Party Investors held convertible promissory notes, including accrued interest, totaling $25,162,588 and $24,731,240, respectively. As of both March 31, 2014 and December 31, 2013, in connection with the issuance of these convertible notes, the Related Party Investors held warrants to purchase 935,152 shares of the Company's common stock. During the three months ended March 31, 2014 and 2013, in connection with these convertible notes, the Company recorded interest expense to the Related Party Investors of $432,348 and $189,022, respectively. The Related Party Investors purchased these convertible notes on the same terms and conditions as the other investors in the convertible note financings. The Related Party Investors were also stockholders of the Company at the time that they purchased the convertible notes.

The Company's largest shareholder and chairman is also a substantial contributor to the Alfred E. Mann Foundation for Scientific Research (the "Foundation"). Beginning February 2007, an officer of the Company also became the Chairman of the Board of the Foundation. The Company and the Foundation share certain limited administrative and engineering employees. The shared employees make an allocation of their time between the Company and the Foundation. There are also various other costs shared between the Company and the Foundation. In connection with these shared costs, the Company owed the Foundation $22,478 and $11,887 as of March 31, 2014 and December 31, 2013, respectively.

On May 31, 2011, an officer of the Company entered into a loan agreement with the Company to finance the exercise of stock options to purchase 100,000 shares for $319,000, with a maturity date of May 31, 2016 and interest accruing at 2.26% per annum. On December 11, 2013, the same officer of the Company entered into a second loan agreement with the Company to finance the exercise of stock options to purchase 200,000 shares of common stock for $100,000, with a maturity date of December 31, 2018 and interest accruing at 1.64% per annum. As of March 31, 2014 and December 31, 2013, the balance outstanding pursuant to the two loans, including accrued interest, was $425,434 and $423,217, respectively. These loans receivable are recorded in the Company's financial statements as an offset to stockholders' equity. In July 2014, the Company's Board of Directors approved forgiving this note receivable and related accrued interest of approximately $420,425, which amount will be included in general and administrative expenses in the Company's statement of operations for the nine months ending September 30, 2014.

The Company leases its office and laboratory space in Sylmar, California under an operating lease with Mann Biomedical Park, LLC (formerly Sylmar Biomedical Park, LLC), which is wholly owned by Alfred E. Mann, a stockholder of the Company (see Note 14). In June 2014, the Company was advised that Alfred E. Mann entered into an escrow agreement as part of a plan to sell the Mann Biomedical Park, LLC to an unrelated party.

9. Convertible Promissory Notes

During 2010 and 2011, the Company borrowed money in a series of financing rounds by issuing $15,440,511 of convertible notes (the "2010 - 2011 Notes") primarily to existing stockholders. The notes accrued interest at 7.5% per annum and had a variety of maturity dates. During 2011, all but two of the 2010 and 2011 Notes, with a combined face value $47,001, were converted into 3,195,590 shares of the Company's common stock at $5.00 per share. In March 2013, the Company redeemed the remaining two notes for $53,666 in cash.

During 2012 and 2013, the Company borrowed money primarily from existing investors in three separate rounds through the issuance of convertible promissory notes (collectively, the "Convertible Notes") totaling $29,519,162. The first round of Convertible Notes in the amount of $5,000,000 was issued from July through November 2012 (the "July 2012 Notes). The second round of Convertible Notes in the amount of $5,000,000 was issued from October through December 2012 (the "October 2012 Notes"). The third round of Convertible Notes in the amount of $19,519,162 was issued from February through December 2013 (the "February 2013 Notes"). There were no placement fees associated with the Convertible Notes, and other administrative costs were nominal and were expensed as incurred. The July 2012 Notes and the October 2012 Notes have maturity dates of July 31, 2015. The February 2013 Notes have a maturity date of February 28, 2016. The Convertible Notes accrue interest at the rate of 7.5% per annum, which is added to the principal amounts. For the three month period ended March 31, 2014, the annualized effective interest rates on the July 2012 Notes, the October 2012, and the February 2013 were 14.5%, 14.9% and 33.3%, respectively. For the three month period ended March 31, 2013, the annualized effective interest rates on the July 2012 Notes, the October 2012 Notes, and the February 2013 Notes were 14.5%, 14.9% and 30.9%, respectively.

The Convertible Notes are due on their respective maturity dates or convertible into the Company's common stock upon the occurrence of a "capital event," which is defined as (i) a sale of stock to a third party, excluding existing shareholders, of not less than $15,000,000, (ii) an initial public offering, or (iii) a "qualifying reorganization event" as defined in the Convertible Promissory Note agreement. Should the Convertible Notes be converted due to a capital event, all outstanding principal and interest shall be converted into shares of common stock at the lower of the purchase price then being paid by the purchaser pursuant to the capital event, or $5.00 per share. If no capital event occurs before the maturity date, at the election of the holder, all outstanding principal and interest shall be converted to shares of common stock at $5.00 per share. The debt discount recorded in connection with this beneficial conversion feature was $10,487,645 in 2013.

In connection with all three rounds of the Convertible Notes during 2012 and 2013, the Company issued warrants to purchase shares of the Company's common stock. The warrants grant the holder the right to purchase additional shares of common stock of the Company equal to the product of (a) twenty percent, multiplied by (b) the face amount of the convertible note divided by $5.00. The exercise price for each share purchased under the warrant is $5.00. Until their expiration date, the warrants may be exercised at any time, and from time to time, in whole or in part. As originally issued, the warrants expired on the earlier of their expiration dates, upon a change in control event, or within 30 days of prior written notice of a pending IPO. In June 2014, the board of directors amended the warrants to provide that they will not expire on the occurrence of an IPO. The warrants associated with the July 2012 Notes and the October 2012 Notes have an expiration date of July 31, 2017. The warrants associated with the February 2013 Notes have an expiration date of February 28, 2018. The debt discount recorded in connection with the fair value of warrants issued was $3,107,379 in 2013.

As of March 31, 2014, there were warrants outstanding to purchase 1,180,766 shares of the Company’s common stock with a weighted average remaining contractual life of 3.72 years.

Convertible promissory notes consisted of the following at March 31, 2014 and December 31, 2013:

	July 2012 Notes	October 2012 Notes	February 2013 Notes	Total
March 31, 2014: (unaudited)				
Principal outstanding	$ 5,000,000	$ 5,000,000	$ 19,519,162	$ 29,519,162
Accrued interest	574,796	496,537	1,198,663	2,269,996
Unamortized discount	(466,627)	(493,555)	(9,631,947)	(10,592,129)
	5,108,169	5,002,982	11,085,878	21,197,029
Less current portion	—	—	—	—
Long-term portion	$ 5,108,169	$ 5,002,982	$ 11,085,878	$ 21,197,029
December 31, 2013:				
Principal outstanding	$ 5,000,000	$ 5,000,000	$ 19,519,162	$ 29,519,162
Accrued interest	482,331	404,072	837,693	1,724,096
Unamortized discount	(554,285)	(586,272)	(10,891,589)	(12,032,146)
	4,928,046	4,817,800	9,465,266	19,211,112
Less current portion	—	—	—	—
Long-term portion	$ 4,928,046	$ 4,817,800	$ 9,465,266	$ 19,211,112

10. Employee Benefit Plans

The Company has a 401(k) Savings Retirement Plan that covers substantially all full-time employees who meet the plan's eligibility requirements and provides for an employee elective contribution. The Plan provides for employer matching contributions or profit sharing contributions to eligible employees. Employer contributions are discretionary and determined annually by the Board of Directors. For the three months ended March 31, 2014 and 2013, employer contributions to the Plan totaled $35,918 and $29,273, respectively.

The Company is required to contribute to a government-sponsored pension plan for the employees of its Switzerland-based subsidiary. For the three months ended March 31, 2014 and 2013, the employer's portion of the amounts contributed to the subsidiary's pension plan on behalf of those employees was $25,983 and $20,336, respectively.

11. Equity Securities

In June 2014 the articles of incorporation were amended to increase authorized common shares to 200,000,000, no par value, and to authorize 10,000,000 shares of preferred stock, no par value. The financial statements have been retroactively restated to reflect this amendment. The Board of Directors has the authority to establish the rights, preferences, privileges and restrictions granted to and imposed upon the holders of preferred stock and common stock.

2014 Private Placement

From January 1, through March 31, 2014, the Company sold 100,000 shares of its common stock to new investors at $7.00 per share, raising a total of $700,000. Related to this stock placement, the Company paid a finder's fee of 5,000 shares of common stock to Mendelsohn Investment Services, LLC, a firm affiliated with Aaron Mendelsohn, a member of the Company's Board of Directors.

12. Stock-Based Compensation

Effective June 1, 2011, the Company restated its 2003 Equity Incentive Plan (the "2003 Plan"). Under the 2003 Plan, as restated, the Company is authorized to issue options covering up to 3,500,000 common stock shares. No employee or affiliate of the Company may be awarded more than 1,000,000 options in a calendar year period. The option price is determined by the Board of Directors but cannot be less than the fair value of the shares at the grant date. Generally, the options vest ratably over either four or five years and expire ten years from the grant date. The 2003 Plan agreement provides for accelerated vesting if there is a change of control, as defined in the agreement. In addition, the Company adopted the 2011 Equity Incentive Plan (the "2011 Plan") effective June 1, 2011. The maximum number of shares with respect to which options may be granted under the 2011 Plan is 4,000,000 shares, which is offset and reduced by options previously granted under the 2003 Plan.

No option shall be granted under the 2011 Plan after May 31, 2021. The option price is determined by the Board of Directors but cannot be less than the fair value of the shares at the grant date. The term of each option will not to exceed ten years and the option exercise is subject to vesting and other conditions.

The Company recognized stock-based compensation cost of $595,811 and $292,857 during the three months ended March 31, 2014 and 2013, respectively. The calculated value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended March 31,	
	2014	2013
	(unaudited)	(unaudited)
Risk-free interest rate	1.86%	1.0%
Expected dividend yield	0%	0%
Expected volatility	61.2%	61.2%
Expected term	6.5 years	6.5 years
Weighted-average grant date calculated fair value	$ 4.62	$ 1.58

As the Company has no stock trading history, the expected volatility is based on the historical volatility of similar companies that have a trading history. The expected term represents the estimated average period of time that the options are expected to remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. The risk free rate of return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

A summary of stock option activity is presented below for the three months ended March 31, 2014 (unaudited).

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Options outstanding at December 31, 2013	2,240,568	4.84	
Granted	179,500	4.48	
Exercised	(600)	5.00	
Forfeited or expired	(142,178)	4.34	
Options outstanding at March 31, 2014	2,277,290	$ 4.84	4.18
Options exercisable at December 31, 2013	1,818,664	$ 4.80	
Options exercisable at March 31, 2014	1,957,019	$ 4.82	3.66

The exercise prices of common stock options outstanding and exercisable are as follows at March 31, 2014:

Exercise Price	Options Outstanding (Shares)	Options Exercisable (Shares)
$ 2.50	42,000	42,000
$ 3.75	10,000	10,000
$ 4.25	147,000	147,000
$ 4.75	520,514	520,514
$ 5.00	1,557,776	1,237,505
	2,277,290	1,957,019

The estimated aggregate intrinsic value of the options exercisable at March 31, 2014 was approximately $4,271,922. As of March 31, 2014, there was $837,606 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 2.99 years.

In January 2014, the Company granted a stock option to its chief executive officer to purchase 125,000 shares of common stock at an exercise price of $4.25 per share, exercisable for a period of three years from the date of grant. The stock option grant was fully vested on the date of issuance and was intended to replace an earlier stock option grant with the same exercise price that had expired in January 2014. The stock option was not granted pursuant to the 2011 Plan. The grant date fair value of the stock option, calculated pursuant to the Black-Scholes option-pricing model utilizing a volatility factor of 50% and a dividend rate of 0%, was determined to be $392,737, which was charged to operations as general and administrative expense in the three months ended March 31, 2014.

In the first quarter of 2014, the Company granted stock options to purchase 54,500 shares of common stock to certain employees. The options are exercisable for a period of ten years from the date of grant at $5.00 per share, which the Company's Board determined was the fair value of the Company's common stock on such date. The options vest over a period of five years. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be $251,866 ($4.62 per share).

During the first quarter of 2014, the Company recorded a charge of $98,674 to extend the exercise period of 123,714 options for an employee who resigned and became a consultant for the Company. All unvested options for this employee were terminated when he ceased full-time employment with the Company.

The total stock-based compensation recognized for stock-based awards granted under the 2003 Plan and the 2011 Plan in the condensed consolidated statements of operations for the three months ended March 31, 2014 and 2013 is as follows:

	2014	2013
	(unaudited)	(unaudited)
Production process development	$ 25,056	$ 38,163
Research and development	114,334	157,697
Clinical and regulatory	13,572	20,671
Selling and marketing	16,704	25,442
General and Administrative	426,145	50,884
Total	$ 595,811	$ 292,857

From time to time, the Company has extended full-recourse loans to certain non-officer employees for the purpose of financing stock option exercises. These loans bear interest ranging from 1.27% to 1.64% per annum and are payable over three years in monthly installments of principal and interest. At March 31, 2014 and December 31, 2013, the outstanding balance of such loans, including accrued interest, was $21,427 and $24,661, respectively. These loans receivable are recorded in the Company's condensed consolidated financial statements as an offset to stockholders' equity. Additionally the Company had a receivable in the amount of $12,500 from a non-officer employee for the exercise of options which has been recorded as an offset to stockholders' equity in the Company's condensed consolidated financial statements at March 31, 2014 and December 31, 2013.

On December 27, 2013, the Company extended a full-recourse loan totaling $127,165 to a consultant for the purpose of financing the exercise of stock options. The loan bears interest at 1.64% per annum and is repayable in eight equal quarterly installments of $16,192. This loan receivable is recorded in the Company's condensed consolidated financial statements as an offset to stockholders' equity. At March 31, 2014 and December 31, 2013, the outstanding balance of this loan including accrued interest was $127,688 and $127,165, respectively.

13. Warranties

A summary of activity in the Company's warranty liabilities, which are included in accrued expenses in the accompanying condensed consolidated balance sheet, is presented below (unaudited).

Balance at December 31, 2013	$ 253,200
Accruals	84,272
Payments	(3,267)
Adjustments and other	—
Balance at March 31, 2014	$ 334,205

14. Commitments and Contingencies

Lease Commitment

Effective August 2012, the Company entered into a lease agreement (the "Sylmar Lease") with a company owned by the major stockholder of the Company for office space for a term of five years that expires on February 28, 2017. The Sylmar Lease included rental of additional space commencing January 1, 2013 and a five year option to renew. The lease requires the Company to pay real estate taxes, insurance and common area maintenance each year, and is subject to periodic cost of living adjustments. In April 2014, the Sylmar Lease was renegotiated with the term ending on February 28, 2022, and a five year option to renew. The new lease also requires the Company to pay real estate taxes, insurance and common area maintenance each year and includes automatic increases in base rent each year.

Second Sight Switzerland rents office space in Switzerland on a month-to-month basis for CHF 7,079 (approximately $8,002 at March 31, 2014) per month.

Total rent expense was approximately $201,000 and $195,000 for the three months ended March 31, 2014 and 2013, respectively, and is allocated based on square footage to general and administrative and manufacturing costs in the accompanying condensed consolidated statement of operations.

As of March 31, 2014, future minimum rental payments required under the operating leases are as follows for the years ended December 31. Amounts reflected for 2014 represent amounts due at March 31, 2014 for the remainder of the 2014 year ending December 31, 2014.

Years	Amount
2014	$ 551,260
2015	778,448
2016	808,068
2017	833,045
2018	858,036
Thereafter	2,888,696
Total	$6,717,553

License Agreements

The Company has exclusive licensing agreements to utilize certain patents. These patents are related to the technology for the prevention, cure and amelioration of the loss of eyesight. There are currently two such agreements that the Company has determined there is a reasonable likelihood of future royalty payments. The Company has agreed to pay the licensors' royalties for licensed products sold or leased by the Company. The royalty rates range from 0.5% to 3.25%, based on related net sales of licensed products, less a credit for royalties paid to others.

One of the licensing agreements requires the Company to pay the licensors a $5,000 annual maintenance fee for the first seven years and a $10,000 annual maintenance fee each year thereafter for as long as the agreement has not been terminated by the Company. The second of these agreements has no stipulated fees. Pursuant to these agreements, the Company has incurred costs of approximately $5,513 and $15,529, for the three months ended March 31, 2014 and 2013, respectively.

Clinical Trial Agreements

Based upon FDA approval, which was obtained in February 2013, the Company is required to collect follow-up data from subjects enrolled in it pre-approval trial for a period of up to ten years post-implant, which extends this trial through the year 2019. In addition, the Company is conducting two post-market studies to comply with US FDA and European post-market surveillance regulations and requirements. The Company has contracted with various universities, hospitals, and medical practices to provide these services. Payments are based on procedures performed for each subject and are charged to clinical and regulatory expense as incurred. Total amounts charged to expense for the three months ended March 31, 2014 and 2013 were $117,634 and $104,395, respectively.

Litigation, Claims and Assessments

Six oppositions have been filed by a third-party in the European Patent Office, each challenging the validity of a European patent owned or exclusively licensed by the Company. The outcome of the challenges are not certain, however, if successful, they may affect our ability to block competitors from utilizing our patented technology. We do not believe a successful challenge will have a material effect on our ability to manufacture and sell our products, or otherwise have a material effect on our operations.

The Company is party to litigation arising in the ordinary course of business. It is management's opinion that the outcome of such matters will have not have a material effect on the Company's financial statements.

15. Subsequent Events

Planned Initial Public Offering

On April 29, 2014, the Company signed a letter of intent with MDB Capital Group LLC ("MDB"), an investment bank, to serve as its underwriter to raise funds from the sale of common stock in an initial public offering. The letter of intent provides for (1) a cash fee equal to 4% of the value of shares sold, including any over-allotment, (2) reimbursement of out-of-pocket expenses associated with the offering up to a maximum of $200,000, and (3) warrants to purchase common shares equal to 20% of the shares of common stock sold in the offering at a price of not less than 125% of the issuance price. The warrants would be exercisable for five years, would be not be exercisable until six months after the initial public offering, and would contain standard anti-dilution provisions, demand and piggyback registration rights, and cashless exercise provisions. However, MDB would have no demand rights in the event that the shares underlying the warrants may be sold without any limitation under Rule 144.

Stock Option Grants

On April 1, 2014, the Company granted stock options to purchase 156,249 shares of common stock to employees. The options are exercisable for a period of ten years from the date of grant at $5.00 per share. The options vest over a period of either four or five years. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be $725,272 ($4.64 per share).

On July14, 2014, the Company granted stock options to purchase 253,095 shares of common stock to certain employees. The options are exercisable for a period of ten years from the date of grant at $7.00 per share, which the Company's Board determined was the fair market value of the Company's common stock on such date. The options vest over a period of either four or five years. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be $1,054,115 ($4.16 per share).

Subsequent to March 31, 2014, the Company recorded a charge of $72,619 to extend the exercise period relating to 99,901 fully-vested options for two employees who resigned and became consultants for the Company. All unvested options for these employees were terminated when they ceased full-time employment with the Company.

2014 Private Placement

From April 1, 2014 through July 30, 2014, the Company sold 1,199,853 shares of its common stock to new investors at $7.00 per share in a private placement, raising a total of $8,398,971. The Company paid a finder's fee of 59,386 shares of common stock related to this private placement. Mendelsohn Investment Services, LLC, a firm affiliated with Aaron Mendelsohn, a member of the Company's Board of Directors, received 21,785 shares of common stock as part of this finder's fee.

Stock Awards

In July 2014, the Company awarded Alfred E. Mann, its chairman of the board, 25,000 shares of common stock in recognition of services rendered to the Company since inception. These shares were valued at $175,000, or $7.00 per share, and will be charged to general and administrative expense in the third quarter of fiscal 2014.

In August 2014, the Company issued 10,715 shares to an outside attorney as part of the fee paid for drafting the Company's prospectus and S-1 filing. These shares were valued at $75,005, or $7.00 per share. If the Company's planned public offering is successful, the cost of these shares will be treated as an issuance cost and will be deducted from the gross proceeds from the offering. If the Company's planned public offering is not successful, the cost of these shares will be charged to general and administrative expense.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Second Sight Medical Products, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Second Sight Medical Products, Inc. and Subsidiary (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficiency), and cash flows for each of the years in the two-year period ended December 31, 2013 . The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the consolidated financial statements, the Company is subject to the risks and uncertainties associated with a new business and has incurred significant losses from operations since inception. The Company's operations are dependent upon it raising additional funds through an equity offering or debt financing. The Company is also obligated to pay or in case of a capital event, as defined in the convertible promissory notes, convert $31,243,000 in promissory notes and accrued interest due in July 2015 and February 2016. The Company has no committed sources of capital and is not certain whether additional financing will be available when needed on terms that are acceptable, if at all. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Gumbiner Savett Inc.

August 11, 2014

Santa Monica, California

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	$ 62,565	$ 144,754
Money market funds	8,611,614	4,310,038
Restricted cash	—	163,576
Accounts receivable	468,644	320,334
Grants receivable	—	47,567
Inventories, net	2,346,770	1,786,883
Prepaid expenses and other current assets	298,223	265,865
Total current assets	11,787,816	7,039,017
Property and equipment, net of accumulated depreciation	723,474	793,240
Deposits and other assets	162,131	160,318
Total assets	$ 12,673,421	$ 7,992,575
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 314,327	$ 731,377
Accrued expenses	662,883	487,400
Accrued compensation expense	1,146,028	862,243
Accrued clinical trial expenses	491,267	461,745
Deferred revenue	68,875	167,334
Current portion of convertible promissory notes including accrued interest of $5,942	—	52,943
Total current liabilities	2,683,380	2,763,042
Convertible promissory notes including $15,389,215 and $7,137,131 payable to related parties at December 31, 2013 and 2012, respectively, including accrued interest of $1,724,096 and $135,409 at December 31, 2013 and 2012, respectively, net of unamortized discount of $12,032,146 and $1,862,053 at December 31, 2013 and 2012, respectively, net of current portion	19,211,112	8,273,356
Total liabilities	21,894,492	11,036,398
Commitments and contingencies		
Stockholders' deficiency:		
Preferred stock, no par value, 10,000,000 shares authorized and none outstanding	—	—
Common stock, no par value; 200,000,000 shares authorized; shares issued and outstanding: 23,050,073 and 22,375,247 at December 31, 2013 and 2012, respectively	88,311,192	85,565,765
Additional paid-in capital	20,785,499	6,420,579
Notes receivable, including amount due from an officer of $423,217 and $323,217 at December 31, 2013 and 2012, respectively, to finance stock option exercises	(587,543)	(351,237)
Accumulated other comprehensive loss	(267,498)	(185,134)
Accumulated deficit	(117,462,721)	(94,493,796)
Total stockholders' deficiency	(9,221,071)	(3,043,823)
Total liabilities and stockholders' deficiency	$ 12,673,421	$ 7,992,575

See accompanying notes to consolidated financial statements

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2013	**2012**
Product sales	$ 1,564,933	$ 1,367,224
Cost of sales:		
Cost of products sold	1,110,222	992,214
Production process development	4,519,098	3,404,532
Total cost of sales	5,629,320	4,396,746
Gross loss	(4,064,387)	(3,029,522)
Operating expenses:		
Research and development, net of grant revenue	3,248,466	3,045,157
Clinical and regulatory	3,215,290	3,726,556
Selling and marketing	3,301,452	2,194,590
General and administrative	4,167,934	4,025,558
Total operating expenses	13,933,142	12,991,861
Loss from operations	(17,997,529)	(16,021,383)
Interest income	7,454	7,512
Interest expense on convertible promissory notes	(1,588,687)	(138,934)
Amortization of issuance discount on convertible promissory notes	(3,424,931)	(128,097)
Other income, net	34,768	1,775
Net loss	$ (22,968,925)	$ (16,279,127)
Net loss per common share – Basic and diluted	$ (1.02)	$ (.74)
Weighted average common shares outstanding – Basic and diluted	22,521,432	21,945,580

See accompanying notes to consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended December 31,	
	2013	**2012**
Net loss	$ (22,968,925)	$ (16,279,127)
Other comprehensive loss:		
Foreign currency translation adjustments	(82,364)	(43,538)
Comprehensive loss	$ (23,051,289)	$ (16,322,665)

See accompanying notes to consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)

	Common Stock		Additional Paid-in Capital	Notes Receivable for Stock Option Exercises	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficiency)
	Shares	Amount					
Balance, December 31, 2011	20,771,801	$ 77,585,137	$ 3,522,568	$ (354,625)	$ (141,596)	$ (78,214,669)	$ 2,396,815
Issuance of shares of common stock in connection with private placement	1,576,016	7,880,080	—	—	—	—	7,880,080
Fair value of warrants issued in connection with convertible promissory notes	—	—	1,044,649	—	—	—	1,044,649
Fair value of beneficial conversion feature in connection with convertible promissory notes	—	—	945,500	—	—	—	945,500
Exercise of stock options	27,430	100,548	—	—	—	—	100,548
Stock-based compensation expense	—	—	907,862	—	—	—	907,862
Repayment of notes receivable for stock option exercises, net	—	—	—	3,388	—	—	3,388
Comprehensive loss							
Net loss	—	—	—	—	—	(16,279,127)	(16,279,127)
Foreign currency translation adjustment	—	—	—	—	(43,538)	—	(43,538)
Comprehensive loss	—	—	—	—	(43,538)	(16, 279,127)	(16,322,665)
Balance, December 31, 2012	22,375,247	85,565,765	6,420,579	(351,237)	(185,134)	(94,493,796)	(3,043,823)
Issuance of shares of common stock in connection with private placement	342,955	2,400,685	—	—	—	—	2,400,685
Fair value of warrants issued in connection with convertible promissory notes	—	—	3,107,379	—	—	—	3,107,379
Fair value of beneficial conversion feature in connection with convertible promissory notes	—	—	10,487,645	—	—	—	10,487,645
Exercise of stock options	331,871	344,742	—	—	—	—	344,742
Stock-based compensation expense	—	—	769,896	—	—	—	769,896
Notes receivable, including amount due from officer of $100,000 for stock option exercises, net	—	—	—	(236,306)	—	—	(236,306)
Comprehensive loss							
Net loss	—	—	—	—	—	(22,968,925)	(22,968,925)
Foreign currency translation adjustment	—	—	—	—	(82,364)	—	(82,364)
Comprehensive loss	—	—	—	—	(82,364)	(22,968,925)	(23,051,289)
Balance, December 31, 2013	23,050,073	$ 88,311,192	$ 20,785,499	$ (587,543)	$ (267,498)	$ (117,462,721)	$ (9,221,071)

See accompanying notes to consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2013	**2012**
Cash flows from operating activities:		
Net loss	$ (22,968,925)	$ (16,279,127)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	315,770	324,712
Stock-based compensation	769,896	907,862
Amortization of discount on convertible promissory notes	3,424,931	128,097
Non-cash interest accrued on convertible promissory notes	1,588,687	138,934
Changes in operating assets and liabilities:		
Restricted cash	163,576	(163,576)
Accounts receivable	(148,310)	97,433
Grants receivable	47,567	68,863
Inventories	(559,887)	(595,734)
Prepaid expenses and other current assets	(34,171)	(62,397)
Accounts payable	(417,050)	492,483
Accrued expenses	176,206	(129,913)
Accrued compensation expenses	283,785	(318,765)
Accrued clinical trial expenses	29,522	65,260
Deferred revenue	(98,459)	4,654
Net cash used in operating activities	(17,426,862)	(15,321,214)
Cash flows from investing activities:		
Purchase of property and equipment	(246,004)	(196,083)
Investment in money market funds	(4,301,576)	(2,651,176)
Net cash used in investing activities	(4,547,580)	(2,847,259)
Cash flows from financing activities:		
Proceeds from sale of common stock	2,400,685	7,880,080
Proceeds from exercise of common stock options	108,436	103,936
Repayment of convertible notes	(53,666)	—
Proceeds from issuance of convertible promissory notes	19,519,162	10,000,000
Net cash provided by financing activities	21,974,617	17,984,016
Effect of exchange rate changes on cash	(82,364)	(43,538)
Cash:		
Net decrease	(82,189)	(227,995)
Balance at beginning of year	144,754	372,749
Balance at end of year	$ 62,565	$ 144,754

(Continued)

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

	Years Ended December 31,	
	2013	**2012**
Supplemental disclosures of cash flow information:		
Cash paid for -		
Interest	$ —	$ —
Income taxes	$ —	$ —
Non-cash financing and investing activities:		
Fair value of warrants issued in connection with convertible promissory notes	$ 3,107,379	$ 1,044,649
Fair value of beneficial conversion feature in connection with convertible promissory notes	$ 10,487,645	$ 945,500
Employee exercise of stock options through secured promissory note	$ 252,165	$ 2,511

See accompanying notes to consolidated financial statements.

SECOND SIGHT MEDICAL PRODUCTS, INC.
AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

1. Organization and Business Operations

Organization and Business Operations

Second Sight Medical Products, Inc. ("Second Sight" or "the Company"), formerly Second Sight LLC, was founded in 1998 as a limited liability company and was subsequently incorporated in the State of California in 2003. Second Sight develops, manufactures and markets implantable prosthetic devices that can restore some functional vision to patients blinded by outer retinal degenerations, such as Retinitis Pigmentosa.

In 2007, Second Sight formed Second Sight (Switzerland) Sarl, initially to manage clinical trials for its products in Europe, and later to manage sales and marketing in Europe and the Middle East. As the laws of Switzerland require at least two corporate stockholders, Second Sight (Switzerland) Sarl is 99.5% owned directly by the Company and 0.5% owned by an executive of Second Sight, who is acting as a nominee of the Company. Accordingly, Second Sight (Switzerland) Sarl is considered 100% owned for financial statement purposes and is consolidated with Second Sight for all periods presented.

The Company began clinical trials of a prototype product in 2002. The Company's current product, the Argus II system, entered clinical trials in 2006, received CE Mark approval for marketing and sales in the European Union ("EU") in 2011, and approval by the United States Food and Drug Administration ("FDA") for marketing and sales in the United States in 2013. The Company began selling its product in Europe in 2011, in Saudi Arabia in 2013 and in the United States in 2014. The Company signed a distribution agreement covering Spain in 2014.

The Company is planning an initial public offering of approximately $31,500,000 and intends to use the proceeds from such offering to invest in its business to expand sales and marketing efforts, enhance current product, gain regulatory approvals for additional indications, and continue research and development into next generation technology.

Going Concern

The Company's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, the Company has experienced recurring operating losses and negative operating cash flows since inception and expects to incur continuing operating losses and negative operating cash flows for the next few years.

To date, the Company has not generated sufficient revenues from product sales to achieve positive earnings and operating cash flows to enable the Company to finance its operations internally. Funding for the business to date has come primarily through the issuance of equity securities and convertible debt, as well as grants from private institutions and government agencies. Over the next two to three years, the Company intends to invest its working capital resources in (1) sales and marketing in order to increase the distribution and demand for its products, (2) research and development to enhance its existing products and develop the next generation of products, and (3) clinical and regulatory efforts to expand indications for its existing products and to assess the feasibility of future products. In order to accomplish such objectives, the Company will need substantial additional working capital resources, which it intends to obtain through an initial public offering. However, if the initial public offering is delayed or unsuccessful, the Company anticipates continuing to fund its working capital requirements, albeit at lower levels then currently envisioned, through the issuance of convertible debt and equity securities to related and unrelated parties, but there can be no assurances that the Company will be successful in this regard.

Although the Company's objective is to increase its revenues from the sales of its products within the next few years sufficient to reach operating and cash flow breakeven levels, there can be no assurances that the Company will be successful in this regard. After the completion of the proposed initial public offering, if the Company is unsuccessful in generating a sufficient level of product revenues to fully fund its operations within the next two to three years, the Company may consider raising additional debt and/or equity capital. However, there can be no assurances that the Company will be able to secure any such additional financing on acceptable terms and conditions or at all. If cash resources become insufficient to satisfy the Company's ongoing cash requirements, the Company would be required to scale back or discontinue its technology and product development programs and/or clinical trials, or obtain funds, if available (although there can be no certainty), through strategic alliances that may require the Company to relinquish rights to its products, or to discontinue its operations entirely.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of Second Sight and Second Sight Switzerland. Intercompany balances and transactions have been eliminated in consolidation.

Accounts receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers or interest on past due amounts. Management estimates the allowance for doubtful accounts based on review and analysis of specific customer balances that may not be collectible and how recently payments have been received. Accounts are considered for write-off when they become past due and when it is determined that the probability of collection is remote. There was no allowance for doubtful accounts at December 31, 2013 and 2012.

Inventories

Inventories are stated at the lower of cost or market, determined by the first-in, first-out method. Inventories consist primarily of raw materials, work in progress and finished goods, which includes all direct material, labor and other overhead costs. The Company establishes a reserve to mark down its inventory for estimated unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value based on assumptions about the usability of the inventory, future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required.

Property and Equipment

Property and equipment are recorded at historical cost less accumulated depreciation and amortization. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of operations.

Depreciation is provided for using the straight-line method in amounts sufficient to relate the cost of assets to operations over their estimated service lives. Leasehold improvements are amortized over the shorter of the life of the asset or the related lease term. Estimated useful lives of the principal classes of assets are as follows:

Lab equipment	5 – 7 years
Computer hardware and software	3 – 7 years
Leasehold improvements	1 – 5 years or the term of the lease, if shorter
Furniture, fixtures and equipment	5 – 10 years

The Company reviews its property and equipment for impairment annually or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. There were no impairment losses recognized in 2013 and 2012.

Depreciation and amortization of property and equipment amounted to $315,770 and $324,712 for the years ended December 31, 2013 and 2012, respectively.

Research and Development Costs

Research and development costs are charged to operations in the period incurred and amounted to $3,248,466 and $3,045,157 for the years ended December 31, 2013 and 2012, respectively.

Patent Costs

The Company has over two hundred domestic and foreign patents. Due to the uncertainty associated with the successful development of one or more commercially viable products based on Company's research efforts and any related patent applications, all patent costs, including patent-related legal, filing fees and other costs, including internally generated costs, are expensed as incurred. Patent costs were $669,011 and $689,633 for the years ended December 31, 2013 and 2012, respectively, and are included in general and administrative expenses in the consolidated statements of operations.

Revenue Recognition

The Company's revenue is derived from the sale of its Argus II retinal implant, which is implanted during retina surgery to provide limited vision to patients blinded by Retinitis Pigmentosa.

The Company sells to university hospitals, teaching hospitals and large medical centers. The Company recognizes revenue when four basic criteria are met: (1) persuasive evidence of an arrangement exists; (2) surgical implantation has occurred; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. The Company generally uses customer purchase orders or contracts to determine the existence of an arrangement. Sales transactions are based on prices that are determinable at the time that the customer's purchase order is accepted by the Company. In order to determine whether collection is reasonably assured, the Company assesses a number of factors, including creditworthiness of the customer and medical insurance coverage. If the Company determines that collection is not reasonably assured, the Company defers the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment. The Company may periodically grant special terms, such as extended payment terms. The Company defers revenues when these special terms are granted until a final price is fixed and collection becomes reasonably assured. Due to the nature of the Company's revenue recognition policy of recording revenue only after surgical implantation, the Company has had no returns related to Argus II System recorded as revenue.

Grant Receipts and Liabilities

From time to time, the Company receives grants that help fund specific development programs. Any amounts received pursuant to grants are offset against the related operating expenses as the costs are incurred. During the years ended December 31, 2013 and 2012, $174,565 and $601,255, respectively, of grants were offset against the related costs incurred in research and development expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, 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. Actual amounts could differ from those estimates.

Concentration of Risk

Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, money market funds, and trade accounts receivable. The Company maintains cash and money market funds with financial institutions that management deems reputable, and at times, cash balances may be in excess of FDIC and SIPC insurance limits. The Company extends differing levels of credit to customers, and typically does not require collateral.

The Company also maintains a cash balance at a bank in Switzerland. Accounts at such bank are insured up to an amount specified by the deposit insurance agency of Switzerland.

Customer Concentration

During the years ended December 31, 2013 and 2012, the following customers comprised more than 10% of revenues:

	2013	2012
Customer 1	7%	32%
Customer 2	0%	29%
Customer 3	12%	21%
Customer 4	6%	14%
Customer 5	31%	1%
Customer 6	13%	0%
Customer 7	13%	0%

During the years ended December 31, 2013 and 2012, the following customers comprised more than 10% of accounts receivable:

	2013	2012
Customer 1	21%	60%
Customer 2	0%	30%
Customer 3	45%	0%
Customer 4	20%	0%

Geographic Concentration

During the years ended December 31, 2013 and 2012, all of the Company's revenues were derived from Europe and the Middle East.

Sources of Supply

Several of the components, materials and services used in the Company's current Argus II product are available from only one supplier, and substitutes for these items cannot be obtained easily or would require substantial design or manufacturing modifications. Any significant problem experienced by one of the Company's sole source suppliers could result in a delay or interruption in the supply of components to the Company until that supplier cures the problem or an alternative source of the component is located and qualified. Even where the Company could qualify alternative suppliers the substitution of suppliers may be at a higher cost and cause time delays that impede the commercial production of the Argus II, reduce gross profit margins and impact the Company's abilities to deliver its products as may be timely required to meet demand.

Foreign Operations

The accompanying consolidated financial statements as of December 31, 2013 and 2012 include assets amounting to approximately $729,000 and $740,000, respectively, relating to operations of the Company in Switzerland. It is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

Fair Value of Financial Instruments

The authoritative guidance with respect to fair value established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, and requires that assets and liabilities carried at fair value be classified and disclosed in one of three categories, as presented below. Disclosure as to transfers in and out of Levels 1 and 2, and activity in Level 3 fair value measurements, is also required.

Level 1. Observable inputs such as quoted prices in active markets for an identical asset or liability that the Company has the ability to access as of the measurement date. Financial assets and liabilities utilizing Level 1 inputs include active-exchange traded securities and exchange-based derivatives.

Level 2. Inputs, other than quoted prices included within Level 1, which are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange based derivatives, mutual funds, and fair-value hedges.

Level 3. Unobservable inputs in which there is little or no market data for the asset or liability which requires the reporting entity to develop its own assumptions. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds, and are measured using present value pricing models.

The Company determines the level in the fair value hierarchy within which each fair value measurement falls in its entirety, based on the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, the Company performs an analysis of the assets and liabilities at each reporting period end.

Money market funds are the only financial instrument that is measured and recorded at fair value on the Company's balance sheet on a recurring basis.

Stock-Based Compensation

Pursuant to Financial Accounting Standards Board ("FASB") ASC 718 Share-Based Payment ("ASC 718"), the Company records stock-based compensation expense for all stock-based awards.

Under ASC 718, the Company estimates the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The assumptions used in the Black-Scholes valuation model are as follows:

- Grant Price — the grant price of the issuances are determined based on the estimated fair value of the shares at the date of grant.
- Risk-free interest rate — the risk free interest rate for periods within the contractual life of the option is based on the U.S. treasury yield in effect at the time of grant.

- Expected lives — as permitted by SAB 107, due to the Company's insufficient history of option activity, the management utilizes the simplified approach to estimate the options expected term, which represents the period of time that options granted are expected to be outstanding.
- Expected volatility — is determined based on average historical volatilities of comparable companies in the similar industry.
- Expected dividend yield — is based on current yield at the grant date or the average dividend yield over the historical period. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Convertible Promissory Notes and Warrants

The warrants and embedded beneficial conversion feature of convertible promissory notes are classified as equity under FASB ASC Topic 815-40 “Derivatives and Hedging — Contracts in Entity’s Own Equity”. The Company allocates the proceeds of the convertible promissory notes between convertible promissory notes and the financial instruments related to warrants associated with convertible promissory notes based on their relative fair values at the commitment date. The fair value of the financial instruments related to warrants associated with convertible promissory notes is determined utilizing the Black-Scholes option pricing model and the respective allocated proceeds to the warrants is recorded in additional paid-in capital. The Company utilized the Black-Scholes option valuation model using the same valuation assumptions as described herein for Stock Based Compensation. The embedded beneficial conversion feature associated with convertible promissory notes is recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital in accordance with ASC Topic 470-20 “Debt — Debt with Conversion and Other Options.” The portion of debt discount resulting from the allocation of proceeds to the financial instruments related to warrants associated with convertible promissory notes is being amortized over the life of the convertible promissory notes. For the portion of debt discount resulting from the allocation of proceeds to the beneficial conversion feature, it is amortized over the term of the notes from the respective dates of issuance.

Comprehensive Income or Loss

The Company complies with the provisions of FASB ASC 220, Comprehensive Income, which requires companies to report all changes in equity during a period, except those resulting from investment by owners and distributions to owners, for the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events from non-owner sources.

Comprehensive and other comprehensive income (loss) is reported on the face of the financial statements. For the years ended December 31, 2013 and 2012, comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss) which, for the Company, consists entirely of foreign currency translation adjustments.

Foreign Currency Translation and Transactions

The financial statements and transactions of the subsidiary’s operations are reported in the local (functional) currency of Swiss francs (CHF) and translated into U.S. dollars in accordance with U.S. GAAP. Assets and liabilities of those operations are translated at exchange rates in effect at the balance sheet date. The resulting gains and losses from translating foreign currency financial statements are recorded as other comprehensive income (loss). Revenues and expenses are translated at the average exchange rate for the reporting period. Foreign currency translation gains (losses) resulting from exchange rate fluctuations on transactions denominated in a currency other than the foreign operations’ functional currencies are included in expenses in the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under an asset and liability approach for financial accounting and reporting for income taxes. Accordingly, the Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements and the tax basis of assets and liabilities.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made. The Company has incurred losses for tax purposes since inception and has significant tax losses and tax credit carryforwards. These amounts are subject to valuation allowances as it is not likely that they will be realized in the next few years.

Warranties

The Company's policy is to warrant all shipped products against defects in materials and workmanship for two years by replacing failed parts. The Company also provides a three-year manufacturer's warranty covering implant failure by providing a functionally-equivalent replacement implant. Accruals for product warranties are estimated based on historical warranty experience and current product performance trends, and are recorded at the time revenue is recognized as a component of cost of sales. The warranty liabilities are reduced by material and labor costs used to replace parts over the warranty period in the periods in which the costs are incurred. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The warranty liabilities are included in accrued expenses in the consolidated balance sheet.

Presentation of sales and value added taxes

The Company collects value added tax on its sales in Europe and certain states in the United Sates impose a sales tax on the Company’s sales to nonexempt customers. The Company collects that valued added and sales tax from customers and remits the entire amount to the respective authorities. The Company’s accounting policy is to exclude the tax collected and remitted to the authorities from revenues and cost of revenues.

Net Loss per Share

The Company’s computation of earnings per share (“EPS”) includes basic and diluted EPS. Basic EPS is measured as the income (loss) available to common stockholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible notes payable, convertible preferred stock, preferred stock warrants and common stock options) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the respective periods. Basic and diluted loss per common share is the same for all periods presented because all convertible notes payable, common stock warrants and common stock options outstanding were anti-dilutive.

At December 31, 2013 and 2012, the Company excluded the outstanding securities summarized below, which entitle the holders thereof to ultimately acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

	2013	2012
Convertible notes payable	6,248,652	2,027,082
Common stock warrants	1,180,766	400,000
Common stock options	2,240,568	2,727,503
Total	9,699,986	5,154,585

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09),*Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 and has not determined the effect of the standard on our ongoing financial reporting.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08),*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)*. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of operations or financial condition.

In February 2013, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date. This guidance provides direction for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing guidance in US GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance will become effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company adoption of this guidance had no material impact on the Company’s consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830). This guidance resolves the diversity in practice relating to financial reporting involving a parent entity’s accounting for the cumulative translation adjustment of foreign currency into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, this guidance resolves the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. This guidance will become effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company adoption of this guidance had no material impact on the Company’s consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Loss, or a Tax Credit Carryforward Exists (a consensus the FASB Emerging Issues Task Force). This guidance provides direction on financial statement presentation of unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this guidance was to eliminate diversity in practice resulting from a lack of guidance on this topic in current US GAAP. This guidance applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. This guidance will become effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company adoption of this guidance had no material impact on the Company's consolidated financial statements.

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

3. Money Market Funds

Money market funds at December 31, 2013 totaled $8,611,614 and consisted of $768,368 in the City National Rochdale Government Fund Class S, $3,550,845 in a Preferred Deposit, $3,351,104 in the BBIF Money Fund Class 3, and $941,297 in the FFI Institutional Fund. Money market funds at December 31, 2012 totaled $4,310,038 and consisted of $2,368,206 in the City National Rochdale Government Fund Class S and $1,941,832 in the BBIF Money Fund Class 3.

The investment objective of the City National Rochdale Government Money Market Fund is to preserve principal and maintain a high degree of liquidity while providing current income through a portfolio of liquid, high quality, short-term U.S. Government bonds and notes, at least 80% of which is in U.S. Government securities. The City National Rochdale Government Money Market Fund is managed by City National Rochdale, LLC. The Preferred Business Deposit Fund is managed by Merrill Lynch and is designed to provide liquidity, safety and competitive yields. The investment objective of the BBIF Money Fund is to seek current income, preservation of capital and liquidity through a diversified portfolio of U.S. dollar-denominated short-term securities with maturities of not more than 397 days (13 months). The BBIF Money Fund is managed by BlackRock Advisors, LLC. The investment objective of the FFI Institutional Fund is to seek maximum current income consistent with liquidity and the maintenance of a portfolio of high-quality, short-term money market securities. The FFI Institutional Fund is managed by BlackRock Advisors, LLC.

The following table presents money market funds at their level within the fair value hierarchy at December 31, 2013 and 2012.

December 31, 2013:	**Total**	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 8,611,614	$ 8,611,614	$ —	$ —

December 31, 2012:	**Total**	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 4,310,038	$ 4,310,038	$ —	$ —

4. Inventories

Inventories consisted of the following at December 31, 2013 and 2012:

	2013	2012
Raw materials	$ 510,802	$ 449,547
Work in process	2,617,502	1,281,419
Finished goods	814,258	609,088
	3,942,562	2,340,054
Allowance for Excess and Obsolescence	(1,595,792)	(553,171)
	$ 2,346,770	$ 1,786,883

5. Production Process Development Costs

Prior to obtaining regulatory approvals to commercially market its product, the Company had manufactured its Argus II product in small quantities sufficient to support its clinical trials. To meet the anticipated commercial demand for the Argus II, the Company began to expand its manufacturing capabilities in 2011 by hiring more direct and indirect manufacturing personnel and by developing new manufacturing and quality control processes. Given the technologically complex nature of the materials used and processes employed by the Company to manufacture the Argus II, the Company's production yields to date have been low, which has resulted in a high level of scrap and unabsorbed overhead cost relative to each sellable unit that has been produced. The Company has segregated costs associated with these low yields and classified them in cost of sales as production process development costs.

6. Property and Equipment

Property and equipment consisted of the following at December 31, 2013 and 2012:

	2013	2012
Laboratory equipment	$ 2,986,770	$ 2,815,601
Computer hardware and software	1,448,640	1,398,475
Leasehold improvements	359,173	340,147
Furniture, fixtures and equipment	129,231	123,587
	4,923,814	4,677,810
Accumulated depreciation and amortization	(4,200,340)	(3,884,570)
	$ 723,474	$ 793,240

7. Related Party Transactions

As of December 31, 2013 and 2012, three members of the Company's Board of Directors and certain of their affiliates (collectively, the "Related Party Investors") held $23,378,808 and $8,636,716, respectively, in face value of the Company's convertible notes payable. These convertible notes payable, which are more-fully described in Note 9, entitle the Related Party Investors to (i) simple interest of 7.5% per annum accrued on the outstanding face value of convertible notes, (ii) warrants to purchase shares of the Company's common stock at $5.00 per share, and (iii) the right to convert their convertible notes into shares of the Company's common stock at $5.00 per share upon the occurrence of certain events, one of which is an initial public offering of the Company's common stock. As of December 31, 2013 and 2012, the Related Party Investors held convertible notes payable, including accrued interest, totaling $24,731,240 and $8,749,192, respectively. As of December 31, 2013 and 2012, in connection with the issuance of these convertible notes, the Related Party Investors held warrants to purchase 935,152 and 345,469 shares of the Company's common stock, respectively. During the years ended, December 31, 2013 and 2012, in connection with these convertible notes, the Company recorded interest expense to the Related Party Investors of $1,239,956 and $112,476, respectively. The Related Party Investors purchased these convertible notes on the same terms and conditions as the other investors in the convertible note financings. The Related Party Investors were also stockholders of the Company at the time that they purchased the convertible notes.

The Company's largest stockholder and chairman is also a substantial contributor to the Alfred E. Mann Foundation for Scientific Research (the "Foundation"). Beginning February 2007, an officer of the Company also became the Chairman of the Board of the Foundation. The Company and the Foundation share certain limited administrative and engineering employees. The shared employees make an allocation of their time between the Company and the Foundation. There are also various other costs shared between the Company and the Foundation. In connection with these shared costs, the Company owed the Foundation $11,887 and $3,477 as of December 31, 2013 and 2012.

On May 31, 2011, an officer of the Company entered into a loan agreement with the Company to finance the exercise of stock options to purchase 100,000 shares for $319,000, with a maturity date of May 31, 2016 and interest accruing at 2.26% per annum. On December 11, 2013, the same officer of the Company entered into a second loan agreement with the Company to finance the exercise of stock options to purchase 200,000 shares of common stock for $100,000, with a maturity date of December 31, 2018 and interest accruing at 1.64% per annum. As of December 31, 2013 and 2012, the balance outstanding pursuant to the two loans, including accrued interest, was $423,217 and $323,217, respectively. These loans receivable are recorded in the Company's financial statements as an offset to stockholders' equity. In July 2014, the Company's Board of Directors approved forgiving this note receivable and related accrued interest of approximately $420,425 which amount will be included in general and administrative expenses in the Company's statement of operations for the nine months ending September 30, 2014.

The Company leases its office and laboratory space in Sylmar, California under an operating lease with Mann Biomedical Park, LLC (formerly Sylmar Biomedical Park, LLC), which is wholly owned by Alfred E. Mann, a stockholder of the Company (see Note 15). In June 2014, the Company was advised that Alfred E. Mann entered into an escrow agreement as part of a plan to sell the Mann Biomedical Park, LLC to an unrelated party.

8. Grants

In April 2010, the Company was awarded a development and testing grant of $2,988,224 from the Department of Health and Human Services, National Institutes of Health (NIH). The grant was for three years commencing in May 2010. The grant included managing various subcontracts with designated individuals and their respective institutions. The grant reimburses research costs to develop technology for the prevention, cure and amelioration of the loss of eyesight and other neurologic applications. The Company recorded funding under the grant as an offset to research and development expenses. In 2013 and 2012, research and development expenses were offset by $174,565 and $601,255, respectively. The Company had accrued liabilities for subcontract expenses and related accrued expenses of $0 and $47,567 as of December 31, 2013 and 2012, respectively.

In August 2010, the Company was awarded a foreign grant of CHF230,000 from the European Union Federal Office for Professional Education and Technology (valued at $251,600 at December 31, 2012) to support training and career development of researchers. The grant was for four years commencing October 2011. In November 2011, €124,440 of the grant was advanced to the Company, which was restricted for that purpose and subject to certain requirements. In January 2013, the Company had yet to meet the requirements as specified by the grant agreement, and therefore, management decided not to pursue the grant and returned the advanced funds. Advances received pursuant to the grant totaling $163,576 at December 31, 2012 are presented as restricted cash on the Company's consolidated balance sheet at such date. Amounts returned upon termination of the grant are presented as a current liability on the Company's consolidated balance sheet at December 31, 2012.

9. Convertible Promissory Notes

During 2010 and 2011, the Company borrowed money in a series of financing rounds by issuing $15,440,511 of convertible notes (the "2010 - 2011 Notes") primarily to existing stockholders. The notes accrued interest at 7.5% per annum and had a variety of maturity dates. During 2011, all but two of the 2010 and 2011 Notes, with a combined face value $47,001, were converted into 3,195,590 shares of the Company's common stock at $5.00 per share. At December 31, 2012, the unconverted and outstanding 2010 - 2011 Notes totaled $52,943, including accrued interest of $5,942. In March 2013, the Company repaid these two outstanding notes for $53,666 in cash.

During 2012 and 2013, the Company borrowed money primarily from existing investors in three separate rounds through the issuance of convertible promissory notes (collectively, the "Convertible Notes") totaling $29,519,162. The first round of Convertible Notes in the amount of $5,000,000 was issued from July through November 2012 (the "July 2012 Notes). The second round of Convertible Notes in the amount of $5,000,000 was issued from October through December 2012 (the "October 2012 Notes"). The third round of Convertible Notes in the amount of $19,519,162 was issued from February through December 2013 (the "February 2013 Notes"). There were no placement fees associated with the Convertible Notes, and other administrative costs were nominal and were expensed as incurred. The July 2012 Notes and the October 2012 Notes have maturity dates of July 31, 2015. The February 2013 Notes have a maturity date of February 28, 2016. The Convertible Notes accrue simple interest at the rate of 7.5% per annum, which is added to the principal amounts. For the year ended December 31, 2012, the annual effective interest rate on the July 2012 Notes and the October 2012 Notes was 14.5% and 14.9%, respectively. For the year ended December 31, 2013, the annual effective interest rate on the July 2012 Notes, the October 2012 Notes, and the February 2013 Notes was 14.5%, 14.9%, and 33.3%, respectively.

The Convertible Notes are due on their respective maturity dates or convertible into the Company's common stock upon the occurrence of a "capital event," which is defined as (i) a sale of stock to a third party, excluding existing stockholders, of not less than $15,000,000, (ii) an initial public offering, or (iii) a "qualifying reorganization event" as defined in the Convertible Promissory Note agreement. Should the Convertible Notes be converted due to a capital event, all outstanding principal and interest shall be converted into shares of common stock at the lower of the purchase price then being paid by the purchaser pursuant to the capital event, or $5.00 per share. If no capital event occurs before the maturity date, at the election of the holder, all outstanding principal and interest shall be converted to shares of common stock at $5.00 per share. The debt discount recorded in connection with this beneficial conversion feature was $10,487,645 and $945,500 in 2013 and 2012, respectively.

In connection with all three rounds of the Convertible Notes during 2012 and 2013, the Company issued warrants to purchase shares of the Company's common stock. The warrants grant the holder the right to purchase additional shares of common stock of the Company equal to the product of (a) twenty percent, multiplied by (b) the face amount of the convertible note divided by $5.00. The exercise price for each share purchased under the warrant is $5.00. Until their expiration date, the warrants may be exercised at any time, and from time to time, in whole or in part. As originally issued, the warrants expired on the earlier of their expiration dates, upon a change in control event, or within 30 days of prior written notice of a pending IPO. In June 2014, the board of directors amended the warrants to provide that they will not expire on the occurrence of an IPO. The warrants associated with the July 2012 Notes and the October 2012 Notes have an expiration date of July 31, 2017. The warrants associated with the February 2013 Notes have an expiration date of February 28, 2018. The debt discount recorded in connection with the fair value of warrants issued was $3,107,379 and $1,044,649 in 2013 and 2012, respectively.

The calculated value of the warrants was estimated on the respective dates of grant using the Black-Scholes option-pricing model with the following assumptions:

	Years Ended December 31,	
	2013	**2012**
Risk-free interest rate	0.65% -1.68%	0.60% - 0.83%
Expected dividend yield	0%	0%
Expected volatility	57.5%	63.9%
Expected term	4.2 - 5 years	4.6 - 5 years
Weighted-average grant date calculated fair value	$ 3.98	$ 2.61

A summary of warrants activity for the years ended December 31, 2013 and 2012 is presented below:

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (in Years)**
Warrants outstanding at December 31, 2011	—	$ —	
Granted	400,000	5.00	
Exercised	—	—	
Forfeited or expired	—	—	
Warrants outstanding at December 31, 2012	400,000	5.00	
Granted	780,766	5.00	
Exercised	—	—	
Forfeited or expired	—	—	
Warrants outstanding at December 31, 2013	1,180,766	$ 5.00	3.97

Convertible promissory notes consisted of the following at December 31, 2013 and 2012:

	2010-2011 Notes	July 2012 Notes	October 2012 Notes	February 2013 Notes	Total
December 31, 2013:					
Principal outstanding		$ 5,000,000	$ 5,000,000	$ 19,519,162	$ 29,519,162
Accrued interest		482,331	404,072	837,693	1,724,096
Unamortized discount		(554,285)	(586,272)	(10,891,589)	(12,032,146)
		4,928,046	4,817,800	9,465,266	19,211,112
Less current portion		—	—	—	—
Long-term portion		$ 4,928,046	$ 4,817,800	$ 9,465,266	$ 19,211,112
December 31, 2012:					
Principal outstanding	$ 47,001	$ 5,000,000	$ 5,000,000		$ 10,047,001
Accrued interest	5,942	106,711	28,698		141,351
Unamortized discount	—	(904,915)	(957,138)		(1,862,053)
	52,943	4,201,796	4,071,560		8,326,299
Less current portion	(52,943)	—	—		(52,943)
Long-term portion	$ —	$ 4,201,796	$ 4,071,560		$ 8,273,356

10. Employee Benefit Plans

The Company has a 401(k) Savings Retirement Plan that covers substantially all full-time employees who meet the plan's eligibility requirements and provides for an employee elective contribution. The Plan provides for employer matching contributions or profit sharing contributions to eligible employees. Employer contributions are discretionary and determined annually by the Board of Directors. For the years ended December 31, 2013 and 2012, employer contributions to the Plan totaled $109,866 and $129,486, respectively.

The Company is required to contribute to a government-sponsored pension plan for the employees of its Switzerland-based subsidiary. For the years ended December 31, 2013 and 2012, the employer's portion of the amounts contributed to the subsidiary's pension plan on behalf of those employees was $94,157 and $78,029, respectively.

11. Equity Securities

In June 2014 the articles of incorporation were amended to increase authorized common shares to 200,000,000, no par value, and to authorize 10,000,000 shares of preferred stock, no par value. The financial statements have been retroactively restated to reflect this amendment. The Board of Directors has the authority to establish the rights, preferences, privileges and restrictions granted to and imposed upon the holders of preferred stock and common stock.

2013 Private Placement

From July 1, through December 31, 2013, the Company sold 342,955 shares of its common stock to new investors at $7.00 per share, raising a total of $2,400,685. No costs were incurred in connection with these issuances.

2012 Sales of Common Stock

During 2012, the Company sold 1,576,016 shares of its common stock to its existing stockholders in a series of three issuances at $5.00 per share, raising a total of $7,880,080. No costs were incurred in connection with these issuances.

12. Stock-Based Compensation

Effective June 1, 2011, the Company restated its 2003 Equity Incentive Plan (the "2003 Plan"). Under the 2003 Plan, as restated, the Company is authorized to issue options covering up to 3,500,000 common stock shares. No employee or affiliate of the Company may be awarded more than 1,000,000 options in a calendar year period. The option price is determined by the Board of Directors but cannot be less than the fair value of the shares at the grant date. Generally, the options vest ratably over either four or five years and expire ten years from the grant date. The 2003 Plan agreement provides for accelerated vesting if there is a change of control, as defined in the agreement. In addition, the Company adopted the 2011 Equity Incentive Plan (the "2011 Plan") effective June 1, 2011. The maximum number of shares with respect to which options may be granted under the 2011 Plan is 4,000,000 shares, which is offset and reduced by options previously granted under the 2003 Plan.

No option shall be granted under the 2011 Plan after May 31, 2021. The option price is determined by the Board of Directors but cannot be less than the fair value of the shares at the grant date. The term of each option will not to exceed ten years and the option exercise is subject to vesting and other conditions.

The Company recognized stock-based compensation cost of $769,896 and $907,862 in 2013 and 2012, respectively. The calculated value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Years Ended December 31,	
	2013	**2012**
Risk-free interest rate	1.00%	0.93% - 1.30%
Expected dividend yield	0%	0%
Expected volatility	61.2%	62.2%
Expected term	6.5 years	6.25 years - 6.5 years
Weighted-average grant date calculated fair value	$ 1.58	$ 2.93

As the Company has no stock trading history, the expected volatility is based on the historical volatility of comparable companies in the similar industry that have a trading history. The expected term represents the estimated average period of time that the options are expected to remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. The risk free rate of return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

During 2013 and 2012, the company granted stock options to purchase 500 shares and 190,100 shares, respectively, to certain employees. The stock options are exercisable for a period of 10 years from the date of grant at $5.00 per share, which the Company's Board determined was the fair value of the Company's stock on such date. The options vest over a period of four or five years. The fair value of these options, as calculated pursuant to Black-Scholes option pricing model, was determined to be $789 ($1.58 per share) and $556,841 ($2.93 per share), respectively.

A summary of stock option activity for the years ended December 31, 2013 and 2012 is presented below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Options outstanding at December 31, 2011	2,599,053	$ 4.26	
Granted	190,100	5.00	
Exercised	(27,430)	3.67	
Forfeited or expired	(34,220)	4.67	
Options outstanding at December 31, 2012	2,727,503	4.32	
Granted	500	5.00	
Exercised	(331,871)	1.05	
Forfeited or expired	(155,564)	3.73	
Options outstanding at December 31, 2013	2,240,568	$ 4.84	4.16
Options exercisable at December 31, 2012	2,010,888	$ 4.07	
Options exercisable at December 31, 2013	1,818,664	$ 4.80	3.49

The exercise prices of common stock options outstanding and exercisable are as follows at December 31, 2013:

Exercise Price	Options Outstanding (Shares)	Options Exercisable (Shares)
$ 2.50	42,000	42,000
$ 3.75	10,000	10,000
$ 4.25	147,000	147,000
$ 4.75	522,114	522,114
$ 5.00	1,519,454	1,097,550
	2,240,568	1,818,664

The estimated aggregate intrinsic value of the options exercisable at December 31, 2013 and 2012 was approximately $3,995,606 and $1,865,694, respectively. As of December 31, 2013, there was $697,622 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 3.13 years.

During 2013, the Company recorded a charge of $133,847 to extend the exercise period of 118,954 options for two terminated employees. All unvested options for these two employees were forfeited when they ceased employment with the Company.

The total stock-based compensation recognized for stock-based awards granted under the 2003 Plan and the 2011 Plan in the consolidated statements of operations as of December 31, 2013 and 2012 is as follows:

	2013	2012
Production process development	$ 152,653	$ 217,887
Research and development	229,253	136,179
Clinical and regulatory	82,686	118,022
Selling and marketing	101,768	145,258
General and Administrative	203,536	290,516
Total	$ 769,896	$ 907,862

From time to time, the Company has extended full-recourse loans to certain non-officer employees for the purpose of financing stock option exercises. These loans bear interest at rates ranging from 1.27% to 1.64% per annum and are payable over three years in monthly installments of principal and interest. At December 31, 2013 and 2012, the outstanding balance of such loans, including accrued interest, was $24,661 and $28,020, respectively. These loans receivable are recorded in the Company's financial statements as an offset to stockholders' equity. Additionally the Company had a receivable in the amount of $12,500 from a non-officer employee for the exercise of options which has been recorded as an offset to stockholders' equity in the Company's condensed consolidated financial statements at December 31, 2013. The Company had no such receivable at December 31, 2012.

On December 27, 2013, the Company extended a full-recourse loan totaling $127,165 to a consultant for the purpose of financing the exercise of stock options. The loan bears interest at 1.64% per annum and is repayable in eight equal quarterly installments of $16,192. This loan receivable is recorded in the Company's financial statements as an offset to stockholders' equity. Additionally the Company had a receivable in the amount of $125,000 and $0 at December 31, 2013 and 2012, respectively, on account of exercise of stock options by a non-officer employee.

13. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of December 31, 2013 and 2012 are summarized below.

	December 31,	
	2013	**2012**
Stock-based compensation	$ 1,164,000	$ 1,643,000
Research credits	5,201,000	4,915,000
Depreciation	(13,000)	(42,000)
Net operating loss carryforwards	37,773,000	32,017,000
Inventory reserve	684,000	237,000
Other	241,000	154,000
Total deferred tax assets	45,050,000	38,924,000
Valuation allowance	(45,050,000)	(38,924,000)
Net deferred tax assets	$ —	$ —

In assessing the potential realization of these deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the Company attaining future taxable income during the periods in which those temporary differences become deductible. As of December 31, 2013 and 2012, management was unable to determine if it is more likely than not that the Company's deferred tax assets will be realized, and has therefore recorded an appropriate valuation allowance against deferred tax assets at such dates.

No federal tax provision has been provided for the years ended December 31, 2013 and 2012 due to the losses incurred during such periods. The Company's effective tax rate is different from the federal statutory rate of 34% due primarily to operating losses that receive no tax benefit as a result of a valuation allowance recorded for such losses.

As of December 31, 2013, the Company had federal and state income tax net operating loss carryforwards, which may be applied to future taxable income, of approximately $94,882,000 and $94,491,000, respectively. The federal net operating loss carryforwards will expire at various dates from 2023 through 2033. The state net operating loss carryforwards will expire at various dates from 2013 through 2033. The Company also has a federal and state research and development tax credit carryforwards totaling approximately $3,070,000 and $3,229,000, respectively. The federal research and development tax credit carryforwards will expire at various dates from 2023 through 2033. The state research and development tax credit carryforwards do not expire.

Pursuant to Internal Revenue Code Sections 382 and 383, use of the Company's net operating loss and credit carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within any three-year period since the last ownership change. The Company does not anticipate performing a complete analysis of the limitation on the annual use of the net operating loss and tax credit carryforwards until the time that it projects it will be able to utilize these tax attributes.

The Company files income tax returns in the U.S. federal jurisdiction and California and is subject to income tax examinations by federal tax authorities for tax years ended 2010 and later and by California authorities for tax years ended 2009 and later. The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of December 31, 2013, the Company has no accrued interest or penalties related to uncertain tax positions. Second Sight Switzerland, the Company's foreign subsidiary, has not had any taxable income in the past.

14. Warranties

A summary of activity in the Company's warranty liabilities which are included in accrued expenses in the accompanying balance sheet, for the years ended December 31, 2013 and 2012 is presented below.

	2013	2012
Balance, beginning of period	$ 120,440	$ 35,353
Accruals	138,490	105,125
Payments	(5,879)	(22,574)
Adjustments and other	149	2,536
Balance, end of period	$ 253,200	$ 120,440

15. Commitments and Contingencies

Lease Commitment

Effective August 2012, the Company entered into a lease agreement (the "Sylmar Lease") with a company owned by the major stockholder of the Company for office space for a term of five years that expires on February 28, 2017. The Sylmar Lease included rental of additional space commencing January 1, 2013 and a five year option to renew. The lease requires the Company to pay real estate taxes, insurance and common area maintenance each year, and is subject to periodic cost of living adjustments. In April 2014, the Sylmar Lease was renegotiated with the term ending on February 28, 2022, and a five year option to renew. The new lease also requires the Company to pay real estate taxes, insurance and common area maintenance each year and includes automatic increases in base rent each year.

Second Sight Switzerland rents office space in Switzerland on a month-to-month basis for CHF7,079 (approximately $7,922 at December 31, 2013) per month.

Total rent expense was approximately $766,000 and $458,000 for the years ended December 31, 2013 and 2012, respectively, and is allocated based on square footage to general and administrative and manufacturing costs in the consolidated statement of operations.

Future minimum rental payments required under the operating leases are as follows for the years ended December 31:

Years	Amount
2014	$ 709,647
2015	778,448
2016	808,068
2017	833,045
2018	858,036
Thereafter	2,888,696
Total	$ 6,875,940

License Agreements

The Company has exclusive licensing agreements to utilize certain patents. These patents are related to the technology for the prevention, cure and amelioration of the loss of eyesight. There are currently two such agreements that the Company has determined there is a reasonable likelihood of future royalty payments. The Company has agreed to pay the licensors' royalties for licensed products sold or leased by the Company. The royalty rates range from 0.5% to 3.25%, based on related net sales of licensed products, less a credit for royalties paid to others.

One of the licensing agreements requires the Company to pay the licensors a $5,000 annual maintenance fee for the first seven years and a $10,000 annual maintenance fee each year thereafter for as long as the agreement has not been terminated by the Company. The second of these agreements has no stipulated fees.

Clinical Trial Agreements

Based upon FDA approval, which was obtained in February 2013, the Company is required to collect follow-up data from subjects enrolled in it pre-approval trial for a period of up to ten years post-implant, which extends this trial through the year 2019. In addition, the Company is conducting two post-market studies to comply with FDA and European post-market surveillance regulations and requirements. The Company has contracted with various universities, hospitals, and medical practices to provide these services. Payments are based on procedures performed for each subject and are charged to clinical and regulatory expense as incurred. Total amounts charged to expense in the years ended December 31, 2013 and 2012 were $480,950 and $385,556, respectively.

Litigation, Claims and Assessments

Six oppositions have been filed by a third-party in the European Patent Office, each challenging the validity of a European patent owned or exclusively licensed by the Company. The outcome of the challenges are not certain, however, if successful, they may affect our ability to block competitors from utilizing our patented technology. We do not believe a successful challenge will have a material effect on our ability to manufacture and sell our products, or otherwise have a material effect on our operations.

The Company is party to litigation arising in the ordinary course of business. It is management's opinion that the outcome of such matters will have not have a material effect on the Company's financial statements.

16. Subsequent Events

Planned Initial Public Offering

On April 29, 2014, the Company signed a letter of intent with MDB Capital Group LLC ("MDB"), an investment bank, to serve as its underwriter to raise funds from the sale of common stock in an initial public offering. The letter of intent provides for (1) a cash fee equal to 4% of the value of shares sold, including any over-allotment, (2) reimbursement of out-of-pocket expenses associated with the offering up to a maximum of $200,000, and (3) warrants to purchase common shares equal to 20% of the shares of common stock sold in the offering at a price of not less than 125% of the issuance price. The warrants would be exercisable for five years, would be not be exercisable until six months after the initial public offering, and would contain standard anti-dilution provisions, demand and piggyback registration rights, and cashless exercise provisions. However, MDB would have no demand rights in the event that the shares underlying the warrants may be sold without any limitation under Rule 144.

Stock Option Grants

In January 2014, the Company granted a stock option to its chief executive officer to purchase 125,000 shares of common stock at an exercise price of $4.25 per share, exercisable for a period of three years from the date of grant. The stock option was fully vested on the date of issuance and was intended to replace an earlier stock option grant with the same exercise price that expired in January 2014. The stock option was not granted pursuant to the 2011 Plan. The grant date fair value of the stock option, calculated pursuant to the Black-Scholes option-pricing model utilizing a volatility factor of 50% and a dividend rate of 0%, was determined to be $392,737, which was charged to operations as general and administrative expense in the three months ended March 31, 2014.

In the first quarter of 2014, the Company granted stock options to purchase 54,500 shares of common stock to employees. The options are exercisable for a period of ten years from the date of grant at $5.00 per share. The options vest over a period of five years. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be $251,866 ($4.62 per share).

On April 1, 2014, the Company granted stock options to purchase 156,249 shares of common stock to employees. The options are exercisable for a period of ten years from the date of grant at $5.00 per share. The options vest over a period of either four or five years. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be $725,272 ($4.64 per share).

On July14, 2014, the Company granted stock options to purchase 253,095 shares of common stock to employees. The options are exercisable for a period of ten years from the date of grant at $7.00 per share. The options vest over a period of either four or five years. The fair value of these options, as calculated pursuant to the Black-Scholes option-pricing model, was determined to be $1,054,115 ($4.16 per share).

During 2014, the Company recorded a charge of $171,293 to extend the exercise period relating to 223,615 fully-vested options for three employees who resigned and became consultants for the Company. All unvested options for these three employees were terminated when they ceased full-time employment with the Company.

2014 Private Placement

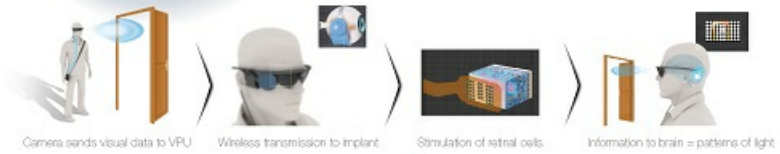
From January 1, 2014 through July 30, 2014, the Company sold 1,299,853 shares of its common stock to new investors at $7.00 per share in a private placement, raising a total of $9,098,971. The Company paid a finder's fee of 64,386 shares of common stock related to this private placement. Mendelsohn Investment Services, LLC, a firm affiliated with Aaron Mendelsohn, a member of the Company's Board of Directors, received 26,785 shares of common stock as part of this finder's fee.

Stock Awards

In July 2014, the Company awarded Alfred E. Mann, its chairman of the board, 25,000 shares of common stock in recognition of services rendered to the Company since inception. These shares were valued at $175,000, or $7.00 per share, and will be charged to general and administrative expense in the third quarter of fiscal 2014.

In August 2014, the Company issued 10,715 shares to an outside attorney as part of the fee paid for drafting the Company's prospectus and S-1 filing. These shares were valued at $75,005, or $7.00 per share. If the Company's planned public offering is successful, the cost of these shares will be treated as an issuance cost and will be deducted from the gross proceeds from the offering. If the Company's planned public offering is not successful, the cost of these shares will be charged to general and administrative expense.

System Overview



Camera sends visual data to VPU | Wireless transmission to implant | Stimulation of retinal cells | Information to brain = patterns of light

Second Sight

Second Sight Medical Products, Inc. | 12744 San Fernando Road | Building 3 | Sylmar, California 91342 | Tel: +1 (818) 833-5000 | Fax: +1 (818) 833-5067

3,500,000 Shares of Common Stock

Second Sight Medical Products, Inc.

PROSPECTUS

MDB Capital Group, LLC

Until , 2014, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside of the United States: Neither we nor the underwriter has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States are required to inform themselves about, and to observe any restrictions relating to, this offering and the distribution of this prospectus outside of the United States

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the various expenses to be incurred in connection with the sale and distribution of our common stock being registered hereby, all of which will be borne by us (except any underwriting discounts and commissions and expenses incurred for brokerage, accounting, tax or legal services or any other expenses incurred in disposing of the shares). All amounts shown are estimates except the SEC registration fee.

SEC Filing Fee	$	5,832
FINRA Filing Fee	$	7,300
Underwriter's Legal Fees and Expenses	$	175,000
Nasdaq Listing Fee	$	75,000
Printing Expenses	$	10,000
Accounting Fees and Expenses	$	75,000
Legal Fees and Expenses	$	225,000
Transfer Agent and Registrar Expenses	$	10,000
Miscellaneous	$	75,000
Total	$	658,132

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The following summary is qualified in its entirety by reference to the complete text of any statutes referred to below and the articles of incorporation of Second Sight Medical Products, Inc. , a California corporation.

Section 317 of the California Corporations Code, or the California Code, authorizes a corporation to indemnify, subject to certain exceptions, any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the corporation, as the term "agent" is defined in section 317(a) of the California Code, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. A corporation is further authorized to indemnify, subject to certain exceptions, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was an agent of the corporation, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of the action if the person acted in good faith, in a manner the person believed to be in the best interests of the corporation and its shareholders.

Section 204 of the California Code provides that a corporation's articles of incorporation may not limit the liability of directors (i) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) for acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) for any transaction from which a director derived an improper personal benefit, (iv) for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of a serious injury to the corporation or its shareholders, (v) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, (vi) under Section 310 of the California Code (concerning transactions between corporations and directors or corporations having interrelated directors) or (vii) under Section 316 of the California Code (concerning directors' liability for distributions, loans, and guarantees).

Section 204 further provides that a corporation's articles of incorporation may not limit the liability of directors for any act or omission occurring prior to the date when the provision became effective or any act or omission as an officer, notwithstanding that the officer is also a director or that his or her actions, if negligent or improper, have been ratified by the directors. Further, Section 317 has no effect on claims arising under federal or state securities laws and does not affect the availability of injunctions and other equitable remedies available to a corporation's shareholders for any violation of a director's fiduciary duty to the corporation or its shareholders.

The Registrant's Restated Articles of Incorporation provide for the elimination of liability for its directors to the fullest extent permissible under California law and authorize it to provide indemnification to directors, officers, employees or other agents through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Code, subject only to the applicable limits with respect to actions for breach of duty to the Registrant and its shareholders.

The Registrant's Amended and Restated Bylaws provide that it shall indemnify its directors and officers, employees and agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was its agent. As included in the Registrant's Amended and Restated Bylaws, a "director" or "officer" includes any person (a) who is or was a director or officer of the Registrant, (b) who is or was serving at the request of the Registrant as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a corporation which was a predecessor corporation of the Registrant or of another enterprise at the request of such predecessor corporation. The Registrant's Amended and Restated Bylaws also contain provisions expressing the intent that these bylaws provide indemnity in excess of that expressly permitted by Section 317 of the California Code to indemnify each of its employees and agents (other than directors and officers) against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was its agent. As included in the Registrant's Amended and Restated Bylaws, an "employee" or "agent" (other than a director or officer), includes any person who (a) is or was an employee or agent of the Registrant, (b) is or was serving at the Registrant's request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) was an employee or agent of a corporation which was a predecessor corporation of the Registrant or of another enterprise at the request of such predecessor corporation.

The Registrant's Amended and Restated Bylaws further provide that it may advance expenses incurred in defending any proceeding for which indemnification is required or permitted, following authorization thereof by the board of directors, prior to the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay that amount if it shall be determined ultimately that the indemnified person is not entitled to be indemnified as authorized by its Amended and Restated Bylaws. The indemnification provided for in the Registrant's Amended and Restated Bylaws for acts, omissions or transactions while acting in the capacity of, or while serving as, a director or officer of the Registrant but not involving a breach of duty to the Registrant and its shareholders will not be deemed exclusive of any other rights those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, to the extent the additional rights to indemnification are authorized in its Restated Articles of Incorporation.

In addition, the Registrant has entered into indemnification agreements with each of its directors and officers, and maintains directors' and officers' liability insurance under which its directors and officers are insured against loss (as defined in the policy) as a result of certain claims brought against them in such capacities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, we issued the following securities without registration under the Securities Act of 1933, as amended (the "Securities Act").

All of the subject offerings described below were conducted as private placements under Rule 506 of Regulation D of the Securities Act of 1933 and all securities were offered for sale, and sold, exclusively to investors who represented that they were qualified as "accredited" under said Regulation.

July 2013 through July 2014

From July 2013 the company sold shares of its common stock at $7 per share for a total of $11,499,656 . As of the date hereof, a total of 1,642,808 shares have been sold. The company also issued an aggregate of 64,384 shares of common stock to two persons, including 26,785 shares of common stock to a person who is a director of the company, in connection with finders' fees paid for introductions made.

January 2013

The company sold unsecured promissory notes for a total amount of $19,519,162. These notes are convertible into common shares at the election of the holder or automatically upon the occurrence of an IPO. The notes bear interest at the rate of 7.5% per annum and have a maturity date of July 31, 2015 on which date principal and all accrued and unpaid interest becomes due and payable. In the event of conversion into common shares, the purchase price per share is $5. Each note holder was also granted a warrant that gives the warrant holder the right to purchase additional common shares at an exercise price of $5 per share. The total amount of shares that may be purchased by exercise of the warrant equals the face amount of the note held by the note holder multiplied by 20% and then divided by $5. The warrants expire on the earlier of July 31, 2017 or within 30 days of prior written notice of a pending IPO, however the board of directors amended the warrants in June 2014 to provide that they will not expire on the occurrence of an IPO.

October 2012

The company sold unsecured promissory notes at par for a total amount of $5,000,000. These notes are convertible into common shares at the election of the holder or automatically upon the occurrence of an IPO. The notes bear interest at the rate of 7.5% per annum and have a maturity date of July 31, 2015 on which date principal and all accrued and unpaid interest becomes due and payable. In the event of conversion into common shares, the purchase price per share is $5. Each note holder was also granted a warrant that gives the warrant holder the right to purchase additional common shares at an exercise price of $5 per share. The total amount of shares that may be purchased by exercise of the warrant equals the face amount of the note held by the note holder multiplied by 20% and then divided by $5. The warrants expire on the earlier of July 31, 2017 or within 30 days of prior written notice of a pending IPO, however the board of directors amended the warrants in June 2014 to provide that they will not expire on the occurrence of an IPO.

July 2012

The company sold unsecured promissory notes at par for a total amount of $5,000,000. These notes are convertible into common shares at the election of the holder or automatically upon the occurrence of an IPO. The notes bear interest at the rate of 7.5% per annum and have a maturity date of July 31, 2015 on which date principal and all accrued and unpaid interest becomes due and payable. In the event of conversion into common shares, the purchase price per share is $5. Each note holder is also granted a warrant that gives the warrant holder the right to purchase additional common shares at an exercise price of $5 per share. The total amount of shares that may be purchased by exercise of the warrant equals the face amount of the note held by the note holder multiplied by 20% and then divided by $5. The warrants expire on the earlier of July 31, 2017 or within 30 days of prior written notice of a pending IPO, however the board of directors amended the warrants in June 2014 to provide that they will not expire on the occurrence of an IPO.

ITEM 16. EXHIBITS

(a) *Exhibits.*

Exhibit No.	Exhibit Description
1.1*	Form of Underwriting Agreement.
3.1	Restated Articles of Incorporation of the Registrant,
3.2	Amended and Restated Bylaws of the Registrant, as currently in effect.
4.1*	Form of the Registrant's common stock certificate.
4.2	Form of Underwriter's Warrant
5.1*	Opinion of Law Offices of Aaron A. Grunfeld & Associates.
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and officers.
10.2**	2003 Equity Incentive Plan
10.3**	2003 Form of Employee Option Agreement
10.4**	2011 Equity Incentive Plan
10.5**	2011 Form of Employee Option Agreement
10.6**	2014 Option Issued to Robert Greenberg – Terms and Conditions
10.7**	2014 Executive Officer Option Agreement
10.8	Form of Convertible Promissory Note
10.9	Form of Warrant, as amended
10.10	Standard Multi-Tenant Office Lease – Net, dated April 15, 2014, between Registrant and Mann Biomedical Park LLC
10.11*	License between Registrant and Johns Hopkins University and Duke University
10.12*	License between Registrant and Doheny Eye Institute
10.13*	Form of Lock Up Agreement
14.1	Code of Business Conduct and Ethics
21.1	List of subsidiaries of the Registrant.
23.1*	Consent of Law Offices of Aaron A. Grunfeld & Associates (included in Exhibit 5.1)
23.2	Consent of Gumbiner Savett Inc.
24.1	Power of Attorney (included on signature page)

* to be filed by amendment
** Indicated management contract or compensatory plan
(b) *Financial Statement Schedules.* All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser: (i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424; (ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant; (iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and (iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) To provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(6) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus as filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(7) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(8) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on August 11, 2014.

SECOND SIGHT MEDICAL PRODUCTS, INC.

By: /s/ Robert J. Greenberg
Robert J. Greenberg
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Robert J. Greenberg and Thomas B. Miller, or either of them as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact, proxy and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, proxy and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert J. Greenberg Robert J. Greenberg	Chief Executive Officer	August 11, 2014
/s/ Alfred E. Mann Alfred E. Mann	Chairman of the Board	August 11, 2014
/s/ Thomas B. Miller Thomas B. Miller	Chief Financial Officer (Principal Financial and Accounting Officer)	August 11, 2014
/s/ William J. Link William J. Link	Director	August 11, 2014
/s/ Aaron Mendelsohn Aaron Mendelsohn	Director	August 11, 2014
/s/ Gregg Williams Gregg Williams	Director	August 11, 2014

RESTATED ARTICLES OF INCORPORATION

OF

SECOND SIGHT MEDICAL PRODUCTS, INC.

I

The name of the corporation is: SECOND SIGHT MEDICAL PRODUCTS, INC.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

The corporation is authorized to issue two classes of stock, to wit, the first designated as Common Stock, and the other designated as Preferred Stock. The total number of shares of Common Stock which the corporation is authorized to issue is TWO HUNDRED MILLION (200,000,000) shares. In all matters that may become before the Corporation's shareholders, each share of Common Stock shall entitle its holder to one vote.

The total number of shares of Preferred Stock which the Corporation is authorized to issue is TEN MILLION (10,000,000) shares.

With consent of the Shareholders, the preferred shares of Preferred Stock may be issued from time to time in one or more series as determined by the corporation's Board of Directors, which is authorized to designate all pricing, voting, dividend, conversion and other rights, and preferences, privileges and restrictions attendant to each series as well as the number of shares authorized for issuance in each series, which matters shall be expressed in resolutions adopted by the Board of Directors, and filed with the California Secretary of State as required by the General Corporation law of the State.

IV

The liability of the directors and officers of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

V

The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the Corporations Code) for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporations Code.

The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Board of Directors of the Corporation.

The amendment and restatement was duly approved by the required vote of the shareholders in accordance with section 902 of the California Corporations Code. The total number of outstanding shares of each class entitled to vote with respect to this amendment is 24,289,490. The total number of shares of each class voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required of each class entitled to vote is a majority (greater than fifty percent (50%)).

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct and of our own knowledge.

Dated: July 15, 2014

/s/ ROBERT GREENBERG
ROBERT GREENBERG, President

/s/ TOM MILLER
TOM MILLER, Secretary

AMENDED AND RESTATED

BYLAWS

OF

SECOND SIGHT MEDICAL PRODUCTS, INC.

A California Corporation

TABLE OF CONTENTS

ARTICLE I

OFFICES

Section 1. Principal Executive Office.

The principal executive office of the corporation shall be fixed and located at such place as the board of directors of the corporation (herein called the "Board") shall determine. The Board is granted full power and authority to change said principal executive office from one location to another.

Section 2. Other Offices.

Other business offices may at any time be established by the Board at any place or places where the corporation is qualified to do business.

ARTICLE II

SHAREHOLDERS

Section 1. Place of Meetings.

All annual or other meetings of shareholders shall be held at the principal executive office of the corporation, or at any place within or without the State of California which may be designated either by the Board or by the written consent of all persons entitled to vote thereat and not present at the meeting, given either before or after the meeting and filed with the Secretary of the corporation.

Section 2. Annual Meetings.

The annual meetings of the shareholders shall be held on the second Tuesday of January in each year, at ten o'clock a.m. or at such other time and date as may be designated by the Board. If the date set forth herein falls on a legal holiday, then any such annual meeting of shareholders shall be held at the same time and place on the next day thereafter which is a full business day. At such meetings directors shall be elected, reports of the affairs of the corporation shall be considered, and any other business may be transacted which is within the powers of the shareholders.

Section 3. Notice of Meetings.

Written notice of each meeting shall be given to each shareholder entitled to vote, either personally or by mail or other means of written communication, postage prepaid, addressed to such shareholder at the address of such shareholder appearing on the books of the corporation or given by said shareholder to the corporation for the purpose of notice. If no such address appears on the books of the corporation or is given by such shareholder, then notice may be given to such shareholder by the delivery of a written notice to the principal executive office of the corporation or by the publication of said notice at least once in a newspaper of general circulation in the county in which the principal executive office of the corporation is located.

If any notice addressed to the shareholder at the address of such shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at such address, all future notices shall be deemed to have been duly given without further mailing if such future notice shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice or report to all other shareholders.

Section 4. Time of Notice.

Notices of a meeting of the shareholders of the corporation shall be given to each shareholder entitled thereto not less than ten (10) days nor more than sixty (60) days before the date of the meeting. A notice shall be deemed to have been given at the time when delivered personally, deposited in the mail or sent by other means of written communication.

Section 5. Contents of Notice.

The notice of any annual meeting of the shareholders of the corporation shall specify the following:

(a) The place, the date, and the hour of such meeting;

(b) Those matters which the Board, at the time of the mailing of the notice, intends to present for action by the shareholders;

(c) If directors are to be elected, the names of nominees intended at the time of the notice to be presented by management for election;

(d) The general nature of a proposal, if any, to take action with respect to approval of: (i) a contract or other transaction with an interested director, (ii) amendment of the Articles of Incorporation, (iii) a reorganization of the corporation as defined in Section 181 of the California General Corporation Law, (iv) voluntary dissolution of the corporation or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, if any; and

(e) Such other matters, if any, as may be expressly required by statute.

Section 6. Special Meetings.

Special meetings of the shareholders for the purpose of taking any action permitted by the shareholders under the California General Corporation Law and the Articles of Incorporation of this corporation, may be called at any time by the Chairman of the Board, the President, or a majority of the members of the Board. Upon request in writing that a special meeting of shareholders be called for any proper purpose, directed to the Chairman of the Board, President, Vice-President or Secretary by any other person (other than the Board) entitled to call a special meeting of shareholders, the officer forthwith shall cause notice to be given to shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after receipt of the request. Except in special cases where other express provisions are made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of shareholders. In addition to the matters required by Section 5 of this Article I, notice of any special meeting shall specify the general nature of the business to be transacted and no other business may be transacted at such meeting.

Section 7. Quorum.

The presence in person or by proxy of the persons entitled to vote a majority of the voting shares at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 8. Adjourned Meeting and Notice Thereof.

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or represented by proxy thereat, but in the absence of a quorum no other business may be transacted at such meeting, except as provided in Section 7 of this Article I.

Except as provided below, when a meeting of the shareholders is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken.

If a shareholders' meeting, either annual or special, is adjourned for forty-five (45) days or more, or if after adjournment, a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 9. Voting.

Except as provided in clause (j) of this Section 9 and except as may otherwise be provided in the Articles of Incorporation of the corporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of the shareholders of the corporation.

Voting shall in all cases be subject to the provisions of Chapter 7 of the California General Corporation Law, and to the following provisions:

(a) **Voting by an Administrator.**

Except as provided in clause (f) of this Section 9, shares held by an administrator, executor, guardian, conservator or custodian may be voted by such holder either in person or by proxy, without a transfer of such shares into the holder's name.

(b) **Voting by a Trustee.**

Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by such trustee without a transfer of such shares into the trustee's name.

(c) **Voting by a Receiver.**

Shares standing in the name of a receiver may be voted by such receiver. Shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority to so vote such shares is contained in the court order court appointing the receiver.

(d) **Voting of Pledged Shares.**

Subject to the provisions of Section 705 of the California General Corporation Law and except where otherwise agreed in writing between the parties, a shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee. Upon the transfer of the pledged shares into the name of the pledgee, the pledgee shall be entitled to vote the shares so transferred.

(e) **Voting by Minor.**

Shares standing in the name of a minor may be voted and the corporation may treat all rights incident thereto as exercisable by the minor, in person or by proxy, whether or not the corporation has notice, actual or constructive, of the minority of the shareholder, unless a guardian of the minor's property has been appointed and written notice of such appointment given to the corporation.

(f) **Voting by Corporation.**

Shares standing in the name of another corporation, domestic or foreign, may be voted by an officer, agent or proxyholder as the bylaws of the other corporation may prescribe or, in the absence of such a provision, as the board of the other corporation may determine or, in the absence of that determination, by the chairman of the board, president or any vice-president of the other corporation, or by any other person authorized to do so by the chairman of the board, president or any vice-president of the other corporation. Shares which are purported to be voted or any proxy purported to be executed in the name of the corporation (whether or not any title of the person signing is indicated) shall be presumed to be voted or the proxy executed in accordance with the foregoing provisions, unless the contrary is shown.

(g) **Voting by Subsidiary of this Corporation**.

Shares of the corporation owned by any subsidiary shall not be entitled to vote on any matter.

(h) **Voting by this Corporation in a Fiduciary Capacity.**

Shares held by the corporation in a fiduciary capacity, and shares of the issuing corporation held in a fiduciary capacity by its subsidiary, shall not be entitled to vote on any matter, except as follows: (i) to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give the corporation binding instructions as to how to vote such shares or (ii) where there are one or more co-trustees who are not affected by the prohibition of the foregoing provisions, in which case the shares may be voted by the co-trustees as if it or they are the sole trustee.

(i) **Shares in the Name of More than One Person.**

If shares stand or record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, voting trustees, persons entitled to vote under a shareholder voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship with respect to the same shares, unless the secretary of the corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(i) if only one votes, such act binds all;

(ii) if more than one vote, the act of the majority so voting binds all; or

(iii) if more than one vote, but the vote is evenly split on any particular matter, each fraction may vote the securities in question proportionately.

If the instrument so filed or the registration of the shares shows that any such tenancy is held in unequal interests, a majority or even split for the purpose subsection (i) of this Section 9 shall be a majority or even split in interest.

(j) **Cumulative Voting.**

Subject to the following sentence and to the provisions of Section 708 of the California General Corporation Law, every shareholder entitled to vote at any election of directors may cumulate such shareholder's votes and (i) give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled or (ii) distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit. No shareholder shall be entitled to cumulate votes for any candidate or candidates pursuant to the preceding sentence unless such candidate's or candidates' names have been placed in nomination prior to the voting and the shareholder has given notice, at the meeting prior to the voting, of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

Elections for directors may be by voice vote and need not be by ballot, unless a shareholder demands election by ballot at the meeting before the voting begins.

In any election of directors, the candidates receiving the highest numbers of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected.

Section 10. Record Date.

The Board may fix, in advance, a record date for the determination of the shareholders entitled to notice of any meeting, to vote or to receive payment of any dividend or other distribution, or any allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall not be more than sixty (60) days nor less than ten (10) days prior to the date of the meeting nor more than sixty (60) days prior to any other action. If a record date is so fixed, only shareholders of record on that date are entitled to receive notice of the meeting and to vote at the meeting or to receive the dividend, distribution, allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of shares on the books of the corporation after the record date. A determination of shareholders of record entitled to notice of the meeting or to vote at a meeting of shareholders shall apply to any adjournment of meeting unless the board fixes a new record date for the adjourned meeting. The board shall fix a new record date if the meeting is adjourned for more than forty-five (45) days.

If a record date is not fixed by the Board, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, if no prior action by the board of directors has been taken, shall be the day on which the first written consent is given. The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto or the sixtieth (60th) day prior to the date of such other action, whichever is later.

Section 11. Validation of Defectively Called or Noticed Meeting.

The transactions of any meeting of the shareholders, either annual or special, however called and noticed, shall be valid, if a quorum is present at such meeting, either in person or by proxy, and if, either before or after such meeting, each of the persons entitled to vote, who or which were not present in person or by proxy, or who or which, though present, has, at the beginning of such meeting, properly objected to the transaction of any business because the meeting was not lawfully called or conveyed or to particular matters of business legally required to be included in the notice, but not so included, signs a written waiver of notice, a consent to the holding of such meeting, or an approval of the minutes thereof. Except as provided in Sections 601(f) of the California General Corporation Law and unless otherwise provided in the Articles of Incorporation, neither the business transacted nor the purpose of any regular or special meeting of shareholders need be specified in any written waiver, consent to the holding of a meeting, or approval of the minutes of the meeting. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 12. Action Without Meeting.

(a) **Election of Directors by Written Consent.**

Directors may be elected without a meeting by a consent in writing, setting forth the action so taken, signed by all of the persons who would be entitled to vote for the election of directors, provided that, without notice except as hereinafter set forth, a director may be elected at any time to fill a vacancy not filled by the directors by the written consent of persons holding a majority of the outstanding shares entitled to vote for the election of directors.

(b) **Other Actions by Written Consent.**

Except as provided in subsection (a) and (c) of this Section 12 and unless otherwise provided in the Articles of Incorporation, any other action which, under any provision of the California General Corporation Law, may be taken at a meeting of the shareholders, may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted.

(c) **Notice of Action by Written Consent.**

Unless the consents of all shareholders entitled to vote have been solicited in writing, notice to those shareholders entitled to vote who have not consented in writing must be given as follows:

(i) Notice of any shareholder approval pursuant to:

(A) Section 310 of the California General Corporation Law (relating to a contract or transaction between the corporation and its directors or legal entity in which one or more of its directors has a material financial interest);

(B) Section 317 of the California General Corporation Law (relating to indemnification by the corporation of its directors, officers, employees or agents arising out of court, administrative or investigative proceedings);

(C) Section 1201 of the California General Corporation Law (relating to a reorganization of the corporation as defined in Section 181 of the California General Corporation Law); or

(D) Section 2007 of the California General Corporation Law (relating to a distribution in dissolution of the corporation other than in accordance with the rights of outstanding preferred shares), if any, shall be given at least ten (10) days before the consummation of the action authorized by such approval; and

(ii) Prompt notice of the taking of any other corporate action approved by shareholders without a meeting by less than unanimous written consent. Such notice shall be given in the manner and shall be deemed to have been given as provided in Section 3 and Section 5 of Article II of these Bylaws.

(d) **Record Date.**

Unless, as provided in Section 10 of this Article I of these Bylaws, the Board has fixed a record date for the determination of shareholders entitled to notice of and to give such written consent, the record date for such determination shall be the day on which the first written consent is given.

(e) **Revocation of Written Consent.**

Any shareholder giving a written consent, or the shareholder's proxyholders, or a transferee of the shares or a personal representative of the shareholder or their respective proxyholders, may revoke the consent by delivering a written notice of such revocation to the corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the corporation. Such revocation is effective upon its receipt by the Secretary of the corporation.

(f) **Form of Written Consent.**

The form of written consent shall be governed by the provisions of Section 604 of the California General Corporation Law, where applicable. All such written consents shall be filed with the Secretary of the corporation.

Section 13. Proxies.

Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the corporation. Subject to the provisions of the immediately succeeding sentence, any proxy duly executed is not revoked and continues in full force and effect until: (i) an instrument revoking it or a duly executed proxy bearing a later date is filed with the Secretary of the corporation prior to the vote pursuant thereto, (ii) the person executing the proxy attends the meeting and votes in person, or (iii) written notice of the death or incapacity of the maker of such proxy is received by the corporation before the vote pursuant thereto is counted. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specified therein the length of time for which such proxy is to continue in force. Notwithstanding the foregoing, a proxy may be made irrevocable pursuant to the provisions of Section 705(e) of the California General Corporation Law. The form of proxy shall be governed by the provisions of Section 604 of the California General Corporation Law, where applicable.

Section 14. Inspectors of Election.

In advance of any meeting of the shareholders, the Board may appoint any person or persons, other than nominees for office, to act as inspector or inspectors of election at such meeting and any adjournment of such meeting. If inspectors of election are not appointed, or if any persons appointed as inspectors fail to appear or refuse to act, the Chairman of any such meeting may, and on the request of any shareholder or shareholder's proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present shall determine whether one or three inspectors are to be appointed.

The inspector or inspectors of election shall: (1) determine the number of shares outstanding and the voting power of each share, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; (2) receive votes, ballots or consents; (3) hear and determine all challenges and questions in any way arising in connection with the right to vote; (4) count and tabulate all votes or consents; (5) determine when the polls shall close; (6) determine the result of an election; and (7) do such acts as may be proper to conduct the election or vote with fairness to all shareholders.

If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

ARTICLE III

DIRECTORS

Section 1. Powers.

Subject to any limitations in the Articles of Incorporation and the California General Corporation Law relating to action requiring shareholder approval, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the day-to-day operation of the business of the corporation to a management company or other person, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 2. Number of Directors.

The authorized number of directors shall be not less than*five* (-5-) and not more than nine (-9-) until changed by Amendment of the Articles or by a Bylaw duly adopted by the shareholders amending this Section 2.

Section 2a Qualification of Directors

In the event that the Corporation shall undertake an initial public company and become listed on the Nasdaq Stock Market then, within the time limits established by Nasdaq, not less than a majority of the directors of the Corporation shall be "Independent Directors" which shall mean that in the opinion of that company's board of directors, a director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Section 3. Election and Term of Office.

The directors shall be elected at each annual meeting of shareholders. If any annual meeting is not held or the directors are not elected at any annual meeting, however, they may be elected at any special meeting of shareholders held for the purpose of electing directors. Each director shall hold office until the next annual meeting of shareholders and until his successor has been elected and qualified or until such director's earlier resignation or removal.

Section 4. Vacancies.

A vacancy or vacancies in the Board shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

Any director may resign upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board. Such resignation shall be effective upon the delivery of such notice unless the notice specifies a later time that such resignation is to be effective. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

The Board may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony.

Vacancies in the Board, may be filled by approval of the Board pursuant to Section 151 of the California Corporations Code or, if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with Section 307 of the California Corporations Code, or (3) a sole remaining director. Each director so elected shall hold office until the next annual meeting and until such director's successor has been elected and qualified.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the remaining members of the Board. Any such election by written consent requires the consent of a majority of the outstanding shares entitled to vote.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 5. Place of Meetings.

Regular and special meetings of the Board shall be held at any place within or without the State of California which has been designated in the notice of the meeting, or, if not so stated in the notice or there is no notice, designated by resolution of the Board or, either before or after the meeting, consented to in writing by members of the Board pursuant to the provisions of Article III, Section 11 of these Bylaws. If the place of a regular or special meeting is not designated in the notice or fixed by a resolution of the Board or consented to in writing by all members of the Board, it shall be held at the corporation's principal executive office.

Section 6. Regular Meetings.

Immediately following each annual meeting of shareholders, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business.

Other regular meetings of the Board shall be held without call on such dates and at such times as may be fixed by the Board.

Section 7. Special Meetings.

Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board, the President, the Secretary or by any two directors of the corporation.

Special meetings of the Board shall be held upon four (4) days' written notice or forty-eight (48) hours' notice given personally or by telephone, telegraph, telex or other similar means of communication. Any such written notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the corporation or as may have been given to the corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mail, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person, by telephone, or by other means, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Section 8. Action Without Meeting.

Any action by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the directors.

Section 9. Meeting by Conference Telephone.

Members of the Board may participate in a meeting through use of a conference telephone or similar communications equipment, so long as all members participating in such meeting can hear and speak to one another. Participation by a director in a meeting through use of a conference telephone or similar communication equipment shall constitute presence in person by such director at such meeting.

Section 10. Action at a Meeting: Quorum and Required Vote.

Presence of a majority of the authorized number of directors at a meeting of the Board constitutes a quorum for the transaction of business, except as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board, unless a greater number, or the same number after disqualifying one or more directors from voting, is required by law, by the Articles of Incorporation, or by these Bylaws. The directors at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of one or more directors, provided that any action taken is approved by at least a majority of the directors which are required to constitute a quorum for such meeting.

Section 11. Waiver of Notice and Validation of Defectively Called or Noticed Meetings.

Notice of any meeting need not be given to any director who signs a waiver of notice, or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior to the meeting or at its commencement, the lack of notice to such director. Any waiver of notice need not specify the purpose of the meeting. All waivers, consents and approvals of minutes shall be filed with the corporate records or made a part of the minutes of the meeting to which they pertain.

Section 12. Adjournment.

A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If a meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place shall be given to the directors who were not present at the time of the adjournment prior to the time of the adjourned meeting.

Section 13. Fees and Compensation.

Directors and members of committees may receive such compensation for their services and such reimbursements for expenses as may be fixed or determined by resolution of the Board.

Section 14. Committees – General.

The Board may, at its discretion, by specific resolution adopted by a majority of the authorized number of directors, designate one or more committees, each of which shall be composed of two or more directors, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of such committee. The Board may delegate to any such committee, to the extent provided in a specific resolution, any of the Board's powers and authority in the management of the corporation's business and affairs, except with respect to:

(a) The approval of any action for which the California General Corporation law or the Articles of Incorporation also require shareholder approval;

(b) The filling of vacancies on the Board or in any committee;

(c) The fixing of compensation of directors for serving on the Board or on any committee;

(d) The amendment or repeal of Bylaws or the adoption of new Bylaws;

(e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(f) A distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the Board; and

(g) The appointment of other committees of the Board or the members thereof.

The Board may prescribe appropriate rules, not inconsistent with these Bylaws, by which proceedings of any such committee shall be conducted. The provisions of these Bylaws relating to the calling of meetings of the Board, notice of meetings of the Board and waiver of such notice, adjournments of meetings of the Board, written consents to Board meetings and approval of minutes, action by the Board by consent in writing without a meeting, the place of holding such meetings, meetings by conference telephone or similar communications equipment, the quorum for such meetings, the vote required at such meetings and the withdrawal of directors after commencement of a meeting shall apply to committees of the Board and action by such committees. In addition, any member of the committee designated by the Board as the chairman or as a secretary of the committee may call meetings of the committee.

Section 15 – Committees – Special

Prior to the completion of an initial public offering of the shares of this Corporation, the board of directors shall establish an audit committee, a compensation committee and a nominating and governance committee, each of which will have the composition and responsibilities described in such resolutions as shall be adopted by the directors. The directors shall appoint a chair of each committee upon its establishment. Members will serve on these committees until their resignation or as otherwise determined by the directors.

ARTICLE IV

OFFICERS

Section 1. Officers.

The officers of the corporation shall be a president (the "President"), secretary (the "Secretary") and a chief financial officer (the "Chief Financial Officer" or "Treasurer"). The corporation may also have, at the discretion of the Board, a chairman of the Board (the "Chairman of the Board"), one or more vice-presidents (the "Vice Presidents"), one or more assistant secretaries (the "Assistant Secretaries"), one or more assistant treasurers (the "Assistant Treasurers"), and such other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article.

Section 2. Election.

The officers of the corporation, except such officers as may be elected or appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen annually by, and shall serve at the pleasure of the Board, and shall hold their respective offices until their resignation, removal, or other disqualification from service, or until their respective successors shall be elected.

Section 3. Subordinate Officers.

The Board may elect, and may empower the President to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4. Removal and Resignation.

Any officer may be removed, either with or without cause, by the Board at any time or, except in the case of an officer chosen by the Board, by any officer upon whom such power or removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the corporation, but without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office.

Section 6. Chairman of the Board.

The Chairman of the Board, if there shall be an officer, shall, if present, preside at all meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned by the Board.

Section 7. President.

Subject to such supervisory powers, if any, as may be given by the Board to the Chairman of the Board, if there be such an officer, the President shall be the chief executive officer of the corporation and, except as otherwise provided in these Bylaws, shall have general supervision, direction and control of the business and officers of the corporation. The President shall preside at all meetings of the shareholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board. The President shall have the general powers and duties of management usually vested in the office of President of a corporation and such other powers and duties as may be prescribed by the Board.

Section 8. Vice Presidents.

In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board or, if not ranked, the Vice President designated by the Board, shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board.

Section 9. Secretary.

The Secretary shall keep or cause to be kept, at the principal executive office and such other place as the Board may order, a book of minutes of all meetings of the shareholders, the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, a copy of the Bylaws of the corporation at the principal executive office or business office in accordance with Section 213 of the California General Corporation Law.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, if one be appointed, a share register, or a duplicate share register, showing the names of the shareholders and their addresses, the number of classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders of the Board and of any committees thereof required by these Bylaws or by law to be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 10. Chief Financial Officer (Treasurer).

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, and shall send or cause to be sent to the shareholders of the corporation, such financial statements and reports as are by law or these Bylaws required to be sent to them. The books of account shall at all times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation which such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President and directors, whenever they request, an account of all transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

ARTICLE V

OTHER PROVISIONS

Section 1. Inspection of Corporate Records.

(a) A shareholder or shareholders holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation or holding at least one percent (1%) of such voting shares and have filed a Schedule 14B with the United States Securities and Exchange Commission relating to the election of directors of the corporation, shall have an absolute right to do either or both of the following:

(i) inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours, upon five business days' written demand upon the corporation; or

(ii) obtain from the transfer agent, if any, for the corporation, upon five business days' prior written demand and upon the tender of its usual charges for such a list (the amount of which charges shall be stated to the shareholder by the transfer agent upon request), a list of the shareholders' names and addresses who are entitled to vote for the election of directors and their shareholdings, as of the most recent record date for which it has been compiled or as of a date specified by the shareholder subsequent to the date of demand.

(b) The record of shareholders shall also be open to inspection and copying by any shareholder or holder of a voting trust certificate at any time during usual business hours upon written demand on the corporation, for a purpose reasonably related to such holders' interest as a shareholder or holder of a voting trust certificate.

(c) The accounting books and records and minutes of proceedings of the shareholders and the Board and committees of the Board shall be open to inspection upon written demand on the corporation of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose related to such holder's interests as a shareholder or as a holder of such voting trust certificate.

(d) Any inspection and copying under this Article V may be made in person or by agent or attorney.

Section 2. Inspection of Bylaws.

The corporation shall keep in its principal executive office the original or a copy of these Bylaws as amended to date, which shall be open to inspection by shareholders at all reasonable times during usual business hours. If the principal executive office of the corporation is located outside the State of California and the corporation has no principal business office in such state, the corporation shall, upon the written notice of any shareholder, furnish to such shareholder, a copy of these Bylaws as amended to date.

Section 3. Endorsement of Documents; Contracts.

Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance or other instrument in writing and any assignment or endorsements thereof executed or entered into between the corporation and any other person, when signed by the Chairman of the Board, the President or any Vice-President and the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the corporation, shall be valid and binding on the corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 4. Certificate of Stock.

Every holder of shares of the corporation shall be entitled to have a certificate signed in the name of the corporation by the Chairman of the Board, the President or a Vice-President and by Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be a facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Certificates for shares of the corporation may be used prior to full payment under such restrictions and for such purposes as the Board may provide; provided, however, that on any certificate issued to represent any partly paid shares, the total amount of the consideration be paid therefor and the amount paid thereon shall be stated.

Except as provided in this Section, no new certificate for shares shall be issued in lieu of an old certificate unless the latter is surrendered and canceled at the same time. The Board may, however, if any certificate for shares is alleged to have been lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, and the corporation may require that the corporation be given a bond or other adequate security sufficient to indemnify it against any claim that may be made against it (including expense or liability) on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Section 5. Representation of Shares of Other Corporations.

The President or any other officer or officers authorized by the Board or the President, are each authorized to vote, represent, and exercise on behalf of the corporation, all rights incident to any and all shares of any other corporation or corporations standing in the name of the corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 6. Stock Purchase Plans.

The corporation may adopt and carry out a stock purchase plan or agreement or stock option plan or agreement providing for the issue and sale of the corporation's unissued shares, or of issued shares acquired or to be acquired, to one or more of the employees or directors of the corporation or of a subsidiary or to a trustee on their behalf and for the payment for such shares in installments or at one time, and may provide for such shares in installments or at one time, and may provide for aiding any such persons in paying for such shares by compensation for services rendered, promissory notes or otherwise.

Any such stock purchase plan or agreement or stock option plan or agreement may include, among other features, the fixing of eligibility for participation therein, the class and price of shares to be issued or sold under the plan or agreement, the number of shares which may be subscribed for, the method of payment therefor, the reservation of title until full payment therefor, the effect of the termination of employment and option or obligation on the part of the corporation to repurchase the shares under termination of employment, restrictions upon transfer of the shares, the time limits of and termination of the plan, and any other matters, not in violation of applicable law, as may be included in the plan as approved or authorized by the Board or any committee of the Board.

Section 7. Annual Report to Shareholders.

The annual report to shareholders referred to in Section 1501 of the California General Corporation Law is expressly waived, but nothing herein shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to shareholders.

Section 8. Construction and Definitions.

Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions of the California Corporations code and in the California General Corporations Law shall govern the construction of these Bylaws.

ARTICLE VI

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 1. Indemnification.

Each person who was or is a party or is threatened to be made a party or is involved (as a party, witness, or otherwise), in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereafter a "Proceeding"), by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a director or officer of a foreign or domestic corporation that was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation, including service with respect to employee benefit plans, whether the basis of the Proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer (hereafter an "Agent"), shall be indemnified and held harmless by the corporation to the fullest extent authorized by statutory and decisional law, as the same exists or may hereafter be interpreted or amended (but, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the corporation to provide broader indemnification rights than were permitted prior thereto) against all expenses, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes and penalties, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereof, and any federal, state, local, or foreign taxes imposed on any Agent as a result of the actual or deemed receipt of any payments under this Article) reasonably incurred or suffered by such person in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding (hereafter "Expenses"); provided, however, that except as to actions to enforce indemnification rights pursuant to Section 3 of this Article of these Bylaws, the corporation shall indemnify any Agent seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right. It is the corporation's intention that these bylaws provide indemnification in excess of that expressly permitted by Section 317 of the California General Corporation Law, as authorized by the corporation's Articles of Incorporation.

Section 2. **Advance of Expenses.**

Expenses incurred by an officer or director (acting in his capacity as such) in defending a Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding, provided, however, that if required by the California General Corporation Law, as amended, such Expenses shall be advanced only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article or otherwise. Expenses incurred by employees or agents of the corporation, other than directors or officers, (or by the directors or officers not acting in their capacity as such, including service with respect to employee benefit plans) may be advanced upon the receipt of a similar undertaking, if required by law, and upon such other terms and conditions as the Board of Directors deems appropriate. Any obligation to reimburse the corporation for Expense advances shall be unsecured and no interest shall be charged thereon.

Section 3. **Claims Against Corporation.**

If a claim under Section 1 or 2 of this Article of these Bylaws is not paid in full by the corporation within thirty (30) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the California General Corporation Law for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he has met the applicable standard of conduct set forth in the California General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 4. **Provisions Nonexclusive.**

The rights conferred on any person by this Article shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in an another capacity while holding such office. To the extent that any provision of the Articles of Incorporation, agreement, or vote of the stockholders or disinterested directors is inconsistent with these bylaws, the provision, agreement, or vote shall take precedence.

Section 5. Insurance.

The corporation may purchase and maintain insurance to protect itself and any Agent against any Expense asserted against or incurred by such person, whether or not the corporation would have the power to indemnify the Agent against such Expense under applicable law or the provisions of this Article, provided that, in cases where the corporation owns all or a portion of the shares of the company issuing the insurance policy, the company and/or the policy must meet one of the two sets of conditions set forth in Section 317 of the California General Corporation Law, as amended.

Section 6. Successors.

The rights provided by this Article shall continue as to a person who has ceased to be an Agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

Section 7. Consent - Participation in Defense.

The corporation shall not be liable to indemnify any Agent under this Article (i) for any amounts paid in settlement of any action or claim effected without the corporation's written consent, which consent shall not be unreasonably withheld; or (ii) for any judicial award, if the corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

Section 8. Amendment and Repeal.

Any amendment, repeal, or modification of this Article shall not adversely affect any right or protection of any Agent existing at the time of such amendment, repeal, or modification.

Section 9. Subrogation.

In the event of payment under this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Agent, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

Section 10. Outside Payment.

The corporation shall not be liable under this Article to make any payment in connection with any claim made against the Agent to the extent the Agent has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.

ARTICLE VII

AMENDMENTS

Section 1. Power of Shareholders.

Except as provided in the Articles of Incorporation and subject to the limitations imposed by Section 212(a) of the California Corporations Code, new Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote of a majority of the outstanding shares entitled to vote, or by the written consent of shareholders entitled to vote such shares.

Section 2. Power of Directors.

Except as provided in the Articles of Incorporation and subject to the limitations imposed by Section 212(a) of the California Corporations Code, the Board may adopt, amend or repeal Bylaws by an affirmative vote of the majority of the Board.

SECOND SIGHT MEDICAL PRODUCTS, INC.

A California Corporation

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

(1) That I am the duly elected and acting Secretary of the above named corporation; and

(2) That the foregoing Amended and Restated Bylaws comprised of 22 pages, constitute the Bylaws of said corporation as duly adopted by corporate resolutions on June _____, 2014.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation.

DATED: June __, 2014

TOM MILLER

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH SECURITIES UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAWS, OR (2) AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

IN ADDITION, THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, OR HYPOTHECATED, OR BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT, OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF SUCH SECURITIES BY ANY PERSON FOR A PERIOD OF ONE HUNDRED (180) DAYS IMMEDIATELY FOLLOWING THE DATE OF EFFECTIVENESS OF THE PUBLIC OFFERING OF THE COMPANY'S SECURITIES PURSUANT TO REGISTRATION STATEMENT NO.: 333-[XXXXX] AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, EXCEPT IN ACCORDANCE WITH FINRA RULE 5110(G)(2).

SECOND SIGHT MEDICAL PRODUCTS, INC.

UNDERWRITER WARRANT

[●] shares of Common Stock

[_____], 2014

This **UNDERWRITER WARRANT** (this "**Warrant")** of Second Sight Medical Products, Inc., a corporation, duly organized and validly existing under the laws of the State of California (the "**Company"),** is being issued pursuant to that certain Underwriting Agreement, dated [_____], 2014 (the "**Underwriting Agreement"),** between the Company and MDB Capital Group, LLC (the "**Underwriter")** relating to a firm commitment public offering (the "**Offering")** of shares of common stock, no par value, of the Company (the "**Common Stock")** underwritten by the Underwriter.

FOR VALUE RECEIVED, the Company hereby grants to MDB Capital Group, LLC and its permitted successors and assigns (collectively, the "**Holder")** the right to purchase from the Company up to [●] shares of Common Stock (such shares underlying this Warrant, the "**Warrant Shares**"), at a per share purchase price equal to $[**125% of the Public Offering Price**] (the "**Exercise Price**")**,** subject to the terms, conditions and adjustments set forth below in this Warrant.

1 . Date of Warrant Exercise . This Warrant shall become exercisable one hundred eighty (180) days after the Base Date (the "**Exercise Date**"). As used in this Warrant, the term "**Base Date"** shall mean [_____], 2014 (the effective date of the registration statement). Except as otherwise provided for herein or as permitted by applicable rules of the Financial Industry Regulatory Authority, Inc. ("FINRA"), this Warrant and the underlying Warrant Shares shall not be sold, transferred, assigned, pledged or hypothecated prior to the date that is one hundred eighty (180) days immediately following the Base Date pursuant to FINRA Rule 5110(g)(1), except as permitted under FINRA Rule 5110(g)(2).

2. Expiration of Warrant. This Warrant shall expire on the five (5) year anniversary of the Base Date (the "**Expiration Date**").

3. Exercise of Warrant. This Warrant shall be exercisable pursuant to the terms of this Section 3.

3.1 Manner of Exercise.

(a) This Warrant may only be exercised by the Holder hereof on or after the Exercise Date and on or prior to the Expiration Date, in accordance with the terms and conditions hereof, in whole or in part (but not as to fractional shares) with respect to any portion of this Warrant, during the Company's normal business hours on any day other than a Saturday or a Sunday or a day on which commercial banking institutions in New York, New York are authorized by law to be closed (a "**Business Day"**), by surrender of this Warrant to the Company at its office maintained pursuant to Section 10.2(a) hereof, accompanied by a written exercise notice in the form attached as Exhibit A to this Warrant (or a reasonable facsimile thereof) duly executed by the Holder, together with the payment of the aggregate Exercise Price for the number of Warrant Shares purchased upon exercise of this Warrant. Upon surrender of this Warrant, the Company shall cancel this Warrant document and shall, in the event of partial exercise, replace it with a new Warrant document in accordance with Section 3.3.

(b) Except as provided for in Section 3.1(c) below, each exercise of this Warrant must be accompanied by payment in full of the aggregate Exercise Price in cash by check or wire transfer in immediately available funds for the number of Warrant Shares being purchased by the Holder upon such exercise.

(c) The aggregate Exercise Price for the number of Warrant Shares being purchased may also, in the sole discretion of the Holder, be paid in full or in part on a "cashless basis" at the election of the Holder:

(i) in the form of Common Stock owned by the Holder (based on the Fair Market Value (as defined below) of such Common Stock on the date of exercise);

(ii) in the form of Warrant Shares withheld by the Company from the Warrant Shares otherwise to be received upon exercise of this Warrant having an aggregate Fair Market Value on the date of exercise equal to the aggregate Exercise Price of the Warrant Shares being purchased by the Holder; or

(iii) (iii) by a combination of the foregoing, provided that the combined value of all cash and the Fair Market Value of any shares surrendered to the Company is at least equal to the aggregate Exercise Price for the number of Warrant Shares being purchased by the Holder.

For purposes of this Warrant, the term "**Fair Market Value"** means with respect to a particular date, the average closing price of the Common Stock for the five (5) trading days immediately preceding the applicable exercise herein as officially reported by the principal securities exchange on which the Common Stock is then listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any securities exchange as determined in good faith by resolution of the Board of Directors of the Company, based on the best information available to it.

To illustrate a cashless exercise of this Warrant under Section 3.1 (c)(ii) (or for a portion thereof for which cashless exercise treatment is requested as contemplated by Section 3.1(c)(iii) hereof), the calculation of such exercise shall be as follows:

$$X = Y (A-B)/A$$

where:

X = the number of Warrant Shares to be issued to the Holder (rounded to the nearest whole share).

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the Fair Market Value of the Common Stock.

B = the Exercise Price.

(d) For purposes of Rule 144 and sub-section (d)(3)(ii) thereof, it is intended, understood, and acknowledged that the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction as described in Section 3.1(c) above shall be deemed to have been acquired at the time this Warrant was issued. Moreover, it is intended, understood, and acknowledged that the holding period for the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction as described in Section 3.1(c) above shall be deemed to have commenced on the date this Warrant was issued.

3 . 2 When Exercise Effective. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the Business Day on which this Warrant shall have been duly surrendered to the Company as provided in Sections 3.1 and 12 hereof, and, at such time, the Holder in whose name any certificate or certificates for Warrant Shares shall be issuable upon exercise as provided in Section 3.3 hereof shall be deemed to have become the holder or holders of record thereof of the number of Warrant Shares purchased upon exercise of this Warrant.

3.3 Delivery of Common Stock Certificates and New Warrant. As soon as reasonably practicable after each exercise of this Warrant, in whole or in part, and in any event within three (3) Business Days thereafter, the Company, at its expense (including the payment by it of any applicable issue taxes), will cause to be issued in the name of and delivered to the Holder hereof or, subject to Sections 9 and 10 hereof, as the Holder (upon payment by the Holder of any applicable transfer taxes) may direct:

(a) a certificate or certificates (with appropriate restrictive legends, as applicable) for the number of duly authorized, validly issued, fully paid and non-assessable Warrant Shares to which the Holder shall be entitled upon exercise; and

(b) in case exercise is in part only, a new Warrant document of like tenor, dated the date hereof, for the remaining number of Warrant Shares issuable upon exercise of this Warrant after giving effect to the partial exercise of this Warrant (including the delivery of any Warrant Shares as payment of the Exercise Price for such partial exercise of this Warrant).

4. Certain Adjustments. For so long as this Warrant is outstanding:

4.1 Mergers or Consolidations. If at any time after the date hereof there shall be a capital reorganization (other than a combination or subdivision of Common Stock otherwise provided for herein) resulting in a reclassification to or change in the terms of securities issuable upon exercise of this Warrant (a "**Reorganization"**), or a merger or consolidation of the Company with another corporation, association, partnership, organization, business, individual, government or political subdivision thereof or a governmental agency (a "**Person"** or the "**Persons"**) (other than a merger with another Person in which the Company is a continuing corporation and which does not result in any reclassification or change in the terms of securities issuable upon exercise of this Warrant or a merger effected exclusively for the purpose of changing the domicile of the Company) (a "**Merger"**), then, as a part of such Reorganization or Merger, lawful provision and adjustment shall be made so that the Holder shall thereafter be entitled to receive, upon exercise of this Warrant, the number of shares of stock or any other equity or debt securities or property receivable upon such Reorganization or Merger by a holder of the number of shares of Common Stock which might have been purchased upon exercise of this Warrant immediately prior to such Reorganization or Merger. In any such case, appropriate adjustment shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the Reorganization or Merger to the end that the provisions of this Warrant (including adjustment of the Exercise Price then in effect and the number of Warrant Shares) shall be applicable after that event, as near as reasonably may be, in relation to any shares of stock, securities, property or other assets thereafter deliverable upon exercise of this Warrant. The provisions of this Section 4.1 shall similarly apply to successive Reorganizations and/or Mergers.

4.2 Splits and Subdivisions; Dividends. In the event the Company should at any time or from time to time effectuate a split or subdivision of the outstanding shares of Common Stock or pay a dividend in or make a distribution payable in additional shares of Common Stock or other securities, or rights convertible into, or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock (hereinafter referred to as "**Common Stock Equivalents**") without payment of any consideration by such holder for the additional shares of Common Stock or Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of the applicable record date (or the date of such distribution, split or subdivision if no record date is fixed), the per share Exercise Price shall be appropriately decreased and the number of Warrant Shares shall be appropriately increased in proportion to such increase (or potential increase) of outstanding shares; provided, however, that no adjustment shall be made in the event the split, subdivision, dividend or distribution is not effectuated.

4.3 Combination of Shares. If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding shares of Common Stock, the per share Exercise Price shall be appropriately increased and the number of shares of Warrant Shares shall be appropriately decreased in proportion to such decrease in outstanding shares.

4.4 Adjustments for Other Distributions. In the event the Company shall declare a distribution payable in securities of other Persons, evidences of indebtedness issued by the Company or other Persons, assets (excluding cash dividends or distributions to the holders of Common Stock paid out of current or retained earnings and declared by the Company's Board of Directors and excluding any shares of common stock issued by the Company in connection with the non-transferable contractual right granted in connection with the Company's initial public offering) or options or rights not referred to in Sections 4.2 or 4.3 then, in each such case for the purpose of this Section 4.4, upon exercise of this Warrant, the Holder shall be entitled to a proportionate share of any such distribution as though the Holder was the actual record holder of the number of Warrant Shares as of the record date fixed for the determination of the holders of Common Stock of the Company entitled to receive such distribution.

5 . No Impairment. The Company will not, by amendment of its articles of incorporation or by-laws or through any consolidation, merger, reorganization, transfer of assets, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all of the terms and in the taking of all actions necessary or appropriate in order to protect the rights of the Holder against impairment.

6 . Notice as to Adjustments. With respect to each adjustment pursuant to Section 4 of this Warrant, the Company, at its expense, will promptly compute the adjustment or re-adjustment in accordance with the terms of this Warrant and furnish the Holder with a certificate certified and confirmed by the Secretary or Chief Financial Officer of the Company setting forth, in reasonable detail, the event requiring the adjustment or re-adjustment and the amount of such adjustment or re-adjustment, the method of calculation thereof and the facts upon which the adjustment or re-adjustment is based, and the Exercise Price and the number of Warrant Shares or other securities purchasable hereunder after giving effect to such adjustment or re-adjustment, which report shall be mailed by first class mail, postage prepaid to the Holder.

7. Reservation of Shares. The Company shall, solely for the purpose of effecting the exercise of this Warrant, at all times during the term of this Warrant, reserve and keep available out of its authorized shares of Common Stock, free from all taxes, liens and charges with respect to the issue thereof and not subject to preemptive rights of shareholders of the Company, such number of its shares of Common Stock as shall from time to time be sufficient to effect in full the exercise of this Warrant. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect in full the exercise of this Warrant, in addition to such other remedies as shall be available to Holder, the Company will promptly take such corporate action as may, in the opinion of its counsel, be necessary to increase the number of authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including without limitation, using its Reasonable Commercial Efforts (as defined in Section 14 hereof) to obtain the requisite shareholder approval necessary to increase the number of authorized shares of Common Stock. The Company hereby represents and warrants that all shares of Common Stock issuable upon proper exercise of this Warrant shall be duly authorized and, when issued and paid for upon proper exercise, shall be validly issued, fully paid and nonassessable.

8. Registration and Listing.

8.1 Definition of Registrable Securities; Majority. As used herein, the term "**Registrable Securities**" means any shares of Common Stock issuable upon the exercise of this Warrant until the date (if any) on which such shares shall have been transferred or exchanged and new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of the shares shall not require registration or qualification under the Securities Act or any similar state law then in force. For purposes of this Warrant, the term "**Majority Holders**" shall mean in excess of fifty percent (50%) of the then outstanding Warrant Shares.

8.2 Demand Registration Rights.

(a) The Company, upon written demand ("**Demand Notice**") of the Majority Holders, agrees to register on one occasion all of the Registrable Securities (a "**Demand Right**"); *provided*, *however*, that the Holders shall have no Demand Right if and only if the Registrable Securities may be sold without any limitations or restrictions under Rule 144. On such occasion, the Company will file a registration statement or a post-effective amendment to the Registration Statement covering the Registrable Securities within forty-five (45) days after receipt of a Demand Notice and use its Reasonable Commercial Efforts to have such registration statement or post-effective amendment declared effective as soon as possible thereafter; provided, however, that the Company shall not be required to comply with a Demand Notice if the Company has filed a registration statement with respect to which the Holder is entitled to piggyback registration rights pursuant to Section 8.3 hereof and either: (i) the Holder has elected to participate in the offering covered by such registration statement or (ii) if such registration statement relates to an underwritten primary offering of securities of the Company, until the offering covered by such registration statement has been withdrawn or until thirty (30) days after such offering is consummated. The demand for registration may be made at any time during a period of four years beginning one (1) year from the Base Date. The Company covenants and agrees to give written notice of its receipt of any Demand Notice by any Holder(s) to all other registered Holders of the Warrants and/or the Registrable Securities within ten days from the date of the receipt of any such Demand Notice.

(b) The Company shall bear all fees and expenses attendant to registering the Registrable Securities pursuant to Section 8.2(a), but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. The Company agrees to use its Reasonable Commercial Efforts to qualify or register the Registrable Securities in such states as are reasonably requested by the Majority Holder(s); provided, however, that in no event shall the Company be required to register the Registrable Securities in a state in which such registration would cause (i) the Company to be obligated to register, license or qualify to do business in such state, submit to general service of process in such state or would subject the Company to taxation as a foreign corporation doing business in such jurisdiction or (ii) the principal stockholders of the Company to be obligated to escrow their shares of capital stock of the Company. The Company shall cause any registration statement or post-effective amendment filed pursuant to the demand right granted under Section 8(a) to remain effective for a period of nine consecutive months from the effective date of such registration statement or post-effective amendment. The Holders shall only use the prospectuses provided by the Company to sell the Registrable Securities covered by such registration statement, and will immediately cease to use any prospectus furnished by the Company if the Company advises the Holder that such prospectus may no longer be used due to a material misstatement or omission.

8.3 Incidental Registration Rights.

(a) If the Company, for a period of six (6) years commencing one (1) year after the Base Date, proposes to register any of its securities under the Securities Act (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Securities Act or pursuant to registration on Form S-4 or S-8 or any successor forms) whether for its own account or for the account of any holder or holders of its shares other than Registrable Securities (any shares of such holder or holders (but not those of the Company and not Registrable Securities) with respect to any registration are referred to herein as, "**Other Shares**"), the Company shall at each such time give prompt (but not less than thirty (30) days prior to the anticipated effectiveness thereof) written notice to the holders of Registrable Securities of its intention to do so. The holders of Registrable Securities shall exercise the "piggy-back" rights provided herein by giving written notice within ten (10) days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such holder). Except as set forth in Section 8.3(b), the Company will use its Reasonable Commercial Efforts to effect the registration under the Securities Act of all of the Registrable Securities which the Company has been so requested to register by such holder, to the extent required to permit the disposition of the Registrable Securities so to be registered, by inclusion of such Registrable Securities in the registration statement which covers the securities which the Company proposes to register. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities pursuant to this Section 8.3.

(b) If the Company at any time proposes to register any of its securities under the Securities Act as contemplated by this Section 8.3 and such securities are to be distributed by or through one or more underwriters, the Company will, if requested by a holder of Registrable Securities, use its Reasonable Commercial Efforts to arrange for such underwriters to include all the Registrable Securities to be offered and sold by such holder among the securities to be distributed by such underwriters, provided that if the managing underwriter of such underwritten offering shall inform the Company by letter of its belief that inclusion in such distribution of all or a specified number of such securities proposed to be distributed by such underwriters would interfere with the successful marketing of the securities being distributed by such underwriters (such letter to state the basis of such belief and the approximate number of such Registrable Securities, such Other Shares and shares held by the Company proposed so to be registered which may be distributed without such effect), then the Company may, upon written notice to such holder, the other holders of Registrable Securities, and holders of such Other Shares, reduce pro rata in accordance with the number of shares of Common Stock desired to be included in such registration (if and to the extent stated by such managing underwriter to be necessary to eliminate such effect) the number of such Registrable Securities and Other Shares the registration of which shall have been requested by each holder thereof so that the resulting aggregate number of such Registrable Securities and Other Shares so included in such registration, together with the number of securities to be included in such registration for the account of the Company, shall be equal to the number of shares stated in such managing underwriter's letter.

8.4 Registration Procedures. Whenever the holders of Registrable Securities have properly requested that any Registrable Securities be registered pursuant to the terms of this Warrant, the Company shall use its Reasonable Commercial Efforts to effect the registration for the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its Reasonable Commercial Efforts to cause such registration statement to become effective;

(b) notify such holders of the effectiveness of each registration statement filed hereunder and prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to (i) keep such registration statement effective and the prospectus included therein usable for a period commencing on the date that such registration statement is initially declared effective by the SEC and ending on the date when all Registrable Securities covered by such registration statement have been sold pursuant to the registration statement or cease to be Registrable Securities, and (ii) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(c) furnish to such holders such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such holders;

(d) use its Reasonable Commercial Efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as such holders reasonably request and do any and all other acts and things which may be reasonably necessary or advisable to enable such holders to consummate the disposition in such jurisdictions of the Registrable Securities owned by such holders; provided, however, that the Company shall not be required to: (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph; (ii) subject itself to taxation in any such jurisdiction; or (iii) consent to general service of process in any such jurisdiction;

(e) notify such holders, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances in which they are made, not materially misleading, and, at the reasonable request of such holders, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they are made, not materially misleading;

(f) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(g) make available for inspection by any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, managers, employees and independent accountants to supply all information reasonably requested by any such underwriter, attorney, accountant or agent in connection with such registration statement;

(h) otherwise use its Reasonable Commercial Efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement of the Company, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and, at the option of the Company, Rule 158 thereunder;

(i) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any Registrable Securities included in such registration statement for sale in any jurisdiction, the Company shall use its Reasonable Commercial Efforts promptly to obtain the withdrawal of such order; and

(j) if the offering is underwritten, use its Reasonable Commercial Efforts to furnish on the date that Registrable Securities are delivered to the underwriters for sale pursuant to such registration, an opinion dated such date of counsel representing the Company for the purposes of such registration, addressed to the underwriters covering such issues as are reasonably required by such underwriters.

8.5 Listing. The Company shall secure the listing of the Common Stock underlying this Warrant upon each national securities exchange or automated quotation system upon which shares of Common Stock are then listed or quoted (subject to official notice of issuance) and shall maintain such listing of shares of Common Stock. The Company shall at all times comply in all material respects with the Company's reporting, filing and other obligations under the by-laws or rules of The NASDAQ Stock Market (or such other national securities exchange or market on which the Common Stock may then be listed, as applicable).

8 . 6 Expenses. The Company shall pay all Registration Expenses relating to the registration and listing obligations set forth in this Section 8. For purposes of this Warrant, the term "**Registration Expenses**" means: (a) all registration, filing and FINRA fees, (b) all reasonable fees and expenses of complying with securities or blue sky laws, (c) all word processing, duplicating and printing expenses, (d) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (e) premiums and other costs of policies of insurance (if any) against liabilities arising out of the public offering of the Registrable Securities being registered if the Company desires such insurance, if any, and (f) fees and disbursements of one counsel for the selling holders of Registrable Securities; provided however, that, in any case where Registration Expenses are not to be borne by the Company, such expenses shall not include (and such expenses shall be borne by the Company): (i) salaries of Company personnel or general overhead expenses of the Company, (ii) auditing fees, (iii) premiums or other expenses relating to liability insurance required by underwriters of the Company, or (iv) other expenses for the preparation of financial statements or other data, to the extent that any of the foregoing either is normally prepared by the Company in the ordinary course of its business or would have been incurred by the Company had no public offering taken place. Registration Expenses shall not include any underwriting discounts and commissions which may be incurred in the sale of any Registrable Securities and transfer taxes of the selling holders of Registrable Securities.

8 . 7 Information Provided by Holders. Any holder of Registrable Securities included in any registration shall furnish to the Company such information as the Company may reasonably request in writing, including, but not limited to, a completed and executed questionnaire requesting information customarily sought of selling security holders, to enable the Company to comply with the provisions hereof in connection with any registration referred to in this Warrant.

8.8 FINRA Public Offering System Filings. In the event that a registration statement covering the Registrable Securities is filed, within one (1) Business Day of the filing of such registration statement, the Company will prepare and file the selling stockholder resale offering described in such registration statement for review by FINRA via the FINRA's Public Offering System filing system (" **Public Offering System Filing**") for the purpose of having the prospectus contained within such registration statement treated as a "base prospectus" in connection with such resale offering. The Company will use its Reasonable Commercial Efforts to have the Public Offering System Filing approved by FINRA within thirty (30) days of such filing date. The Company shall bear all expenses of the Public Offering System Filing, including fees and expenses of one counsel or other advisor to the Holder. In all circumstances, the Company shall pay for all FINRA filing fees associated with the Public Offering System Filing.

8 . 9 Effectiveness Period. The Company shall use its Reasonable Commercial Efforts to keep each registration statement contemplated hereunder continuously effective under the Securities Act until the date which is the earlier date of when (i) all Registrable Securities covered by such Registration Statement have been sold or (ii) all Registrable Securities covered by such Registration Statement may be sold immediately without registration under the Securities Act and without volume restrictions pursuant to Rule 144 under the Securities Act, as determined by the counsel to the Company pursuant to a written opinion letter to such effect, addressed and reasonably acceptable to the Company's transfer agent and the affected holders of Registrable Securities.

8.10 Net Cash Settlement. Notwithstanding anything herein to the contrary, in no event will the Holder hereof be entitled to receive a net-cash settlement as liquidated damages in lieu of physical settlement in shares of Common Stock, regardless of whether the Common Stock underlying this Warrant is registered pursuant to an effective registration statement; provided, however, that the foregoing will not preclude the Holder from seeking other remedies at law or equity for breaches by the Company of its registration obligations hereunder.

9. Restrictions on Transfer.

9.1 Restrictive Legends. This Warrant and each Warrant issued upon transfer or in substitution for this Warrant pursuant to Section 10 hereof, each certificate for Common Stock issued upon the exercise of the Warrant and each certificate issued upon the transfer of any such Common Stock shall be transferable only upon satisfaction of the conditions specified in this Section 9. Each of the foregoing securities shall be stamped or otherwise imprinted with a legend reflecting the restrictions on transfer set forth herein and any restrictions required under the Securities Act or other applicable securities laws.

9.2 Notice of Proposed Transfer. Prior to any transfer of any securities which are not registered under an effective registration statement under the Securities Act **("Restricted Securities"),** which transfer may only occur if there is an exemption from the registration provisions of the Securities Act and all other applicable securities laws, the Holder will give written notice to the Company of the Holder's intention to effect a transfer (and shall describe the manner and circumstances of the proposed transfer). The following provisions shall apply to any proposed transfer of Restricted Securities:

(i) If in the opinion of counsel for the Holder reasonably satisfactory to the Company the proposed transfer may be effected without registration of the Restricted Securities under the Securities Act (which opinion shall state in detail the basis of the legal conclusions reached therein), the Holder shall thereupon be entitled to transfer the Restricted Securities in accordance with the terms of the notice delivered by the Holder to the Company. Each certificate representing the Restricted Securities issued upon or in connection with any transfer shall bear the restrictive legends required by Section 9.1 hereof.

(ii) If the opinion called for in (i) above is not delivered, the Holder shall not be entitled to transfer the Restricted Securities until either: (x) receipt by the Company of a further notice from such Holder pursuant to the foregoing provisions of this Section 9.2 and fulfillment of the provisions of clause (i) above, or (y) such Restricted Securities have been effectively registered under the Securities Act.

9.3 Certain Other Transfer Restrictions. Notwithstanding any other provision of this Warrant: (i) prior to the Exercise Date, this Warrant or the Restricted Securities thereunder may only be transferred or assigned to the persons permitted under FINRA Rule 5110(g), and (ii) subject at all times to FINRA Rule 5110(g), no opinion of counsel shall be necessary for a transfer of Restricted Securities by the holder thereof to any Person employed by or owning equity in the Holder, if the transferee agrees in writing to be subject to the terms hereof to the same extent as if the transferee were the original purchaser hereof and such transfer is permitted under applicable securities laws.

9.4 Termination of Restrictions. Except as set forth in Section 9.3 hereof and subject at all times to FINRA Rule 5110(g), the restrictions imposed by this Section 9 upon the transferability of Restricted Securities shall cease and terminate as to any particular Restricted Securities: (a) which shall have been effectively registered under the Securities Act, or (b) when, in the opinion of counsel for the Company, such restrictions are no longer required in order to insure compliance with the Securities Act or Section 10 hereof. Whenever such restrictions shall cease and terminate as to any Restricted Securities, the Holder thereof shall be entitled to receive from the Company, without expense (other than applicable transfer taxes, if any), new securities of like tenor not bearing the applicable legends required by Section 9.1 hereof.

10. Ownership, Transfer, Sale and Substitution of Warrant.

10.1 Ownership of Warrant. The Company may treat any Person in whose name this Warrant is registered in the Warrant Register maintained pursuant to Section 10.2(b) hereof as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, except that, if and when any Warrant is properly assigned in blank, the Company may (but shall not be obligated to) treat the bearer thereof as the owner of such Warrant for all purposes, notwithstanding any notice to the contrary. Subject to Sections 9 and 10 hereof, this Warrant, if properly assigned, may be exercised by a new holder without a new Warrant first having been issued.

10.2 Office; Exchange of Warrant.

(a) The Company will maintain its principal office at the location identified in the prospectus relating to the Offering or at such other offices as set forth in the Company's most current filing (as of the date notice is to be given) under the Securities Exchange Act of 1934, as amended, or as the Company otherwise notifies the Holder.

(b) The Company shall cause to be kept at its office maintained pursuant to Section 10.2(a) hereof a Warrant Register for the registration and transfer of the Warrant. The name and address of the holder of the Warrant, the transfers thereof and the name and address of the transferee of the Warrant shall be registered in such Warrant Register. The Person in whose name the Warrant shall be so registered shall be deemed and treated as the owner and holder thereof for all purposes of this Warrant, and the Company shall not be affected by any notice or knowledge to the contrary.

(c) Upon the surrender of this Warrant, properly endorsed, for registration of transfer or for exchange at the office of the Company maintained pursuant to Section 10.2(a) hereof, the Company at its expense will (subject to compliance with Section 9 hereof, if applicable) execute and deliver to or upon the order of the Holder thereof a new Warrant of like tenor, in the name of such holder or as such holder (upon payment by such holder of any applicable transfer taxes) may direct, calling in the aggregate on the face thereof for the number of shares of Common Stock called for on the face of the Warrant so surrendered (after giving effect to any previous adjustment(s) to the number of Warrant Shares).

10.3 Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, upon delivery of indemnity reasonably satisfactory to the Company in form and amount or, in the case of any mutilation, upon surrender of this Warrant for cancellation at the office of the Company maintained pursuant to Section 10.2(a) hereof, the Company will execute and deliver, in lieu thereof, a new Warrant of like tenor and dated the date hereof.

10.4 Opinions. In connection with the sale of the Warrant Shares by Holder, the Company agrees to cooperate with the Holder, and at the Company's expense, to have its counsel provide any legal opinions required to remove the restrictive legends from the Warrant Shares in connection with a sale, transfer or legend removal request of Holder.

11. No Rights or Liabilities as Stockholder. No Holder shall be entitled to vote or be deemed the holder of any equity securities which may at any time be issuable on the exercise hereof, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings until the Warrant shall have been exercised and the shares of Common Stock purchasable upon the exercise hereof shall have become deliverable, as provided herein.

12. Notices. Any notice or other communication in connection with this Warrant shall be given in writing and directed to the parties hereto as follows: (a) if to the Holder, at the address of the holder in the warrant register maintained pursuant to Section 10 hereof, or (b) if to the Company, to the attention of its Chief Executive Officer at its office maintained pursuant to Section 10.2(a) hereof; *provided,* that the exercise of the Warrant shall also be effected in the manner provided in Section 3 hereof. Notices shall be deemed properly delivered and received when delivered to the notice party (i) if personally delivered, upon receipt or refusal to accept delivery, (ii) if sent via facsimile, upon mechanical confirmation of successful transmission thereof generated by the sending telecopy machine, (iii) if sent by a commercial overnight courier for delivery on the next Business Day, on the first Business Day after deposit with such courier service, or (iv) if sent by registered or certified mail, five (5) Business Days after deposit thereof in the U.S. mail.

13. Payment of Taxes. The Company will pay all documentary stamp taxes attributable to the issuance of shares of Common Stock underlying this Warrant upon exercise of this Warrant; *provided, however,* that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the transfer or registration of this Warrant or any certificate for shares of Common Stock underlying this Warrant in a name other that of the Holder. The Holder is responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving shares of Common Stock underlying this Warrant upon exercise hereof.

14. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of the State of California. Each of the parties consents to the exclusive jurisdiction of the Federal or state courts whose districts encompass any part of the County of Los Angeles located in the City of Los Angeles, California in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens,* to the bringing of any such proceeding in such jurisdictions. Each party to this Agreement irrevocably consents to the service of process in any such proceeding by any manner permitted by law. The section headings in this Warrant are for purposes of convenience only and shall not constitute a part hereof. When used herein, the term "**Reasonable Commercial Efforts"** means, with respect to the applicable obligation of the Company, reasonable commercial efforts for similarly situated, publicly-traded companies.

(Signature on Following Page)

IN WITNESS WHEREOF, the Company has caused this Underwriter Warrant to be duly executed as of the date first above written.

SECOND SIGHT MEDICAL PRODUCTS, INC.

By: _____
Name:
Title:

EXHIBIT A
FORM OF EXERCISE NOTICE
[To be executed only upon exercise of Warrant]

To SECOND SIGHT MEDICAL PRODUCTS, INC.:

The undersigned registered holder of the within Warrant hereby irrevocably exercises the Warrant pursuant to Section 3.1 of the Warrant with respect to [_____] Warrant Shares, at an exercise price of $[____] per share, and requests that the certificates for such Warrant Shares be issued, subject to Sections 9 and 10, in the name of and delivered to:

_____
_____
_____
_____

The undersigned is hereby making payment for the Warrant Shares in the following manner:
[check one]

☐ by cash in accordance with Section 3.1(b) of the Warrant

☐ via cashless exercise in accordance with Section 3.1(c) of the Warrant in the following manner:

_____
_____
_____
_____

The undersigned hereby represents and warrants that it is, and has been since its acquisition of the Warrant, the record and beneficial owner of the Warrant.

Dated: _____

_____
Print or Type Name

_____
(Signature must conform in all respects to name of holder as specified on the face of Warrant)

_____
(Street Address)

_____
(City) (State) (Zip Code)

EXHIBIT B
FORM OF ASSIGNMENT
[To be executed only upon transfer of Warrant]

For value received, the undersigned registered holder of the within Warrant hereby sells, assigns and transfers unto_____[include name and addresses] the rights represented by the Warrant to purchase_____ shares of Common Stock of SECOND SIGHT MEDICAL PRODUCTS, INC. to which the Warrant relates, and appoints Attorney to make such transfer on the books of SECOND SIGHT MEDICAL PRODUCTS, INC. maintained for the purpose, with full power of substitution in the premises.

Dated:

_____
(Signature must conform in all respects to name of holder as specified on the face of Warrant)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signed in the presence of:

_____
(Signature of Transferee)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signed in the presence of: _____

RESTATED

SECOND SIGHT MEDICAL PRODUCTS, INC.

2003 EQUITY INCENTIVE PLAN

1. PURPOSE. In 2003, the Board of Directors established and approved the Second Sight Medical Products, Inc., a California corporation (the "Company") 2003 Equity Incentive Plan (the "Plan"). The purposes of the Plan are to encourage the officers and employees of the Company to have a proprietary and vested interest in the growth and performance of the Company, and to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its equity owners.

The Plan is hereby restated in its entirety to read as follows

2. DEFINITIONS. As used in this Plan, the following terms shall have the meanings set forth below:

a. "Change in Control" shall mean the occurrence of any of the following:

i. The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company, provided, however, that a Change in Control shall not result upon such acquisition of beneficial ownership if such acquisition occurs as a result of a public offering of the Company's securities or any financing transaction or series of financing transactions;

ii. The consummation of a merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;

iii. A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger; or

iv. The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s).

b. "Committee" shall mean the Directors.

c. "Company" shall mean Second Sight Medical Products, Inc, a California corporation.

d. “Directors” shall mean the board of directors of the Company as the same may be constituted from time to time.

e. "Eligible Person" shall mean any employee of the Company, any Employee of any other entity that is a controlled subsidiary of the Company, and any manager or officer thereof. An entity shall be considered a controlled subsidiary of the Company if the Company owns more than fifty percent (50%) of its outstanding equity securities and has more than a fifty percent (50%) voting interest.

f. "Executive Employees" shall mean the President, each head of a functional portion of the Company, including each Vice President of the Company.

g. "Fair Market Value" shall mean the amount determined under Section 5.j., hereof.

h. "Option" shall mean any right granted to a Participant hereunder to acquire Shares of the Company.

i. "Option Agreement" shall mean a written agreement evidencing any Option granted by the Company hereunder and signed by both the Company and the Participant.

j. "Participant" shall mean an Eligible Person who is selected by the Committee to receive an Option under the Plan.

k. "Share" shall mean a share of the common stock of the Company.

3. ADMINISTRATION.

The Plan shall be administered by the Committee. The Committee shall have full power and authority to do all things necessary or desirable in connection with the administration of this Plan, including, without limitation, the following:

a. select those Eligible Persons to whom Options may from time to time be granted hereunder;

b. determine the option exercise price of each Option to be granted to a Participant hereunder;

c. determine the number of Shares of the Company to be covered by each Option granted hereunder;

d. determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Option granted hereunder;

e. interpret and administer the Plan and any instrument or agreement entered into under the Plan;

f. establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

g. make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

All decisions and determinations of the Committee shall be by majority vote of its members and shall be set forth in writing. Each such writing shall hereinafter be referred to as a "Committee Action". All such Committee Actions shall promptly be submitted to the Secretary of the Corporation who, upon receipt, shall place a copy of same in a record book maintained by the Secretary for that purpose and which shall be available for examination by the Directors at any time and from time to time. All Committee Actions that are within the scope of the Committee's authority hereunder shall be deemed final, conclusive and binding upon all persons including the Company, any Participant, and any Eligible Person of the Company or of any Affiliate. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings.

4. LIABILITY. No members of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on such member's part, including but not limited to the exercise of any power or discretion given to such member under the Plan, except those resulting from such member's willful misconduct.

5. DURATION OF, AND SHARES SUBJECT TO, PLAN.

a. TERM. No Options shall be granted under this Plan after May 31, 2011, provided, however, that Options may be exercised in accordance with their terms after May 31, 2011 with respect to Options granted prior to such date.

b. SHARES SUBJECT TO THE PLAN. Subject to paragraph a., above, the maximum number of Shares with respect to which Options may be granted under the Plan, subject to adjustment as provided in Section 5 (c) of this Plan, is 3,500,000 Shares.

c. SECTION 162(m) LIMITATION. Subject to paragraph a., above, no Employee of the Company or an affiliate of the Company shall be eligible to be granted Options covering more than 1,000,000 Shares of Common Stock during any calendar year.

d. ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, Share split, reverse Share split, or similar transaction or other change in legal structure affecting the Shares, such adjustments and other substitutions shall be made to the Plan and to Options as the Committee in its sole discretion deems equitable or appropriate, including without limitation such adjustments in (i) the aggregate number, class, and kind of shares which may be delivered under the Plan, in the aggregate or to any one Participant, and (ii) the number, class, kind, and option or exercise price of Shares subject to outstanding Options granted under the Plan.

e. ELIGIBILITY. Any Eligible Person shall be eligible to be selected as a Participant, except that no member of the Committee shall participate in his or her own selection as a Participant, or in the grant of any Option to him or her.

f. GRANT OF OPTIONS. Subject to subparagraph a., above, from time to time the Committee may grant Options to Participants based on such criteria as may be established from time to time by the Committee. The Options shall be evidenced by an Option Agreement in such form as the Committee may from time to time approve. Any such Option Agreement shall be subject to all of the terms and conditions set forth herein and to such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall deem desirable and approve from time to time.

g. OPTION PRICE. The purchase price per Share purchasable pursuant to an Option Agreement shall be determined by the Committee in its sole discretion; provided, however, that such purchase price shall not be less than the Fair Market Value of the Shares on the date of the grant of the Option.

h. OPTION PERIOD. The term of each Option shall be fixed by the Committee in its sole discretion but shall in no event exceed ten (10) years.

i. EXERCISABILITY. Options shall be exercisable at such time or times, and based upon such vesting and other conditions, as determined by the Committee from time to time on a case by case basis. The Committee shall have the right at any time, and from time to time, to accelerate the rate of vesting set forth in any issued and outstanding Option or Options.

j. METHOD OF EXERCISE. Subject to the other provisions of this Plan and the applicable Option Agreement, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the Option price in such form or forms, including, without limitation, payment by delivery of cash, a promissory note or other consideration acceptable to the Committee having a Fair Market Value on the exercise date equal to the total Option price, or by any combination of cash and other consideration, as the Committee may specify in the applicable Option Agreement.

k. FAIR MARKET VALUE. For all purposes of the Plan and any Option Agreement, the term "Fair Market Value" shall mean that amount determined by the Committee from time to time. Such determination shall be based upon the most recent trades in any public market or, if there is no public market for the Shares, then as determined by the Committee, based on such criteria as it deems in its sole discretion to reflect the Fair Market Value, including reliance on a formal appraisal prepared by a qualified and experienced independent third party appraiser.

l. AMENDMENTS AND TERMINATION. the Committee may amend, alter or discontinue this Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a Participant under an Option theretofore granted, without the Participant's consent. The Committee may, from time to time amend, modify, or alter the Plan where such amendment, modification or alteration is required to assure that the Plan remains in compliance with the Act and the Code and any other then applicable federal or state securities laws. The Committee may amend the terms of any Option Agreement theretofore executed, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without such Participant's written consent.

m. COMPLIANCE WITH SECURITIES LAWS. It is the intention of the Company that the Options and the Shares thereunder being offered and sold be exempt from registration under the Securities Act of 1933 (the "Act") by satisfying the requirements of Rule 504, 506 and/or Rule 701, as promulgated under such Act, and be exempt from qualification under the California Corporations Code (the "Code") by satisfying the requirements of Section 25102(o) of the Code including all rules and regulations promulgated thereunder. Unless the Company shall register the Shares under the Act, qualify the Shares under the Code, or satisfy the requirements for exemption from qualification and exemption under some other provision of the Code or Act, the aggregate exercise price of all Options granted within any twelve (12) month period shall not exceed the greater of $1,000,000 or, alternatively, the amount of Shares that may be purchased with Options granted within any twelve (12) month period shall not exceed fifteen percent (15%) of the then issued and outstanding Shares of the Company.

6. GENERAL PROVISIONS.

a. Unless the Committee determines otherwise at the time the Option is granted, no Option, and no Shares subject to Options which have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, gifted, pledged, hypothecated, or otherwise encumbered, except by will or by the laws of descent and distribution or to a revocable living trust of which the Option holder is a primary beneficiary; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Option upon the death of the Participant. Each Option shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. Each Option shall provide that to the extent the Option is exercisable upon the date of termination of employment, it shall continue to be exercisable following the employment termination date for a period of at least six (6) months in the case of termination of employment on account of death or disability, and at least thirty (30) days on account of termination of employment for any other reason.

b. The term of each Option shall be for such period of months or years from the date of its grant as may be determined by the Committee, but in no event longer than as provided herein.

c. No Eligible Person shall have any claim to be granted any Option under the Plan and there shall be no requirement for uniformity of treatment of Eligible Persons under the Plan.

d. The prospective recipient of any Option under this Plan shall not, with respect to such Option, be deemed to have become a Participant, or to have any rights with respect to such Option, until and unless such recipient shall have executed an Option Agreement in such form as the Committee has approved and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

e. In the case of any involuntary transfer of an Option including, but not limited to, transfers arising from bankruptcy, other insolvency or creditor proceedings, and dissolution of marriage, all rights in and to the Option or portion of the Option so transferred shall, as determined by the Committee on a case by case basis, immediately terminate, become null and void, and of no further force or effect.

f. Except as otherwise required in any applicable Option Agreement or by the terms of this Plan, recipients of Options under the Plan shall not be required to make any payment or provide consideration for the issuance of the Option other than the rendering of services.

g. The Company shall be authorized to withhold the amount of tax withholding required by law on account of or arising out of any exercise of the Options and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Such withholding may take the form of the Participant tendering to the Company Shares with a value equal to the withholding taxes then due (a "Tender Payment") or, alternatively, giving up Option rights which are then vested and that have a value (based upon the difference between the then Fair Market Value and the Exercise Price of the Shares purchasable under the Option) equal to the withholding taxes then due (an "Option Redemption Payment"). In the case of either a Tender Payment or an Option Redemption Payment, the Company shall be responsible for making payment to the relevant governmental taxing agencies of the cash amount of such withholding.

h. The validity, construction, and effect of this Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of California and applicable Federal law.

i. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction to which it is subject, would disqualify the Plan or any Option under any law deemed applicable by the Committee, or disqualify the Plan from exemption under Rule 701 of the Act or California Corporations Code section 25102(o), such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the sole and absolute determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

j. Options may be granted to Eligible Persons who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Options in order to minimize the Company's obligation with respect to tax equalization for Eligible Persons on assignments outside their home country.

k. Notwithstanding anything in this Plan to the contrary, (a) any adjustments made pursuant to Article 5 to Options that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to Article 5 to Options that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment the Options either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Committee shall not have the authority to make any adjustments pursuant to Article 5 to the extent the existence of such authority would cause an Option that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto.

7. EFFECTIVE DATE OF RESTATED PLAN. The restatement of the Plan shall be effective on June 1, 2011.

8. ISSUANCE OF OPTIONS TO NON-EMPLOYEES. The Plan covers the grant of Options to employees of the Company and other service providers of the Company only. Subject to subparagraph 5a., above, from time to time, the Company may elect to grant Options to non-employees, including, but not limited to, vendors, suppliers, independent contractors, and lenders, but in each such case only to natural persons, where, in the discretion of the Company, it is determined that such grant is in the best interests of the Company. Any such Options that shall be granted to non-employees of the Company shall be on such terms and conditions as mutually agreed upon between the Company and the grantee and shall not be covered by, or subject to, the Plan except to the extent that such Option shall make specific reference to the Plan or any specific provision herein.

9. CHANGE IN CONTROL. In order to preserve a Participant's rights with respect to any outstanding Option in the event of a Change in Control of the Company:

a. Vesting of all outstanding Options shall accelerate automatically effective as of immediately prior to the consummation of the Change in Control whether or not the Options are to be assumed by the acquiring or successor entity (or parent or subsidiary thereof) or new options under a new stock incentive program ("New Incentives") of comparable value are to be issued in exchange therefore, as provided in subsection (b) below.

b. If vesting of outstanding Options will accelerate pursuant to subsection (a) above, the Committee in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each such Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (i) the value of the cash or other property that the Participant would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had such Option been exercised immediately prior to the Change in Control, and (ii) the Exercise Price of the Option.

c. Notwithstanding Section 9 a-b above, the Committee shall have the discretion to provide in each Option Agreement other terms and conditions that relate to (i) vesting of the Option in the event of a Change in Control, and (ii) assumption of such Option or issuance of comparable securities or New Incentives in the event of a Change in Control. The aforementioned terms and conditions may vary in each Option Agreement, and may be different from and have precedence over the provisions set forth in Section 9 a-b above.

d. Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent or subsidiary thereof) pursuant to the terms of the Change in Control transaction.

e. If outstanding Options will not be assumed by the acquiring or successor entity (or parent or subsidiary thereof), the Committee shall cause written notice of a proposed Change in Control transaction to be given to Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

IN WITNESS WHEREOF, the Company has duly executed this Plan on this _____t day of _____, 2011.

SECOND SIGHT MEDICAL PRODUCTS, INC., a California corporation

By: _____
Robert Greenberg, M.D., President

By: _____
Kathy London, Secretary

SECOND SIGHT MEDICAL PRODUCTS, INC

EMPLOYEE OPTION AGREEMENT

SECOND SIGHT MEDICAL PRODUCTS, INC., a California corporation (the "Company"), hereby grants to _____ (the "Optionee") an option (the "Option") to purchase _____ (_____) Shares of the Company at _____($_____) per Unit (the "Exercise Price"), subject to the following terms and conditions:

1. **GRANT OF OPTION.** The Company hereby grants to the Optionee an Option to purchase all or any portion of the number of Shares set forth below (the "Option Shares") at the times and at the Exercise Price per Share indicated below. The Option shall expire at 5:00 p.m., Pacific Time, on the Expiration Date indicated below and shall be subject to all of the terms and conditions of this Employee Option Agreement (the "Option Agreement"). The Option may be exercised as to twenty percent (20%) of the Option Shares on or after the first anniversary of the Option Date and as to an additional twenty percent (20%) of the Option Shares on or after each of the next four anniversaries of the Option Date.

OPTION DATE: _____

TOTAL OPTION SHARES: _____

EXERCISE PRICE PER SHARE: _____/Share

EXPIRATION DATE: _____

2. **RELATIONSHIP TO PLAN.** This Option is granted pursuant to the Second Sight Medical Products, Inc. Equity Incentive Plan (the "Plan"), and is subject to the provisions of the Plan. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan. The Optionee hereby accepts this Option subject to all the terms and provisions of the Plan. The Optionee further agrees that all decisions under and interpretations of the Plan by the Compensation Committee (the "Committee") established under the Plan shall be final, binding and conclusive upon the Optionee and his/her successors in interest.

3. **TERMINATION OF OPTION.**

a. Termination of Employment.

i. Retirement. If Optionee shall cease to be an employee of Company by reason of Optionee's retirement in accordance with the Company's then current retirement policy or the written consent of the Manager of the Company ("Retirement") and the Expiration Date has not yet occurred, then:

(1) the Option shall terminate on the date of such Retirement as to the number of Shares as to which, as of the date of such retirement, it has not become exercisable; and

(2) the Option shall terminate as to the number of Shares as to which, as of the date of such retirement, it has then become exercisable upon the earlier of the Expiration Date or thirty (30) days after the date of such Retirement. The date of Optionee's Retirement shall be the date Optionee ceases to provide services to the Company regardless of whether Optionee continues on the Company's payroll for some time thereafter; provided, however, that the Committee may extend said thirty (30) day period for a period not to exceed one (1) year but not in any event beyond the Expiration Date.

ii. Death or Permanent Disability. If Optionee's employment is terminated by reason of the death or Permanent Disability (as hereinafter defined) of Optionee and the Expiration Date has not yet occurred, then:

(1) the Option shall terminate on the date of such employment termination as to the number of Shares for which, as of the date of such employment termination, it has not then become exercisable; and

(2) the Option shall terminate as to the number of Shares for which, as of the date of such employment termination, it has then become exercisable upon the earlier of the Expiration Date or the first anniversary of the date of such termination of employment. "Permanent Disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Optionee shall not be deemed to have a Permanent Disability until proof of the existence thereof shall have been furnished to the Committee in such form and manner, and at such times, as the Committee may require. Any determination by the Committee that Optionee does or does not have a Permanent Disability shall be final and binding upon the Company and Optionee.

iii. Other Termination. If Optionee's employment is terminated for any reason other than Retirement, death or Permanent Disability and the Expiration Date has not yet occurred, then:

(1) the Option shall terminate on the date of such employment termination as to the number of Shares for which, as of such date of employment termination, it has not become exercisable; and

(2) the Option shall terminate as to the number of Shares for which, as of such date of employment termination, it has become exercisable upon the earlier of the Expiration Date or thirty (30) days after the date of such termination of employment.

iv. Death Following Termination of Employment. Notwithstanding anything to the contrary in this Option Agreement, if Optionee shall die at any time after the termination of his employment and prior to the earlier of the Expiration Date or the date the Option would terminate as to Shares for which it is then exercisable pursuant to clauses (a)(i) or (iii) above, then, notwithstanding clauses (a)(i) or (iii) above, to the extent that the Option was exercisable on the date of such death, the Option shall terminate on the earlier of the Expiration Date or the first anniversary of the date of such death.

v. Other Events Causing Termination of Option. Notwithstanding anything to the contrary in this Option Agreement, the Option shall terminate upon the dissolution or liquidation of the Company.

4. **NONTRANSFERABILITY OF OPTION.** This Option shall not be transferable by the Optionee otherwise than by will or the laws of descent or distribution; provided, however, that upon written approval of the Committee, the Optionee may transfer the Option to a tax exempt charitable organization or living trust of which the Optionee is a trustee and which is for the benefit of the Optionee and his/her immediate family, provided that such transferee executes and delivers to the Committee such documents providing that such transferee is bound by the provisions and restrictions hereof as shall be satisfactory to the Committee.

5. **ADJUSTMENTS.**

a. In the event that the Shares then subject to the Option Agreement are increased, decreased or exchanged for or converted into a different number or kind of Shares or securities of the Company as a result of a recapitalization, reclassification, Share dividend, Share split, reverse Share split or the like, then, the Committee shall make appropriate and proportionate adjustments in the number and type of Shares or other securities of the Company that may thereafter be acquired upon the exercise of the Option; provided, however, that any such adjustments in the Option shall be made without changing the aggregate Exercise Price of the then unexercised portion of the Option.

b. In case of any capital reorganization of the capital stock of the Company (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the assets of the Company, then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, provision shall be made so that the Optionee thereafter shall be entitled to receive upon exercise of the Option during the period specified herein and upon payment of the Exercise Price, the number of shares of stock or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the Shares deliverable upon exercise of this Option would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Option had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 5. The foregoing provisions of this Section 5 shall similarly apply to successive reorganizations, consolidations, mergers, sale and transfers and to the stock or securities of any other corporation that are at the time receivable upon the exercise of this Option. If the per-share consideration payable to Holder for shares in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Option with respect to the rights and interests of Optionee after the transaction, to the end that the provisions of this Option shall be applicable after that event, as near as reasonably may be, in relation to shares or other property (if any) deliverable after that event upon exercise of this Option.

c. In the event that (a) in a single transaction or in multiple transactions occurring over less than a twelve month period, more than fifty percent (50%) of the then outstanding shares of stock of the Company shall be transferred or issued to a single buyer or group of buyers having no prior ownership affiliation with the Company, or (b) the Company shall offer its shares for sale through an underwriting conducted as a public offering, then notwithstanding the number of Option Shares that may then be purchased by Optionee under paragraph 1, hereof, the Optionee shall thereafter be entitled to exercise his or her Option with respect to One Hundred Percent (100%) of his or her Option Shares.

6. **EXERCISE.** The Option shall be exercisable during Optionee's lifetime only by Optionee, his guardian or legal representative or a transferee described in paragraph 4, above, and after Optionee's death, only by the person or entity entitled to do so under Optionee's last will and testament, testamentary trust, applicable intestate law, or a transferee described in paragraph 4, above. The Option shall be exercised by (a) satisfying the requirements of paragraph 17 hereof, (b) delivering to the Company a written notice (the "Exercise Notice") of such exercise, which Exercise Notice shall be in a form reasonably satisfactory to the Company and shall specify the number of Shares to be purchased (the "Purchased Shares") and the aggregate purchase price as determined in accordance with the terms of this Option Agreement (the "Aggregate Price"), and (c) within five (5) days following the delivery of the Exercise Notice (the "Payment Date") making payment in full of the Aggregate Price and withholding required under Paragraph 7, hereof. Payment of the Aggregate Price shall be in cash or by wire transfer or check payable to the Company; provided, however, that payment of the Aggregate Price may instead be made, in whole or in part, by the delivery to the Company on or before the Payment Date of a certificate or certificates representing Shares with a Fair Market Value equal to that portion of the Aggregate Price being paid for with such Shares (or if Shares of the Company are not then evidenced by certificates, other documents reasonably satisfactory to the Company) accompanied by duly executed powers of attorney to transfer the Shares, which delivery effectively transfers to the Company good and valid title to such Shares, free and clear of any pledge, commitment, lien, claim or other encumbrance, provided that:

a. the Company is not then prohibited from purchasing or acquiring such Shares of the Company by law or any judgment, decree, order or agreement to which it is subject or by which it is bound; and

b. if such Shares were issued upon exercise of an option, they have been held by Optionee for at least six (6) months from the date of issuance or such shorter period as the Company shall permit.

Subject to paragraph 14 hereof, promptly as practicable following the timely receipt of the Aggregate Price and the withholding payment required under paragraph 7, the Company shall record in its books and records the issuance of the Shares to the Optionee and, if Shares of the Company are then evidenced by certificates, the Company shall issue a certificate in the name of the Optionee representing the number of Shares issued to the Optionee upon exercise of the Option.

7. **PAYMENT OF WITHHOLDING TAXES.** If the Company becomes obligated to withhold an amount on account of any tax imposed as a result of the exercise of the Option, including, without limitation, any federal, state, local or other income tax, or any F.I.C.A., state disability insurance tax or other employment tax, then, as a condition to the exercise of the Option, Optionee shall in the Exercise Notice elect one of the following methods of withholding:

a. Concurrently with the payment of the Aggregate Price, pay to the Company in cash or by wire transfer such amount as the Company shall determine is required to be withheld;

b. Concurrently with the payment of the Aggregate Price, tender to the Company Shares theretofore acquired (in the manner described for transferring Shares under the provisions of paragraph 6, hereof), or surrender Shares then being acquired, with an aggregate Fair Market Value equal to the amount of the withholding tax then due as determined by the Company; or

c. Concurrently with the payment of the Aggregate Price, tender to the Company that portion of the Option rights then vested in, and unexercised by, Optionee which has an Equity Value equal to the amount of withholding tax then due as determined by the Company. The term "Equity Value" shall mean the difference between the then Fair Market Value of Shares subject to the Option rights being tendered less the product of the number of such Shares multiplied by the Exercise Price.

The provisions of subparagraphs (b) and (c) may be illustrated by the following example: Assume the Optionee has, under the Option Agreement, been granted an Option to purchase 1,000 Shares for $2.50 per Share and at the relevant point in time, the Option is 50% vested, the Optionee has not theretofore exercised the Option, and the current Fair Market Value of a Share is $5.00. Accordingly, the Optionee may then purchase up to 500 Shares. The Optionee elects to purchase 400 Shares for a total of $1,000 and is advised by the Company that the withholding tax due is $500. Under subparagraph (b), the Optionee could choose to surrender to the Company 100 of the 400 Shares then being acquired (with a fair market value of $500) in full satisfaction of the withholding obligation. Under subparagraph (c), the Optionee could tender back to the Company the value of the remaining unexercised vested portion of the Option, to wit, the right to acquire 100 Shares. The Equity Value of the right to acquire 100 Shares is $250 ($500 Fair Market Value, less $250 Exercise price). By tendering to the Company, and forever relinquishing the right to acquire, those 100 Shares, the Optionee would receive a credit of $250 against the withholding tax then due of $500 and would remain responsible for the remaining $250 (plus the additional withholding taxes arising from the gain realized upon tendering the Option rights). Such remaining taxes due could be paid, at the Optionee's election, in accordance with subparagraphs(a) or (b), above, or a combination thereof.

Optionee acknowledges that Optionee has been advised that the Option is not designed to qualify as an incentive stock option as that term is defined under Section 422 of the Internal Revenue Code and therefore, upon the exercise of the Option by Optionee, the Optionee will, for federal and state income tax purposes, realize ordinary income in an amount equal to the excess of the then Fair Market Value of the Purchased Shares over the Exercise Price. "Fair Market Value" is defined in the Plan. Optionee understands that the Internal Revenue Service or Franchise Tax Board may not agree with the Committee's determination of Fair Market Value as computed in accordance with the Plan and, in such event, either or both of such agencies could assess against Optionee additional taxes, interest, and penalties arising from the exercise of the Option, the payment of which shall be the sole responsibility of Optionee and not the Company. Optionee shall consult with his or her own independent tax advisors with respect to the tax consequences to Optionee of exercising this Option.

8. **GOVERNING LAW AND INTERPRETATION.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9. **BINDING EFFECT.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

10. **NOTICES.** All notices and other communications required or permitted to be given pursuant to this Option Agreement shall be in writing and shall be deemed given if delivered personally or five (5) days after mailing by certified or registered mail, postage prepaid, return receipt requested, in the case of notice to the Company, to the Company at 12744 San Fernando Road, Bldg. 3, Sylmar, California 91342, Attn: President, or, in the case of notice to the Optionee, to the Optionee at his residence address set forth in the records of the Company, or at such other addresses as the Company or the Optionee may designate by written notice in the manner aforesaid.

11. **EMPLOYMENT RIGHTS.** No provision of this Option Agreement or of the Option granted hereunder shall:

a. confer upon Optionee any right to continue in the employ of, or in his or her current arrangement with, the Company or any of its subsidiaries;

b. affect the right of the Company or any of its subsidiaries and affiliates to terminate the employment of Optionee, or such arrangement, with or without cause; or

c. confer upon Optionee any right to participate in any employee welfare or benefit plan or other program of the Company or any of its subsidiaries or affiliates other than the Plan. Optionee hereby acknowledges and agrees that the Company or any of its subsidiaries and affiliates may terminate the employment of Optionee at any time and for any reason, or for no reason, unless Optionee and the Company or such subsidiary or affiliates are parties to a written employment agreement that expressly provides otherwise.

12. **INTERPRETATION.** At any place in this Option Agreement where the masculine, feminine or neuter gender is used, it may be construed to be either masculine or feminine or neuter, and where the singular or plural is used, it may be construed to be either singular or plural, as appropriate.

13. **RESTRICTION ON TRANSFER OF SHARES.** The Optionee covenants and agrees that the Shares issued to Optionee upon exercise of the Option will be acquired as an investment and not with a view to the distribution thereof, and that such Shares may not be transferred, sold, assigned, hypothecated, or otherwise disposed of, in whole or in part, except pursuant to a registration statement filed under the Securities Act of 1933 or pursuant to an exemption therefrom. In that connection, the Optionee acknowledges and understands that, as of the date of this Option Agreement, the Company has not sought registration of any Shares and it is uncertain, and the Company makes no representations as to, whether it will ever register any Shares or list same for quotation on any exchange or other public listing service. Unless the Shares are registered, Optionee understands that he or she may not be able to sell or dispose of the Shares as there will be no public market for them and therefore it may not be possible for the Optionee to liquidate his or her investment in the Shares in the event of need or emergency.

14. **PARTY TO SHAREHOLDERS AGREEMENT.** As a condition to being issued Shares upon the exercise of the Option, the Optionee shall, upon request of the Committee, sign, by counterpart, and become a party to, any shareholders agreement then in effect among the shareholders of the Company or such other agreement which contains similar terms and provisions with respect to restrictions on the sale or other disposition of the Shares.

15. **NO REPRESENTATIONS OF VALUE.** Optionee recognizes that the Company is relatively newly organized, has little history of operations, has yet to realize, and may never realize, any earnings, is a speculative venture, and that investment in Shares involves significant risks. Optionee warrants, represents, and acknowledges that the Company has made no representations of any nature or kind to Optionee as to the current or future value, if any, of the Option granted hereunder or of the Shares and that any determination by the Committee or Company of Fair Market Value may not necessarily reflect the price, if any, that the Optionee could, at any particular time, obtain for the Shares if he/she sought to sell all or any portion of the Optionee's Shares. Optionee further acknowledges that the value of this Option, if any, is dependent, among other things, upon the future growth, development, and profitability of the Company, none of which can be predicted at this time. Optionee understands that this Option has not been reviewed or passed upon by any federal or state agency.

16. **DISCLOSURE STATEMENT.** The Company is not required to issue, and does not currently plan on issuing, to the Optionee a disclosure statement concerning the Company, its operations, and the benefits and risks of making an investment in Shares. Nevertheless, if the Company should at any time publicly issue such disclosure statement, Company shall provide a copy of the same to Optionee.

17. **ADDITIONAL EXERCISE REQUIREMENTS.** Optionee understands that as a condition to Optionee purchasing Shares hereunder, California law may require that the Committee first satisfy itself that the Optionee has certain financial resources or business/personal relationships with the Company, or that Optionee has sufficient business and financial experience to adequately evaluate the propriety of making an investment in Shares and protecting the Optionee's financial interests. If Optionee is unable to satisfy those requirements, Optionee shall be required to engage a qualified financial advisor of Optionee's choosing to evaluate the propriety of Optionee exercising the Option. To satisfy the foregoing requirements, it will be necessary for the Committee to solicit certain personal and financial information from the Optionee. Accordingly, prior to delivering to the Company an Exercise Notice, Optionee shall request in writing from the Company a Subscription Booklet and the Company shall promptly deliver same to Optionee and include a Purchaser Questionnaire, Statement of Investor Suitability, and Purchaser Representative Questionnaire. At least ten (10) calendar days preceding the date the Optionee delivers an Exercise Notice to the Company, the Optionee shall deliver to Company a fully completed, and duly executed, Subscription Booklet. The right of Optionee to exercise Optionee's Option shall be expressly conditioned upon the satisfaction of the foregoing requirements. Any Exercise Notice given by Optionee without Optionee having complied with the requirements of this Paragraph 17 shall be null and void and of no effect.

18. **ENTIRE AGREEMENT.** This Option Agreement contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof and supersedes all prior and collateral agreements, understandings, statements, promises, or agreements, oral or written, with reference to the subject matter hereof. No warranties or representations have been made by either party other than as expressly set forth herein.

IN WITNESS WHEREOF, the Company and the Optionee have caused this agreement to be executed on this _____ day of _____ 200_.

SECOND SIGHT MEDICAL PRODUCTS, INC.

By: _____

Title _____

"Company"

_____

By: _____

Title _____

"Optionee"

SECOND SIGHT MEDICAL PRODUCTS, INC.

2011 EQUITY INCENTIVE PLAN

1. PURPOSE. The Board of Directors has established and approved the Second Sight Medical Products, Inc., a California corporation (the "Company") 2011 Equity Incentive Plan (the "Plan"). The purposes of the Plan are to encourage the officers and employees of the Company to have a proprietary and vested interest in the growth and performance of the Company, and to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its equity owners.

2. DEFINITIONS. As used in this Plan, the following terms shall have the meanings set forth below:

a. "Change in Control" shall mean the occurrence of any of the following:

i. The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company, provided, however, that a Change in Control shall not result upon such acquisition of beneficial ownership if such acquisition occurs as a result of a public offering of the Company's securities or any financing transaction or series of financing transactions;

ii. The consummation of a merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;

iii. A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger; or

iv. The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s).

b. "Committee" shall mean the Directors.

c. "Company" shall mean Second Sight Medical Products, Inc, a California corporation.

d. “Directors” shall mean the board of directors of the Company as the same may be constituted from time to time.

e. "Eligible Person" shall mean any employee of the Company, any Employee of any other entity that is a controlled subsidiary of the Company, and any manager or officer thereof. An entity shall be considered a controlled subsidiary of the Company if the Company owns more than fifty percent (50%) of its outstanding equity securities and has more than a fifty percent (50%) voting interest.

f. "Executive Employees" shall mean the President, each head of a functional portion of the Company, including each Vice President of the Company.

g. "Fair Market Value" shall mean the amount determined under Section 5.j., hereof.

h. "Option" shall mean any right granted to a Participant hereunder to acquire Shares of the Company.

i. "Option Agreement" shall mean a written agreement evidencing any Option granted by the Company hereunder and signed by both the Company and the Participant.

j. "Participant" shall mean an Eligible Person who is selected by the Committee to receive an Option under the Plan.

k. "Share" shall mean a share of the common stock of the Company.

3. ADMINISTRATION.

The Plan shall be administered by the Committee. The Committee shall have full power and authority to do all things necessary or desirable in connection with the administration of this Plan, including, without limitation, the following:

a. select those Eligible Persons to whom Options may from time to time be granted hereunder;

b. determine the option exercise price of each Option to be granted to a Participant hereunder;

c. determine the number of Shares of the Company to be covered by each Option granted hereunder;

d. determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Option granted hereunder;

e. interpret and administer the Plan and any instrument or agreement entered into under the Plan;

f. establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

g. make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

All decisions and determinations of the Committee shall be by majority vote of its members and shall be set forth in writing. Each such writing shall hereinafter be referred to as a "Committee Action". All such Committee Actions shall promptly be submitted to the Secretary of the Corporation who, upon receipt, shall place a copy of same in a record book maintained by the Secretary for that purpose and which shall be available for examination by the Directors at any time and from time to time. All Committee Actions that are within the scope of the Committee's authority hereunder shall be deemed final, conclusive and binding upon all persons including the Company, any Participant, and any Eligible Person of the Company or of any Affiliate. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings.

4. LIABILITY. No members of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on such member's part, including but not limited to the exercise of any power or discretion given to such member under the Plan, except those resulting from such member's willful misconduct.

5. DURATION OF, AND SHARES SUBJECT TO, PLAN.

a. TERM. No Options shall be granted under this Plan after May 31, 2021, provided, however, that Options may be exercised in accordance with their terms after May 31, 2021 with respect to Options granted prior to such date.

b. SHARES SUBJECT TO THE PLAN. The maximum number of Shares with respect to which Options may be granted under the Plan, subject to adjustment as provided in Section 5 (c) of this Plan, is 3,500,000 Shares. Said maximum shall be inclusive of, and offset and reduced by, any Options granted under any other employee stock option plan maintained by the Company , provided, however, that to the extent that any options granted under any prior plan are converted into Options granted under this Plan, the options that are so terminated under the prior plan and converted to new Options granted under this Plan shall, in determining the maximum number of options that may be issued under this Plan, be disregarded.

c. SECTION 162(m) LIMITATION. No Employee of the Company or an affiliate of the Company shall be eligible to be granted Options covering more than 1,000,000 Shares of Common Stock during any calendar year.

d. ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, Share split, reverse Share split, or similar transaction or other change in legal structure affecting the Shares, such adjustments and other substitutions shall be made to the Plan and to Options as the Committee in its sole discretion deems equitable or appropriate, including without limitation such adjustments in (i) the aggregate number, class, and kind of shares which may be delivered under the Plan, in the aggregate or to any one Participant, and (ii) the number, class, kind, and option or exercise price of Shares subject to outstanding Options granted under the Plan.

e. ELIGIBILITY. Any Eligible Person shall be eligible to be selected as a Participant, except that no member of the Committee shall participate in his or her own selection as a Participant, or in the grant of any Option to him or her.

f. GRANT OF OPTIONS. From time to time the Committee may grant Options to Participants based on such criteria as may be established from time to time by the Committee. The Options shall be evidenced by an Option Agreement in such form as the Committee may from time to time approve. Any such Option Agreement shall be subject to all of the terms and conditions set forth herein and to such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall deem desirable and approve from time to time.

g. OPTION PRICE. The purchase price per Share purchasable pursuant to an Option Agreement shall be determined by the Committee in its sole discretion; provided, however, that such purchase price shall not be less than the Fair Market Value of the Shares on the date of the grant of the Option.

h. OPTION PERIOD. The term of each Option shall be fixed by the Committee in its sole discretion but shall in no event exceed ten (10) years.

i. EXERCISABILITY. Options shall be exercisable at such time or times, and based upon such vesting and other conditions, as determined by the Committee from time to time on a case by case basis. The Committee shall have the right at any time, and from time to time, to accelerate the rate of vesting set forth in any issued and outstanding Option or Options.

j. METHOD OF EXERCISE. Subject to the other provisions of this Plan and the applicable Option Agreement, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the Option price in such form or forms, including, without limitation, payment by delivery of cash, a promissory note or other consideration acceptable to the Committee having a Fair Market Value on the exercise date equal to the total Option price, or by any combination of cash and other consideration, as the Committee may specify in the applicable Option Agreement.

k. FAIR MARKET VALUE. For all purposes of the Plan and any Option Agreement, the term "Fair Market Value" shall mean that amount determined by the Committee from time to time. Such determination shall be based upon the most recent trades in any public market or, if there is no public market for the Shares, then as determined by the Committee, based on such criteria as it deems in its sole discretion to reflect the Fair Market Value, including reliance on a formal appraisal prepared by a qualified and experienced independent third party appraiser.

l. AMENDMENTS AND TERMINATION. The Committee may amend, alter or discontinue this Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a Participant under an Option theretofore granted, without the Participant's consent. The Committee may, from time to time amend, modify, or alter the Plan where such amendment, modification or alteration is required to assure that the Plan remains in compliance with the Act and the Code and any other then applicable federal or state securities laws. The Committee may amend the terms of any Option Agreement theretofore executed, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without such Participant's written consent.

m. COMPLIANCE WITH SECURITIES LAWS. It is the intention of the Company that the Options and the Shares thereunder being offered and sold be exempt from registration under the Securities Act of 1933 (the "Act") by satisfying the requirements of Rule 504, 506 and/or Rule 701, as promulgated under such Act, and be exempt from qualification under the California Corporations Code (the "Code") by satisfying the requirements of Section 25102(o) of the Code including all rules and regulations promulgated thereunder. Unless the Company shall register the Shares under the Act, qualify the Shares under the Code, or satisfy the requirements for exemption from qualification and exemption under some other provision of the Code or Act, the aggregate exercise price of all Options granted within any twelve (12) month period shall not exceed the greater of $1,000,000 or, alternatively, the amount of Shares that may be purchased with Options granted within any twelve (12) month period shall not exceed fifteen percent (15%) of the then issued and outstanding Shares of the Company.

6. GENERAL PROVISIONS.

a. Unless the Committee determines otherwise at the time the Option is granted, no Option, and no Shares subject to Options which have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, gifted, pledged, hypothecated, or otherwise encumbered, except by will or by the laws of descent and distribution or to a revocable living trust of which the Option holder is a primary beneficiary; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Option upon the death of the Participant. Each Option shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. Each Option shall provide that to the extent the Option is exercisable upon the date of termination of employment, it shall continue to be exercisable following the employment termination date for a period of at least six (6) months in the case of termination of employment on account of death or disability, and at least thirty (30) days on account of termination of employment for any other reason.

b. The term of each Option shall be for such period of months or years from the date of its grant as may be determined by the Committee, but in no event longer than as provided herein.

c. No Eligible Person shall have any claim to be granted any Option under the Plan and there shall be no requirement for uniformity of treatment of Eligible Persons under the Plan.

d. The prospective recipient of any Option under this Plan shall not, with respect to such Option, be deemed to have become a Participant, or to have any rights with respect to such Option, until and unless such recipient shall have executed an Option Agreement in such form as the Committee has approved and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

e. In the case of any involuntary transfer of an Option including, but not limited to, transfers arising from bankruptcy, other insolvency or creditor proceedings, and dissolution of marriage, all rights in and to the Option or portion of the Option so transferred shall, as determined by the Committee on a case by case basis, immediately terminate, become null and void, and of no further force or effect.

f. Except as otherwise required in any applicable Option Agreement or by the terms of this Plan, recipients of Options under the Plan shall not be required to make any payment or provide consideration for the issuance of the Option other than the rendering of services.

g. The Company shall be authorized to withhold the amount of tax withholding required by law on account of or arising out of any exercise of the Options and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Such withholding may take the form of the Participant tendering to the Company Shares with a value equal to the withholding taxes then due (a "Tender Payment") or, alternatively, giving up Option rights which are then vested and that have a value (based upon the difference between the then Fair Market Value and the Exercise Price of the Shares purchasable under the Option) equal to the withholding taxes then due (an "Option Redemption Payment"). In the case of either a Tender Payment or an Option Redemption Payment, the Company shall be responsible for making payment to the relevant governmental taxing agencies of the cash amount of such withholding.

h. The validity, construction, and effect of this Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of California and applicable Federal law.

i. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction to which it is subject, would disqualify the Plan or any Option under any law deemed applicable by the Committee, or disqualify the Plan from exemption under Rule 701 of the Act or California Corporations Code section 25102(o), such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the sole and absolute determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

j. Options may be granted to Eligible Persons who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Options in order to minimize the Company's obligation with respect to tax equalization for Eligible Persons on assignments outside their home country.

k. Notwithstanding anything in this Plan to the contrary, (a) any adjustments made pursuant to Article 5 to Options that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to Article 5 to Options that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment the Options either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Committee shall not have the authority to make any adjustments pursuant to Article 5 to the extent the existence of such authority would cause an Option that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto.

7. EFFECTIVE DATE OF PLAN. The Plan shall be effective retroactive to June 1, 2011.

8. ISSUANCE OF OPTIONS TO NON-EMPLOYEES. The Plan covers the grant of Options to employees of the Company and other service providers of the Company only. From time to time, the Company may elect to grant Options to non-employees, including, but not limited to, vendors, suppliers, independent contractors, and lenders, but in each such case only to natural persons, where, in the discretion of the Company, it is determined that such grant is in the best interests of the Company. Any such Options that shall be granted to non-employees of the Company shall be on such terms and conditions as mutually agreed upon between the Company and the grantee and shall not be covered by, or subject to, the Plan except to the extent that such Option shall make specific reference to the Plan or any specific provision herein.

9. CHANGE IN CONTROL. In order to preserve a Participant's rights with respect to any outstanding Option in the event of a Change in Control of the Company:

a. Vesting of all outstanding Options shall accelerate automatically effective as of immediately prior to the consummation of the Change in Control whether or not the Options are to be assumed by the acquiring or successor entity (or parent or subsidiary thereof) or new options under a new stock incentive program ("New Incentives") of comparable value are to be issued in exchange therefore, as provided in subsection (b) below.

b. If vesting of outstanding Options will accelerate pursuant to subsection (a) above, the Committee in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each such Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (i) the value of the cash or other property that the Participant would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had such Option been exercised immediately prior to the Change in Control, and (ii) the Exercise Price of the Option.

c. Notwithstanding Section 9 a-b above, the Committee shall have the discretion to provide in each Option Agreement other terms and conditions that relate to (i) vesting of the Option in the event of a Change in Control, and (ii) assumption of such Option or issuance of comparable securities or New Incentives in the event of a Change in Control. The aforementioned terms and conditions may vary in each Option Agreement, and may be different from and have precedence over the provisions set forth in Section 9 a-b above.

d. Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent or subsidiary thereof) pursuant to the terms of the Change in Control transaction.

e. If outstanding Options will not be assumed by the acquiring or successor entity (or parent or subsidiary thereof), the Committee shall cause written notice of a proposed Change in Control transaction to be given to Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

IN WITNESS WHEREOF, the Company has duly executed this Plan on this 15th day of July, 2011.

SECOND SIGHT MEDICAL PRODUCTS, INC., a California corporation

By: _____
Robert Greenberg, M.D., President

By: _____
Kathy London, Secretary

SECOND SIGHT MEDICAL PRODUCTS, INC

EMPLOYEE OPTION AGREEMENT

SECOND SIGHT MEDICAL PRODUCTS, INC., a California corporation (the "Company"), hereby grants to _____ (the "Optionee") an option (the "Option") to purchase Shares of the Company subject to the following terms and conditions:

1. **GRANT OF OPTION**. The Company hereby grants to the Optionee an Option to purchase all or any portion of the number of Shares set forth below (the "Option Shares") at the times and at the price (the "Exercise Price") per Share indicated below. The Option shall expire at 5:00 p.m., Pacific Time, on the Expiration Date indicated below and shall be subject to all of the terms and conditions of this Employee Option Agreement (the "Option Agreement"). The Option may be exercised as to twenty percent (20%) of the Option Shares on or after the first anniversary of the Vesting Commencement Date, and as to an additional twenty percent (20%) of the Option Shares on or after each of the next four anniversaries of the Vesting Commencement Date.

OPTION DATE:	_____
TOTAL OPTION SHARES:	_____
EXERCISE PRICE PER SHARE:	$_____/Share
EXPIRATION DATE:	_____
VESTING COMMENCEMENT DATE:	_____

2. **RELATIONSHIP TO PLAN**. This Option is granted pursuant to the Second Sight Medical Products, Inc. 2011 Equity Incentive Plan (the "Plan"), and is subject to the provisions of the Plan. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan. The Optionee hereby accepts this Option subject to all the terms and provisions of the Plan. The Optionee further agrees that all decisions under and interpretations of the Plan by the Compensation Committee (the "Committee") established under the Plan shall be final, binding and conclusive upon the Optionee and his/her successors in interest.

3. **TERMINATION OF OPTION**.

(a) Termination of Employment.

(i) Retirement. If Optionee shall cease to be an employee of Company by reason of Optionee's retirement in accordance with the Company's then current retirement policy or the written consent of the President of the Company ("Retirement") and the Expiration Date has not yet occurred, then:

(A) the Option shall terminate on the date of such Retirement as to the number of Shares as to which, as of the date of such retirement, it has not become exercisable; and

(B) the Option shall terminate as to the number of Shares as to which, as of the date of such retirement, it has then become exercisable upon the earlier of the Expiration Date or thirty (30) days after the date of such Retirement. The date of Optionee's Retirement shall be the date Optionee ceases to provide services to the Company regardless of whether Optionee continues on the Company's payroll for some time thereafter; provided, however, that the Committee may extend said thirty (30)-day period for a period not to exceed one (1) year but not in any event beyond the Expiration Date.

(ii) Death or Permanent Disability. If Optionee's employment is terminated by reason of the death or Permanent Disability (as hereinafter defined) of Optionee and the Expiration Date has not yet occurred, then:

(A) the Option shall terminate on the date of such employment termination as to the number of Shares for which, as of the date of such employment termination, it has not then become exercisable; and

(B) the Option shall terminate as to the number of Shares for which, as of the date of such employment termination, it has then become exercisable upon the earlier of the Expiration Date or the first anniversary of the date of such termination of employment. "Permanent Disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Optionee shall not be deemed to have a Permanent Disability until proof of the existence thereof shall have been furnished to the Committee in such form and manner, and at such times, as the Committee may require. Any determination by the Committee that Optionee does or does not have a Permanent Disability shall be final and binding upon the Company and Optionee.

(iii) Other Termination. If Optionee's employment is terminated for any reason other than Retirement, death or Permanent Disability and the Expiration Date has not yet occurred, then:

(A) the Option shall terminate on the date of such employment termination as to the number of Shares for which, as of such date of employment termination, it has not become exercisable; and

(B) the Option shall terminate as to the number of Shares for which, as of such date of employment termination, it has become exercisable upon the earlier of the Expiration Date or thirty (30) days after the date of such termination of employment. provided, however, that the Committee may extend said thirty (30)-day period for a period not to exceed one (1) year but not in any event beyond the Expiration Date.

(b) Death Following Termination of Employment. Notwithstanding anything to the contrary in this Option Agreement, if Optionee shall die at any time after the termination of his employment and prior to the earlier of the Expiration Date or the date the Option would terminate as to Shares for which it is then exercisable pursuant to clauses (a)(i) or (iii) above, then, notwithstanding clauses (a)(i) or (iii) above, to the extent that the Option was exercisable on the date of such death, the Option shall terminate on the earlier of the Expiration Date or the first anniversary of the date of such death.

(c) Other Events Causing Termination of Option. Notwithstanding anything to the contrary in this Option Agreement, the Option shall terminate upon the dissolution or liquidation of the Company.

4. **REPRESENTATIONS AND WARRANTIES OF OPTIONEE**.

(a) Optionee represents and warrants that this Option is being acquired by Optionee for Optionee's personal account, for investment purposes only, and not with a view to the distribution, resale or other disposition thereof.

(b) Optionee acknowledges that the Company may issue Shares upon the exercise of the Option without registering such Shares under the Securities Act of 1933, as amended (the "Securities Act"), on the basis of certain exemptions from such registration requirement. Accordingly, Optionee agrees that his or her exercise of the Option may be expressly conditioned upon his or her delivery to the Company of an investment certificate including such representations and undertakings as the Company may reasonably require in order to assure the availability of such exemptions, including a representation that Optionee is acquiring the Shares for investment and not with a present intention of selling or otherwise disposing thereof and an agreement by Optionee that the certificates evidencing the Shares may bear a legend indicating such non-registration under the Securities Act and the resulting restrictions on transfer. Optionee acknowledges that, because Shares received upon exercise of an Option may be unregistered, Optionee may be required to hold the Shares indefinitely unless they are subsequently registered for resale under the Securities Act or an exemption from such registration is available.

(c) Optionee acknowledges receipt of a copy of the Plan and understands that all rights and obligations connected with this Option are set forth in this Option Agreement and in the Plan.

5. **NONTRANSFERABILITY OF OPTION**. This Option shall not be transferable by the Optionee other than by will or the laws of descent or distribution; provided, however, that upon written approval of the Committee, the Optionee may transfer the Option to a revocable living trust of which the Optionee is a trustee and which is for the benefit of the Optionee and his/her immediate family, provided that such transferee executes and delivers to the Committee such documents providing that such transferee is bound by the provisions and restrictions hereof as shall be satisfactory to the Committee.

6. **ADJUSTMENTS**. (a) In the event that the Shares then subject to the Option Agreement are increased, decreased or exchanged for or converted into a different number or kind of Shares or securities of the Company as a result of a recapitalization, reclassification, Share dividend, Share split, reverse Share split or the like, then, the Committee shall make appropriate and proportionate adjustments in the number and type of Shares or other securities of the Company that may thereafter be acquired upon the exercise of the Option; provided, however, that any such adjustments in the Option shall be made without changing the aggregate Exercise Price of the then unexercised portion of the Option.

(b) In case of any capital reorganization of the capital stock of the Company (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the assets of the Company, then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, provision shall be made so that the Optionee thereafter shall be entitled to receive upon exercise of the Option during the period specified herein and upon payment of the Exercise Price, the number of shares of stock or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the Shares deliverable upon exercise of this Option would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Option had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 6. The foregoing provisions of this Section 6 shall similarly apply to successive reorganizations, consolidations, mergers, sale and transfers and to the stock or securities of any other corporation that are at the time receivable upon the exercise of this Option. If the per-share consideration payable to Holder for shares in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Option with respect to the rights and interests of Optionee after the transaction, to the end that the provisions of this Option shall be applicable after that event, as near as reasonably may be, in relation to shares or other property (if any) deliverable after that event upon exercise of this Option.

7. **EXERCISE**. The Option shall be exercisable during Optionee's lifetime only by Optionee, his guardian or legal representative or a transferee described in paragraph 5, above, and after Optionee's death, only by the person or entity entitled to do so under Optionee's last will and testament, testamentary trust, applicable intestate law, or a transferee described in paragraph 5, above. The Option shall be exercised by delivering to the Company a written notice (the "Exercise Notice") of such exercise, which Exercise Notice shall be in a form reasonably satisfactory to the Company and shall specify the number of Shares to be purchased (the "Purchased Shares") and the aggregate purchase price as determined in accordance with the terms of this Option Agreement (the "Aggregate Price"), and (b) within five (5) days following the delivery of the Exercise Notice (the "Payment Date") making payment in full of the Aggregate Price and withholding required under Paragraph 8, hereof. Payment of the Aggregate Price shall be in cash or by wire transfer or check payable to the Company; provided, however, that payment of the Aggregate Price may instead be made, in whole or in part, by the delivery to the Company on or before the Payment Date of a certificate or certificates representing Shares with a Fair Market Value equal to that portion of the Aggregate Price being paid for with such Shares (or if Shares of the Company are not then evidenced by certificates, other documents reasonably satisfactory to the Company) accompanied by duly executed powers of attorney to transfer the Shares, which delivery effectively transfers to the Company good and valid title to such Shares, free and clear of any pledge, commitment, lien, claim or other encumbrance, provided that:

(a) the Company is not then prohibited from purchasing or acquiring such Shares of the Company by law or any judgment, decree, order or agreement to which it is subject or by which it is bound; and

(b) if such Shares were issued upon exercise of an option, they have been held by Optionee for at least six (6) months from the date of issuance or such shorter period as the Company shall permit.

Subject to paragraph 17 hereof, promptly as practicable following the timely receipt of the Aggregate Price and the withholding payment required under paragraph 8, the Company shall record in its books and records the issuance of the Shares to the Optionee and, if Shares of the Company are then evidenced by certificates, the Company shall issue a certificate in the name of the Optionee representing the number of Shares issued to the Optionee upon exercise of the Option.

8. **PAYMENT OF WITHHOLDING TAXES**. If the Company becomes obligated to withhold an amount on account of any tax imposed as a result of the exercise of the Option, including, without limitation, any federal, state, local or other income tax, or any F.I.C.A., state disability insurance tax or other employment tax, then, as a condition to the exercise of the Option, Optionee shall concurrently with the payment of the Aggregate Price, pay to the Company in cash or by wire transfer such amount as the Company shall determine is required to be withheld;

Optionee acknowledges that Optionee has been advised that the Option is not designed to qualify as an incentive stock option as that term is defined under Section 422 of the Internal Revenue Code and therefore, upon the exercise of the Option by Optionee, the Optionee will, for federal and state income tax purposes, realize ordinary income in an amount equal to the excess of the then Fair Market Value of the Purchased Shares over the Exercise Price. “Fair Market Value” is defined in the Plan. Optionee understands that the Internal Revenue Service or Franchise Tax Board may not agree with the Committee’s determination of Fair Market Value as computed in accordance with the Plan and, in such event, either or both of such agencies could assess against Optionee additional taxes, interest, and penalties arising from the exercise of the Option, the payment of which shall be the sole responsibility of Optionee and not the Company. Optionee shall consult with his or her own independent tax advisors with respect to the tax consequences to Optionee of exercising this Option.

9. **GOVERNING LAW AND INTERPRETATION**. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

10. **BINDING EFFECT**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

11. **NOTICES**. All notices and other communications required or permitted to be given pursuant to this Option Agreement shall be in writing and shall be deemed given if delivered personally or five (5) days after mailing by certified or registered mail, postage prepaid, return receipt requested, in the case of notice to the Company, to the Company at 12744 San Fernando Road, Bldg. 3, Sylmar, California 91342, Attn: President, or, in the case of notice to the Optionee, to the Optionee at his residence address set forth in the records of the Company, or at such other addresses as the Company or the Optionee may designate by written notice in the manner aforesaid.

12. **EMPLOYMENT RIGHTS**. No provision of this Option Agreement or of the Option granted hereunder shall:

(a) confer upon Optionee any right to continue in the employ of, or in his or her current arrangement with, the Company or any of its subsidiaries;

(b) affect the right of the Company or any of its subsidiaries and affiliates to terminate the employment of Optionee, or such arrangement, with or without cause; or

(c) confer upon Optionee any right to participate in any employee welfare or benefit plan or other program of the Company or any of its subsidiaries or affiliates other than the Plan. Optionee hereby acknowledges and agrees that the Company or any of its subsidiaries and affiliates may terminate the employment of Optionee at any time and for any reason, or for no reason, unless Optionee and the Company or such subsidiary or affiliates are parties to a written employment agreement that expressly provides otherwise.

13. **INTERPRETATION**. At any place in this Option Agreement where the masculine, feminine or neuter gender is used, it may be construed to be either masculine or feminine or neuter, and where the singular or plural is used, it may be construed to be either singular or plural, as appropriate.

14. **RESTRICTIVE LEGENDS**. Optionee hereby acknowledges that federal securities laws and the securities laws of the state in which he or she resides may require the placement of certain restrictive legends upon the Shares issued upon exercise of this Option. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933; THEY HAVE BEEN ACQUIRED BY THE HOLDER FOR INVESTMENT AND MAY NOT BE PLEDGED, HYPOTHECATED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT AS MAY BE AUTHORIZED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER."

15. **CHANGE IN CONTROL**. In the event of a Change in Control:

The right to exercise this Option shall accelerate automatically and vest in full (notwithstanding the provisions of Section 1 above) effective as of immediately prior to the consummation of the Change in Control. If vesting of this Option will accelerate pursuant to the preceding sentence, the Committee in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate Exercise Price for such Shares. If the vesting of this Option will accelerate pursuant to this paragraph 15, then the Committee shall cause written notice of the Change in Control transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

16. **LIMITATION OF COMPANY'S LIABILITY FOR NONISSUANCE**. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to the Optionee pursuant to this Option. Inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained.

17. **PARTY TO SHAREHOLDERS AGREEMENT**. As a condition to being issued Shares upon the exercise of the Option, the Optionee shall, upon request of the Committee, sign, by counterpart, and become a party to, any shareholders agreement then in effect among the shareholders of the Company or such other agreement which contains similar terms and provisions with respect to restrictions on the sale or other disposition of the Shares.

18. **"MARKET STAND-OFF" AGREEMENT**. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee or a transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares without the prior written consent of the Company or its managing underwriter. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the Financial Industry Regulatory Authority, Inc. and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules promulgated by the Financial Industry Regulatory Authority, Inc. In the event of the declaration of a stock dividend, a spin off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. Optionee or transferee further agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In addition, if reasonably requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Optionee or transferee shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Option Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this paragraph 18.

19. **NO REPRESENTATIONS OF VALUE**. Optionee recognizes that the Company is relatively newly organized, has little history of operations, has yet to realize, and may never realize, any earnings, is a speculative venture, and that investment in Shares involves significant risks. Optionee warrants, represents, and acknowledges that the Company has made no representations of any nature or kind to Optionee as to the current or future value, if any, of the Option granted hereunder or of the Shares and that any determination by the Committee or Company of Fair Market Value may not necessarily reflect the price, if any, that the Optionee could, at any particular time, obtain for the Shares if he/she sought to sell all or any portion of the Optionee's Shares. Optionee further acknowledges that the value of this Option, if any, is dependent, among other things, upon the future growth, development, and profitability of the Company, none of which can be predicted at this time. Optionee understands that this Option has not been reviewed or passed upon by any federal or state agency.

20. **DISCLOSURE STATEMENT**. The Company is not required to issue, and does not currently plan on issuing, to the Optionee a disclosure statement concerning the Company, its operations, and the benefits and risks of making an investment in Shares. Nevertheless, if the Company should at any time publicly issue such disclosure statement, Company shall provide a copy of the same to Optionee.

21. **ENTIRE AGREEMENT**. This Option Agreement contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof and supersedes all prior and collateral agreements, understandings, statements, promises, or agreements, oral or written, with reference to the subject matter hereof. No warranties or representations have been made by either party other than as expressly set forth herein.

22. **CALIFORNIA CORPORATE SECURITIES LAW**. The sale of the shares that are the subject of this Option Agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such shares or the payment or receipt of any part of the consideration therefor prior to such qualification is unlawful, unless the sale of such shares is exempt from such qualification by Section 25100, 25102 or 25105 of the California Corporate Securities Law of l968, as amended. The rights of all parties to this Option Agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

IN WITNESS WHEREOF, the Company and the Optionee have caused this agreement to be executed on this _____ day of _____ 2011.

SECOND SIGHT MEDICAL PRODUCTS, INC.

By: _____

Title _____

OPTIONEE:

_____

Signature

SECOND SIGHT MEDICAL PRODUCTS, INC.

2014 OPTION ISSUED TO ROBERT GREENBERG

TERMS AND CONDITIONS

1. PURPOSE. By authorization of the Directors dated December 16, 2013, the Company issued to Robert Greenberg , its president and chief executive officer ("Optionee"), an option (the "Option") to acquire 125,000 shares of the Company's common stock. The Option commenced as January 1, 2014 and was intended as a new grant to replace options in the same amount that expired on the same day. Some of the terms and conditions of the Option are set forth in a writing entitled "Option Agreement" which was signed by the Company and Optionee. The purpose of this document, entitled "Terms and Conditions", is to set forth in further detail the rights and obligations of the parties under the Option Agreement.

2. DEFINITIONS. As used herein and in the Option, the following terms shall have the meanings set forth below:

a. "Change in Control" shall mean the occurrence of any of the following:

i. The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company, provided, however, that a Change in Control shall not result upon such acquisition of beneficial ownership if such acquisition occurs as a result of a public offering of the Company's securities or any financing transaction or series of financing transactions;

ii. The consummation of a merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;

iii. A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger; or

iv. The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing at least fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s).

b. "Committee" shall mean the Directors or when appointed, an or compensations committee of the Directors that is tasked with responsibility for securities issuances to management, employees and consultants.

c. "Company" shall mean Second Sight Medical Products, Inc, a California corporation.

d. “Directors” shall mean the board of directors of the Company as the same may be constituted from time to time.

e. "Fair Market Value" shall mean the amount determined under Section 5.j., hereof.

f. "Option" shall mean the right granted to the Optionee as of January 1, 2014 to acquire Shares of the Company.

g. "Option Agreement" shall mean the written agreement evidencing the Option granted by the Company hereunder and signed by both the Company and the Optionee.

h. "Share" shall mean a share of the common stock of the Company.

3. ADMINISTRATION.

The Terms and Conditions shall be administered by the Committee. The Committee shall have full power and authority to do all things necessary or desirable in connection with the administration of the Terms and Conditions, including, without limitation, the following:

a. determine the option exercise price of the Option;

b. determine the number of Shares of the Company to be covered by the Option;

c. determine the terms and conditions, not inconsistent with the provisions of the Terms and Conditions, of the Option;

d. interpret and administer the Terms and Conditions and any instrument or agreement entered into under the Terms and Conditions;

e. establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Terms and Conditions; and

f. make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Terms and Conditions.

All decisions and determinations of the Committee shall be by majority vote of its members and shall be set forth in writing. Each such writing shall hereinafter be referred to as a "Committee Action". All such Committee Actions shall promptly be submitted to the Secretary of the Corporation who, upon receipt, shall place a copy of same in a record book maintained by the Secretary for that purpose and which shall be available for examination by the Directors at any time and from time to time. All Committee Actions that are within the scope of the Committee's authority hereunder shall be deemed final, conclusive and binding upon all persons including the Company and Optionee. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings.

4. LIABILITY. No members of the Committee shall be liable for any action or determination made in good faith with respect to the Terms and Conditions or any Option granted with respect to it. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on such member's part, including but not limited to the exercise of any power or discretion given to such member under the Terms and Conditions, except those resulting from such member's willful misconduct.

5. OPTION TERMS.

a. ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, Share split, reverse Share split, or similar transaction or other change in legal structure affecting the Shares, such adjustments and other substitutions shall be made to the Terms and Conditions and to the Option as the Committee in its sole discretion deems equitable or appropriate, including without limitation such adjustments in (i) the aggregate number, class, and kind of shares which may be delivered under the Option, and (ii) the number, class, kind, and option or exercise price of Shares subject to the Option.

b. OPTION PERIOD. The term of the Option shall be fixed by the Committee in its sole discretion but shall in no event exceed ten (10) years.

c. EXERCISABILITY. The Option shall be exercisable at such time or times, and based upon such vesting and other conditions, as determined by the Committee from time to time on a case by case basis.

d. METHOD OF EXERCISE. Subject to the other provisions of the Terms and Conditions and the Option Agreement, the Option may be exercised by the Optionee in whole or in part at such time or times, and the Optionee may make payment of the Option price in such form or forms, including, without limitation, payment by delivery of cash, a promissory note or other consideration acceptable to the Committee having a Fair Market Value on the exercise date equal to the total Option price, or by any combination of cash and other consideration, as the Committee may specify in the Option Agreement.

e. FAIR MARKET VALUE. For all purposes of the Terms and Conditions and the Option Agreement, the term "Fair Market Value" shall mean that amount determined by the Committee from time to time. Such determination shall be based upon the most recent trades in any public market or, if there is no public market for the Shares, then as determined by the Committee, based on such criteria as it deems in its sole discretion to reflect the Fair Market Value, including reliance on a formal appraisal prepared by a qualified and experienced independent third party appraiser.

f. AMENDMENTS AND TERMINATION. The Committee may amend, alter or discontinue the Terms and Conditions, but no amendment, alteration, or discontinuation shall be made that would impair the rights of the Optionee under the Option theretofore granted, without the Optionee's consent. The Committee may, from time to time amend, modify, or alter the Terms and Conditions where such amendment, modification or alteration is required to assure that the Terms and Conditions remains in compliance with the Act and the Code and any other then applicable federal or state securities laws. The Committee may amend the terms of the Option Agreement theretofore executed, prospectively or retroactively, but no such amendment shall impair the rights of the Optinee without the Optionee's written consent.

g. COMPLIANCE WITH SECURITIES LAWS. It is the intention of the Company that the Options and the Shares thereunder being offered and sold be exempt from registration under the Securities Act of 1933 (the "Act") by satisfying the requirements of Rule 504, 506 and/or Rule 701, as promulgated under such Act, and be exempt from qualification under the California Corporations Code (the "Code") by satisfying the requirements of Section 25102(o) of the Code including all rules and regulations promulgated thereunder.

6. GENERAL PROVISIONS.

a. Unless the Committee determines otherwise at the time the Option is granted, no Option, and no Shares subject to Options which have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, gifted, pledged, hypothecated, or otherwise encumbered, except by will or by the laws of descent and distribution or to a revocable living trust of which the Optionee is a primary beneficiary; provided that, if so determined by the Committee, the Optionee may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Optionee with respect to any Option upon the death of the Optionee. The Option shall be exercisable during the Optionee's lifetime only by the Optionee or, if permissible under applicable law, by the Optionee's conservator or other legal representative. The Option shall provide that to the extent the Option is exercisable upon the date of termination of employment, it shall continue to be exercisable following the employment termination date for a period of at least six (6) months in the case of termination of employment on account of death or disability, and at least thirty (30) days on account of termination of employment for any other reason.

b. The term of the Option shall be for such period of months or years from the date of its grant as may be determined by the Committee, but in no event longer than as provided herein.

c. The Optionee shall not, with respect to the Option, be deemed to have become a Optionee, or to have any rights with respect to such Option, until and unless the Optionee shall have executed the Option Agreement in such form as the Committee has approved and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

d. In the case of any involuntary transfer of an Option including, but not limited to, transfers arising from bankruptcy, other insolvency or creditor proceedings, and dissolution of marriage, all rights in and to the Option or portion of the Option so transferred shall, as determined by the Committee on a case by case basis, immediately terminate, become null and void, and of no further force or effect.

e. Except as otherwise required in the Option Agreement or by the terms of the Terms and Conditions, Optionee shall not be required to make any payment or provide consideration for the issuance of the Option other than the rendering of services.

f. The Company shall be authorized to withhold the amount of tax withholding required by law on account of or arising out of any exercise of the Option and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

g. The validity, construction, and effect of this Terms and Conditions and any rules and regulations relating to the Terms and Conditions shall be determined in accordance with the laws of the State of California and applicable Federal law.

h. If any provision of the Terms and Conditions is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction to which it is subject, would disqualify the Terms and Conditions or the Option under any law deemed applicable by the Committee, or disqualify the Terms and Conditions from exemption under Rule 701 of the Act or California Corporations Code section 25102(o), such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the sole and absolute determination of the Committee, materially altering the intent of the Terms and Conditions, it shall be stricken and the remainder of the Terms and Conditions shall remain in full force and effect.

i. Notwithstanding anything in this Terms and Conditions to the contrary, (a) any adjustments made to the Option that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to the Option that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment the Options either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Committee shall not have the authority to make any adjustments pursuant to Article 5 to the extent the existence of such authority would cause an Option that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto.

7. EFFECTIVE DATE OF TERMS AND CONDITIONS. The Terms and Conditions shall be effective as of January 1, 2014.

8. CHANGE IN CONTROL. In order to preserve Optionee's rights with respect to any outstanding Option in the event of a Change in Control of the Company:

a. The Committee shall have the discretion to provide in the Option Agreement other terms and conditions that relate to assumption of such Option or issuance of comparable securities or New Incentives in the event of a Change in Control.

b. The Option shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Option is assumed by the successor entity (or parent or subsidiary thereof) pursuant to the terms of the Change in Control transaction.

c. If the Option will not be assumed by the acquiring or successor entity (or parent or subsidiary thereof), the Committee shall cause written notice of a proposed Change in Control transaction to be given to Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

IN WITNESS WHEREOF, the Company has duly executed this Terms and Conditions as of the 1st day of January, 2014.

SECOND SIGHT MEDICAL PRODUCTS, INC., a California corporation

By: _____

Title: _____

SECOND SIGHT MEDICAL PRODUCTS, INC

EXECUTIVE OFFICER OPTION AGREEMENT

SECOND SIGHT MEDICAL PRODUCTS, INC., a California corporation (the "Company"), hereby grants to Robert Greenberg (the “Optionee”) an option (the “Option”) to purchase Shares of the Company subject to the following terms and conditions:

1. **GRANT OF OPTION**. The Company hereby grants to the Optionee an Option to purchase all or any portion of the number of Shares set forth below (the “Option Shares”) at the times and at the price (the “Exercise Price”) per Share indicated below. The Option shall expire at 5:00 p.m., Pacific Time, on the Expiration Date indicated below and shall be subject to all of the terms and conditions of this Employee Option Agreement (the “Option Agreement”). The Option shall be 100% fully vested at all times.

OPTION DATE:	January 1, 2014
TOTAL OPTION SHARES:	125,000
EXERCISE PRICE PER SHARE:	$4.25/Share
EXPIRATION DATE:	December 31, 2016.
VESTING COMMENCEMENT DATE:	Immediate

2. **TERMS AND CONDITIONS**. This Option is subject to a separate document entitled “Terms and Conditions”, all of the terms of which are hereby incorporated herein by this reference as if fully set forth herein. Capitalized terms not defined herein shall have the meanings ascribed to them in the Terms and Conditions. Optionee hereby accepts this Option subject to all the terms and provisions of the Terms and Conditions. The Optionee further agrees that all decisions under and interpretations of the Terms and Conditions by the Compensation Committee (the "Committee") shall be final, binding and conclusive upon the Optionee and his/her successors in interest.

3. **TERMINATION OF OPTION**.

(a) Termination of Employment.

(i) Retirement. If Optionee shall cease to be an employee of Company by reason of Optionee's retirement in accordance with the Company's then current retirement policy or the written consent of a director of the Company other than the Optionee ("Retirement") and the Expiration Date has not yet occurred, then the Option shall terminate upon the earlier of the Expiration Date or thirty (30) days after the date of such Retirement. The date of Optionee's Retirement shall be the date Optionee ceases to provide services to the Company regardless of whether Optionee continues on the Company's payroll for some time thereafter; provided, however, that the Committee may extend said thirty (30)-day period for a period not to exceed one (1) year but not in any event beyond the Expiration Date.

(ii) Death or Permanent Disability. If Optionee's employment is terminated by reason of the death or Permanent Disability (as hereinafter defined) of Optionee and the Expiration Date has not yet occurred, then the Option shall terminate upon the earlier of the Expiration Date or the first anniversary of the date of such termination of employment. "Permanent Disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Optionee shall not be deemed to have a Permanent Disability until proof of the existence thereof shall have been furnished to the Committee in such form and manner, and at such times, as the Committee may require. Any determination by the Committee that Optionee does or does not have a Permanent Disability shall be final and binding upon the Company and Optionee.

(iii) Other Termination. If Optionee's employment is terminated for any reason other than Retirement, death or Permanent Disability and the Expiration Date has not yet occurred, then the Option shall terminate upon the earlier of the Expiration Date or thirty (30) days after the date of such termination of employment. provided, however, that the Committee may extend said thirty (30)-day period for a period not to exceed one (1) year but not in any event beyond the Expiration Date.

(b) Death Following Termination of Employment. Notwithstanding anything to the contrary in this Option Agreement, if Optionee shall die at any time after the termination of his employment and prior to the earlier of the Expiration Date or the date the Option would terminate as to Shares for which it is then exercisable pursuant to clauses (a)(i) or (iii) above, then, notwithstanding clauses (a)(i) or (iii) above, to the extent that the Option was exercisable on the date of such death, the Option shall terminate on the earlier of the Expiration Date or the first anniversary of the date of such death.

(c) Other Events Causing Termination of Option. Notwithstanding anything to the contrary in this Option Agreement, the Option shall terminate upon the dissolution or liquidation of the Company.

4. **REPRESENTATIONS AND WARRANTIES OF OPTIONEE**.

(a) Optionee represents and warrants that this Option is being acquired by Optionee for Optionee's personal account, for investment purposes only, and not with a view to the distribution, resale or other disposition thereof.

(b) Optionee acknowledges that the Company may issue Shares upon the exercise of the Option without registering such Shares under the Securities Act of 1933, as amended (the "Securities Act"), on the basis of certain exemptions from such registration requirement. Accordingly, Optionee agrees that his or her exercise of the Option may be expressly conditioned upon his or her delivery to the Company of an investment certificate including such representations and undertakings as the Company may reasonably require in order to assure the availability of such exemptions, including a representation that Optionee is acquiring the Shares for investment and not with a present intention of selling or otherwise disposing thereof and an agreement by Optionee that the certificates evidencing the Shares may bear a legend indicating such non-registration under the Securities Act and the resulting restrictions on transfer. Optionee acknowledges that, because Shares received upon exercise of an Option may be unregistered, Optionee may be required to hold the Shares indefinitely unless they are subsequently registered for resale under the Securities Act or an exemption from such registration is available.

(c) Optionee acknowledges receipt of a copy of the Terms and Conditions and understands that all rights and obligations connected with this Option are set forth in this Option Agreement and in the Terms and Conditions.

5. **NONTRANSFERABILITY OF OPTION**. This Option shall not be transferable by the Optionee other than by will or the laws of descent or distribution; provided, however, that upon written approval of the Committee, the Optionee may transfer the Option to a revocable living trust of which the Optionee is a trustee and which is for the benefit of the Optionee and his/her immediate family, provided that such transferee executes and delivers to the Committee such documents providing that such transferee is bound by the provisions and restrictions hereof as shall be satisfactory to the Committee.

6. **ADJUSTMENTS**. (a) In the event that the Shares then subject to the Option Agreement are increased, decreased or exchanged for or converted into a different number or kind of Shares or securities of the Company as a result of a recapitalization, reclassification, Share dividend, Share split, reverse Share split or the like, then, the Committee shall make appropriate and proportionate adjustments in the number and type of Shares or other securities of the Company that may thereafter be acquired upon the exercise of the Option; provided, however, that any such adjustments in the Option shall be made without changing the aggregate Exercise Price of the then unexercised portion of the Option.

(b) In case of any capital reorganization of the capital stock of the Company (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the assets of the Company, then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, provision shall be made so that the Optionee thereafter shall be entitled to receive upon exercise of the Option during the period specified herein and upon payment of the Exercise Price, the number of shares of stock or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the Shares deliverable upon exercise of this Option would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Option had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 6. The foregoing provisions of this Section 6 shall similarly apply to successive reorganizations, consolidations, mergers, sale and transfers and to the stock or securities of any other corporation that are at the time receivable upon the exercise of this Option. If the per-share consideration payable to Holder for shares in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Option with respect to the rights and interests of Optionee after the transaction, to the end that the provisions of this Option shall be applicable after that event, as near as reasonably may be, in relation to shares or other property (if any) deliverable after that event upon exercise of this Option.

7. **EXERCISE**. The Option shall be exercisable during Optionee's lifetime only by Optionee, his guardian or legal representative or a transferee described in paragraph 5, above, and after Optionee's death, only by the person or entity entitled to do so under Optionee's last will and testament, testamentary trust, applicable intestate law, or a transferee described in paragraph 5, above. The Option shall be exercised by delivering to the Company a written notice (the "Exercise Notice") of such exercise, which Exercise Notice shall be in a form reasonably satisfactory to the Company and shall specify the number of Shares to be purchased (the "Purchased Shares") and the aggregate purchase price as determined in accordance with the terms of this Option Agreement (the "Aggregate Price"), and (b) within five (5) days following the delivery of the Exercise Notice (the "Payment Date") making payment in full of the Aggregate Price and withholding required under Paragraph 8, hereof. Payment of the Aggregate Price shall be in cash or by wire transfer or check payable to the Company; provided, however, that payment of the Aggregate Price may instead be made, in whole or in part, by the delivery to the Company on or before the Payment Date of a certificate or certificates representing Shares with a Fair Market Value equal to that portion of the Aggregate Price being paid for with such Shares (or if Shares of the Company are not then evidenced by certificates, other documents reasonably satisfactory to the Company) accompanied by duly executed powers of attorney to transfer the Shares, which delivery effectively transfers to the Company good and valid title to such Shares, free and clear of any pledge, commitment, lien, claim or other encumbrance, provided that:

(a) the Company is not then prohibited from purchasing or acquiring such Shares of the Company by law or any judgment, decree, order or agreement to which it is subject or by which it is bound; and

(b) if such Shares were issued upon exercise of an option, they have been held by Optionee for at least six (6) months from the date of issuance or such shorter period as the Company shall permit.

Subject to paragraph 17 hereof, promptly as practicable following the timely receipt of the Aggregate Price and the withholding payment required under paragraph 8, the Company shall record in its books and records the issuance of the Shares to the Optionee and, if Shares of the Company are then evidenced by certificates, the Company shall issue a certificate in the name of the Optionee representing the number of Shares issued to the Optionee upon exercise of the Option.

8. **PAYMENT OF WITHHOLDING TAXES**. If the Company becomes obligated to withhold an amount on account of any tax imposed as a result of the exercise of the Option, including, without limitation, any federal, state, local or other income tax, or any F.I.C.A., state disability insurance tax or other employment tax, then, as a condition to the exercise of the Option, Optionee shall concurrently with the payment of the Aggregate Price, pay to the Company in cash or by wire transfer such amount as the Company shall determine is required to be withheld;

Optionee acknowledges that Optionee has been advised that the Option is not designed to qualify as an incentive stock option as that term is defined under Section 422 of the Internal Revenue Code and therefore, upon the exercise of the Option by Optionee, the Optionee will, for federal and state income tax purposes, realize ordinary income in an amount equal to the excess of the then Fair Market Value of the Purchased Shares over the Exercise Price. "Fair Market Value" is defined in the Terms and Conditions. Optionee understands that the Internal Revenue Service or Franchise Tax Board may not agree with the Committee's determination of Fair Market Value as computed in accordance with the Terms and Conditions and, in such event, either or both of such agencies could assess against Optionee additional taxes, interest, and penalties arising from the exercise of the Option, the payment of which shall be the sole responsibility of Optionee and not the Company. Optionee shall consult with his or her own independent tax advisors with respect to the tax consequences to Optionee of exercising this Option.

9. **GOVERNING LAW AND INTERPRETATION**. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

10. **BINDING EFFECT**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

11. **NOTICES**. All notices and other communications required or permitted to be given pursuant to this Option Agreement shall be in writing and shall be deemed given if delivered personally or five (5) days after mailing by certified or registered mail, postage prepaid, return receipt requested, in the case of notice to the Company, to the Company at 12744 San Fernando Road, Bldg. 3, Sylmar, California 91342, Attn: President, or, in the case of notice to the Optionee, to the Optionee at his residence address set forth in the records of the Company, or at such other addresses as the Company or the Optionee may designate by written notice in the manner aforesaid.

12. **EMPLOYMENT RIGHTS**. No provision of this Option Agreement or of the Option granted hereunder shall:

(a) confer upon Optionee any right to continue in the employ of, or in his or her current arrangement with, the Company or any of its subsidiaries;

(b) affect the right of the Company or any of its subsidiaries and affiliates to terminate the employment of Optionee, or such arrangement, with or without cause; or

(c) confer upon Optionee any right to participate in any employee welfare or benefit Terms and Conditions or other program of the Company or any of its subsidiaries or affiliates other than the Terms and Conditions. Optionee hereby acknowledges and agrees that the Company or any of its subsidiaries and affiliates may terminate the employment of Optionee at any time and for any reason, or for no reason, unless Optionee and the Company or such subsidiary or affiliates are parties to a written employment agreement that expressly provides otherwise.

13. **INTERPRETATION**. At any place in this Option Agreement where the masculine, feminine or neuter gender is used, it may be construed to be either masculine or feminine or neuter, and where the singular or plural is used, it may be construed to be either singular or plural, as appropriate.

14. **RESTRICTIVE LEGENDS**. Optionee hereby acknowledges that federal securities laws and the securities laws of the state in which he or she resides may require the placement of certain restrictive legends upon the Shares issued upon exercise of this Option. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933; THEY HAVE BEEN ACQUIRED BY THE HOLDER FOR INVESTMENT AND MAY NOT BE PLEDGED, HYPOTHECATED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT AS MAY BE AUTHORIZED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER."

15. **CHANGE IN CONTROL**. In the event of a Change in Control:

The right to exercise this Option shall accelerate automatically and vest in full (notwithstanding the provisions of Section 1 above) effective as of immediately prior to the consummation of the Change in Control. If vesting of this Option will accelerate pursuant to the preceding sentence, the Committee in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate Exercise Price for such Shares. If the vesting of this Option will accelerate pursuant to this paragraph 15, then the Committee shall cause written notice of the Change in Control transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

16. **LIMITATION OF COMPANY'S LIABILITY FOR NONISSUANCE**. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to the Optionee pursuant to this Option. Inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Terms and Conditions shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained.

17. **PARTY TO SHAREHOLDERS AGREEMENT**. As a condition to being issued Shares upon the exercise of the Option, the Optionee shall, upon request of the Committee, sign, by counterpart, and become a party to, any shareholders agreement then in effect among the shareholders of the Company or such other agreement which contains similar terms and provisions with respect to restrictions on the sale or other disposition of the Shares.

18. **"MARKET STAND-OFF" AGREEMENT**. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee or a transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares without the prior written consent of the Company or its managing underwriter. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed one (1) year plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the Financial Industry Regulatory Authority, Inc. and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules promulgated by the Financial Industry Regulatory Authority, Inc. In the event of the declaration of a stock dividend, a spin off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. Optionee or transferee further agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In addition, if reasonably requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Optionee or transferee shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Option Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this paragraph 18.

19. **NO REPRESENTATIONS OF VALUE**. Optionee recognizes that the Company , has yet to realize, and may never realize, any earnings, is a highly speculative venture, and that investment in Shares involves significant risks. As President of the Company, being intimately familiar with the financial condition of the Company and its prospects for success, Optionee is particularly aware of these risks. .Optionee warrants, represents, and acknowledges that no other executive or director of the Company has made any representations of any nature or kind to Optionee as to the current or future value, if any, of the Option granted hereunder or of the Shares and that any determination by the Committee or Company of Fair Market Value may not necessarily reflect the price, if any, that the Optionee could, at any particular time, obtain for the Shares if he/she sought to sell all or any portion of the Optionee's Shares. Optionee further acknowledges that the value of this Option, if any, is dependent, among other things, upon the future growth, development, and profitability of the Company, none of which can be predicted at this time. Optionee understands that this Option has not been reviewed or passed upon by any federal or state agency.

20. **DISCLOSURE STATEMENT**. The Company is not required to issue, and does not currently plan on issuing, to the Optionee a disclosure statement concerning the Company, its operations, and the benefits and risks of making an investment in Shares. Nevertheless, if the Company should at any time publicly issue such disclosure statement, Company shall provide a copy of the same to Optionee.

21. **ENTIRE AGREEMENT**. Except for the Terms and Conditions, this Option Agreement contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof and supersedes all prior and collateral agreements, understandings, statements, promises, or agreements, oral or written, with reference to the subject matter hereof. No warranties or representations have been made by either party other than as expressly set forth herein.

22. **CALIFORNIA CORPORATE SECURITIES LAW**. The sale of the shares that are the subject of this Option Agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such shares or the payment or receipt of any part of the consideration therefor prior to such qualification is unlawful, unless the sale of such shares is exempt from such qualification by Section 25100, 25102 or 25105 of the California Corporate Securities Law of l968, as amended. The rights of all parties to this Option Agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

IN WITNESS WHEREOF, the Company and the Optionee have caused this agreement to be executed as of the 1st day of January, 2014.

SECOND SIGHT MEDICAL PRODUCTS, INC.

By: _____

Title _____

ROBERT GREENBERG

"Company" "Optionee":

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT UNDER THE ACT WITH RESPECT TO THIS NOTE HAS BECOME EFFECTIVE OR UNLESS THE HOLDER ESTABLISHES TO THE SATISFACTION OF THE COMPANY THAT AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Amount: $_____ _____, 201__

Sylmar, California

201___ CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, Second Sight Medical Products, Inc. ("Maker"), on or before _____ (the "Maturity Date"), but subject to conversion as more particularly described in paragraphs 5., 6., and 7., below, hereby promises to pay to _____ or his/her/its assigns ("Holder"), at Los Angeles, California, or at such other place as Holder may from time to time designate in writing, the principal sum of _____ THOUSAND DOLLARS AND NO CENTS ($_____), together with interest on the unpaid principal balance from date at the rate seven and one-half percent (7.5%) per annum. This 201___ Convertible Note shall be referred to herein as the "Note". This Note is being issued as one in a series of Notes, to different holders, in different denominations, in the aggregate amount of not to exceed Twenty-Five Million Dollars ($25,000,000), with the same terms and conditions.

1. Repayment of Principal and Interest. Unless the written consent of the Holder shall first be obtained, and except as otherwise provided herein, Maker shall not have the right to prepay the principal balance of this Note or any accrued and unpaid interest or otherwise take any other action that would deprive the Holder of its conversion rights under this Note.

2. Application of Payments. Each payment made under this Note shall be applied first to costs and fees owing hereunder, then to the payment of accrued interest, and then to the payment of principal.

3. Waivers. Any delay or omission on the part of the Holder in exercising any right hereunder shall not operate as a waiver of such right, or of any other right. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of Holder's right to either require prompt payment when due of all other sums payable hereunder or to declare Maker to be in default for failure to make prompt or complete payment.

4 . Costs of Enforcement. Maker agrees to pay upon demand all reasonable costs and expenses, including reasonable attorneys' fees and disbursements incurred by Holder to enforce the terms hereof.

5 . Conversion Of Note On Occurrence of Capital Event. Subject to Paragraph 12, hereof, in the event of the occurrence of a Capital Event prior to the Maturity Date, this Note shall be converted into shares of the common stock of the Corporation. The number of shares of stock that the Holder shall thereupon be entitled to receive shall be equal to (a) the sum of the then unpaid principal balance of this Note plus any and all unpaid and accrued interest, divided by (b) the Paragraph 5 Conversion Rate. The "Paragraph 5 Conversion Rate" shall be equal to the lower of (a) the cash purchase price per share then being paid by the purchaser or purchasers acquiring shares pursuant to the Capital Event (or, if the purchase price is being paid in shares, the fair market value of such shares), or (b) Five Dollars ($5.00). For purposes of this Paragraph 5., a "Capital Event" shall mean any of the following transactions: (a) as between the Maker and a third party who is not an existing shareholder of the Maker, a sale of shares of stock of, and by, the Maker of not less than Fifteen Million Dollars ($15,000,000), (b) an initial public offering and sale of shares of stock pursuant to a registration statement filed with the Securities and Exchange Commission under the 1933 Securities Act, or (c) the occurrence of any of the following events (hereinafter referred to as a "Qualifying Reorganization Event"): (i) a merger or consolidation of the Company by means of a single transaction or in a series of related transactions with or into another entity in which the stockholders of the Company existing as of immediately prior to such merger or consolidation do not following such merger or consolidation continue to hold at least a fifty percent (50%) interest in the surviving entity or its parent; (ii) the sale, lease, exclusive license or other disposition, in a single transaction or in a series of transactions, of all or substantially all of the assets of the Company to another entity; or (iii) any other like transaction or series of related transactions immediately following which the stockholders of the Company existing as of immediately prior to such transaction or series of related transactions do not continue to own following such transaction at least a fifty percent (50%) interest of the surviving entity or its parent. Maker shall give Holder prompt written notice that a Capital Event has occurred or is about to occur and upon receipt of such notice, Holder shall immediately thereupon deliver this Note to Maker for cancellation it being expressly understood however that such delivery of this Note to Maker shall not be a condition to the conversion and if Maker fails to deliver this Note, this Note shall thereupon be deemed cancelled and of no further force or effect.

6. Optional Conversion of Note Prior to Maturity Date or Capital Event Until the earlier to occur of the Maturity Date or the occurrence of a Capital Event, Holder shall have the right to elect to convert this Note into shares of common stock of the Maker. Said election shall be exercised by Holder giving written notice to the Maker that Holder elects to convert this Note into shares of the common stock of Maker, along with the delivery to Maker of the original of this Note. Upon making such election, and delivery of this Note to Maker, Maker shall promptly thereupon issue to Holder shares of the common stock of the Maker equal in amount to (a) the total principal balance plus all accrued and unpaid interest then due under this Note, divided by (b) the Paragraph 6 Conversion Rate. The "Paragraph 6 Conversion Rate" shall mean Five Dollars ($5.00).

7. Conversion of Note on or after Maturity Date. In the event that prior to the Maturity Date neither a Capital Event has occurred nor the exercise by Holder of its option under paragraph 6., hereof, then on and after the Maturity Date, until Maker shall fully pay to Holder all amounts due under this Note, Holder shall have a continuing option, pursuant to the procedures described in paragraph 6., above, to convert this Note into shares of common stock of the Maker. Such failure of Holder to exercise this option shall in no way affect or alter the obligation of Maker to pay to Holder on the Maturity Date all amounts due to Maker under this Note.

8. Issuance of Shares and Cancellation of Note. Upon conversion of this Note into shares of the common stock of Maker in the manner prescribed in paragraphs 5., 6., or 7, hereof, Maker shall immediately thereupon issue and deliver to Holder a share certificate evidencing the number of shares of the common stock of Maker that Holder is entitled to receive hereunder and upon delivery of said share certificate to Holder, all obligations of Maker under this Note shall thereupon be extinguished and this Note shall be of no further force or effect and deemed fully paid.

9. Miscellaneous. Time is of the essence hereof. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of California.

10. Restrictions on Assignment. Transfer or assignment of this Note or any interest therein is subject to restrictions set forth in a Statement of Investor Suitability and Subscription Agreement duly executed by the Holder, the terms of which are incorporated herein by this reference.

11. Adjustments to Conversion Rate. The Paragraph 6 Conversion Rate and, in any case where the Paragraph 5 Conversion Rate is determined to be the fixed amount of Five Dollars ($5), the issuable securities shall be subject to adjustment from time to time as set forth in this paragraph 11.

(a) Reclassification, etc. If the Maker, at any time, while this Note, or any portion hereof, remains outstanding, shall change any of the securities as to which conversion rights under this Note exist into the same or a different number of securities or any other class or classes, this Note shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the conversion rights under this Note immediately prior to such reclassification or other change and the Paragraph 5 Conversion Rate or Paragraph 6 Conversion Rate, as the case may be, shall be appropriately adjusted, all subject to further adjustment as provided in this paragraph 11.

(b) Subdivision or Combination of Shares. In the event that the Maker shall at any time subdivide the outstanding securities as to which conversion rights under this Note exist, or shall issue a stock dividend on the securities as to which conversion rights under this Note exist, the number of securities as to which conversion rights under this Note exist immediately prior to such subdivision or to the issuance of such stock dividend shall be proportionately increased, and the Paragraph 5 Conversion Rate or Paragraph 6 Conversion Rate, as the case may be, shall be proportionately decreased, and in the event that the Maker shall at any time combine the outstanding securities as to which conversion rights under this Note exist, the number of securities as to which conversion rights under this Note exist immediately prior to such combination shall be proportionately decreased, and the Paragraph 5 Conversion Rate or Paragraph 6 Conversion Rate, as the case may be, shall be proportionately increased, effective at the close of business on the date of such subdivision, stock dividend or combination, as the case may be.

(c) Cash Distributions. No adjustment on account of cash dividends or interest on the securities as to which conversion rights under this Note exist will be made to the Paragraph 5 Conversion Rate or Paragraph 6 Conversion Rate under this Note.

1 2 . Substitution of Securities for Capital Reorganization, Merger or Consolidation. If at any time while this Note, or any portion hereof, remains outstanding there shall be a reorganization (other than a combination, reclassification or subdivision of shares as otherwise provided for herein) involving the Maker where the Shares of the Maker are substituted or replaced for securities of another entity (a "Reorganization Event"), then, at the option of Maker, this Note shall cease to represent the right to receive any of the securities as to which purchase rights under this Note exist and shall automatically represent the right to receive upon the conversion of this Note, during the period specified herein, the number of shares of stock or other securities or property offered to the Maker's holders of securities as to which conversion rights under this Note exist in connection with such Reorganization Event that a holder of such securities deliverable upon conversion of this Note would have been entitled to receive in such Reorganization Event if this Note had been converted immediately before such Reorganization Event, subject to further adjustment as provided in this Section 12. The foregoing provisions of this Section 12 shall similarly apply to successive reorganizations, consolidations, mergers, sales, and transfers to the extent that the obligations of the Maker under this Note are assigned to or assumed by an successor corporation or entity, whether by operation of law or otherwise, and to the stock or securities of any other corporation that are at the time receivable upon the conversion of this Note. If the per-share consideration payable to the Holder for shares of stock in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Maker's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Maker's Board of Directors) shall be made in the application of the provisions of this Note with respect to the rights and interests of Holder after the transaction, to the end that the provisions of this Note shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon conversion of this Note.

In Witness Whereof, the undersigned has caused this Note to be executed as of the date set forth above.

SECOND SIGHT MEDICAL PRODUCTS, INC.

By _____
Robert Greenberg, President

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT UNDER THE ACT WITH RESPECT TO THIS WARRANT HAS BECOME EFFECTIVE OR UNLESS THE HOLDER ESTABLISHES TO THE SATISFACTION OF THE COMPANY THAT AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SECOND SIGHT MEDICAL PRODUCTS, INC.

WARRANT TO PURCHASE COMMON STOCK

NAME OF ISSUEE/HOLDER: _____

DATE OF ISSUANCE: _____, 201___

EXPIRATION DATE: _____, or earlier as provided herein.

NUMBER OF COMMON SHARES THAT MAY BE PURCHASED (the "Allotment

Amount"): _____

EXERCISE PRICE: Five Dollars ($5.00) per share

TERMS AND CONDITIONS OF WARRANT

The following is a statement of the rights of the Holder of this Warrant and the conditions to which this Warrant is subject, and to which the Holder, by acceptance of this Warrant, agrees:

1 . Right to Purchase Shares. This certifies that the Holder identified above (the "Holder") is entitled to subscribe for, and purchase from Second Sight Medical Products, Inc. (the "Company"), upon the terms and conditions set forth herein, at any time prior to the Expiration Date set forth above (the "Expiration Date"), up to the number of shares of common stock of the Company ("Shares") set forth above (the "Allotment Amount") for the purchase/exercise price (the "Exercise Price") per Share set forth above.

2. Association with 2013 Convertible Note. This Warrant is being issued in conjunction with, and as consideration in part for, the purchase by the Holder of a 2013 Convertible Promissory Note (the "Note") being issued by the Company to Holder on even date herewith. In that regard, the Allotment Amount has been calculated to equal the product of (a) twenty percent (20%) multiplied by (b) the face amount of the Note divided by Five Dollars ($5). It is expressly understood that actual conversion of the Note into shares of the common stock of the Company by action of the Holder, the Company, or automatically, shall not be a condition to Holder's ability to exercise Holder's right to purchase all or any portion of the Holder's Allotment Amount from the Company under this Warrant.

3. Adjustment to Exercise Price. The Exercise Price shall be adjusted pursuant to paragraph 9., hereof, to appropriately reflect any stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization, or other like change with respect to the common stock of the Company occurring after the date hereof and before the exercise of the Warrant.

4. Exercise of Warrant. This Warrant may be exercised by Holder, in whole or in part, at any time after the date hereof and, except as provided in paragraph 11, hereof, continuing until 5:00 p.m. Pacific Standard Time on the close of business on the Expiration Date or if the Expiration Date shall fall on a weekend or holiday, then as provided in paragraph 8., hereof. To effectuate the exercise of this Warrant, the Holder shall deliver and surrender to the Company the original of this Warrant, along with a written notice in the form annexed hereto as Exhibit "A", duly signed by the Holder, along with a check made payable to the Company in immediately available funds for the full purchase price of that portion of, or all of, the Allotment Amount being purchased. Within ten (10) of the Company's receipt of all of the foregoing, or if later upon confirmation that any check delivered to the Company for the shares being purchased has cleared and been fully honored, the Company shall cancel this Warrant and deliver to the Holder a stock certificate in the name of the Holder as record owner for the number of shares so purchased. In the event that the Warrant is being exercised for less than the remaining outstanding Allotment Amount and the Expiration Date has not yet occurred, the Company shall not cancel the Warrant but shall instead indicate and certify thereon that a partial exercise of the Warrant has occurred, stipulate the remaining unexercised portion of the Allotment Amount, and then return the Warrant, as so modified, to the Holder.

The Company covenants that all Shares which may be issued upon the exercise of rights represented by this Warrant will, upon exercise of the rights represented by this Warrant, be validly issued, fully paid and non-assessable and free from all taxes, liens and charges in respect of the issuance thereof.

5. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current fair market value (determined in accordance with Section 2(b)(i)) of a Share shall be paid in cash to the Holder.

6 . Charges, Taxes and Expenses. Issuance of certificates for Shares upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder; provided, however, that in no event shall the Company be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder, and the company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or is not payable.

7 . No Rights as Stockholder. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof.

8 . Saturday, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, a Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

9. Adjustments. Subject to paragraph 11., hereof, the Exercise Price and the number of Shares purchasable hereunder are subject to adjustment from time to time as set forth in this Section 9.

(a) Reclassification, etc. If the Company, at any time, while this Warrant, or any portion hereof, remains outstanding and unexpired by reclassification of securities or otherwise, shall change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities or any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be appropriately adjusted, all subject to further adjustment as provided in this Section 9.

(b) Subdivision or Combination of Shares. In the event that the Company shall at any time subdivide the outstanding securities as to which purchase rights under this Warrant exist, or shall issue a stock dividend on the securities as to which purchase rights under this Warrant exist, the number of securities as to which purchase rights under this Warrant exist immediately prior to such subdivision or to the issuance of such stock dividend shall be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the Company shall at any time combine the outstanding securities as to which purchase rights under this Warrant exist, the number of securities as to which purchase rights under this Warrant exist immediately prior to such combination shall be proportionately decreased, and the Exercise Price shall be proportionately increased, effective at the close of business on the date of such subdivision, stock dividend or combination, as the case may be.

(c) Adjustment for Capital Reorganization, Merger or Consolidation. If at any time while this Warrant, or any portion hereof, remains outstanding and unexpired there shall be a reorganization (other than a combination, reclassification or subdivision of shares as otherwise provided for herein) involving the Company (a "Reorganization Event"), then this Warrant shall cease to represent the right to receive any of the securities as to which purchase rights under this Warrant exist and shall automatically represent the right to receive upon the exercise of this Warrant, during the period specified herein and upon payment of the Exercise Price then in effect, the number of shares of stock or other securities or property offered to the Company's holders of securities as to which purchase rights under this warrant exist in connection with such Reorganization Event that a holder of such securities deliverable upon exercise of this Warrant would have been entitled to receive in such Reorganization Event if this warrant had been exercised immediately before such Reorganization Event, subject to further adjustment as provided in this Section 9. The foregoing provisions of this Section 9(c) shall similarly apply to successive reorganizations, consolidations, mergers, sales, and transfers to the extent that this Warrant is assigned to or assumed by an successor corporation or entity, whether by operation of law or otherwise, and to the stock or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. If the per-share consideration payable to the Holder for shares of Warrant Stock in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

(d) Cash Distributions. No adjustment on account of cash dividends or interest on the securities as to which purchase rights under this Warrant exist will be made to the Exercise Price under this Warrant.

10. Notices For Action. In the event (i) the Company shall take a record of the holders of the securities at the time receivable upon the exercise of this Warrant for the purpose of entitling them to receive any dividend or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, (ii) of any capital reorganization of the Company, (iii) of any reclassification of the capital stock of the Company, or (iv) of any voluntary dissolution, liquidation or winding-up of the Company, then, and in each such case, the Company will mail or cause to be mailed to the Holder a notice specifying, as the case may be, (A) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (B) the date on which such reorganization, reclassification, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of the securities at the time receivable upon the exercise of this Warrant shall be entitled to exchange such securities for the securities or other property deliverable upon such reorganization, reclassification, dissolution, liquidation or winding-up. Such notice shall be mailed at least ten (10) days prior to the date therein specified for action to be taken by the Holder to the address specified by the Holder.

11. Omitted.

12. Miscellaneous.

(a) Restrictions on Transfer. This Warrant and all rights hereunder shall not be assignable, conveyable or transferable, without the prior written consent of the Company; provided, however, that the foregoing restrictions shall not apply to any assignment, conveyance or transfer of this Warrant and all rights hereunder (i) to a partner or retired partner of the Holder if the Holder is a partnership or to a member of the Holder if the Holder is a limited liability company, or (ii) to a family member of the Holder or a trust for the benefit of the holder or a family member of the Holder if the Holder is an individual, or (iiii) by will or the laws of descent and distribution upon the death of the Holder if the Holder is an individual, provided, in each case, that (A) such assignment, conveyance or transfer is made in compliance with all applicable securities laws and (B) the Holder notifies the Company of such assignment, conveyance or transfer. Any attempted transfer, assignment, or other conveyance of this Warrant not in compliance with this subparagraph (a) shall be null and void and of no force or effect.

(b) Amendment and Waivers. No amendment or waiver of any provision of this Warrant, nor consent to any departure by the Company herefrom, shall in any event be effective unless the same shall be in writing and signed by the Holder and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) Loss, Theft, Destruction or Mutilation of Warrant. On receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

(d) Successors and Assigns. Subject to Section 11(a) above, the rights and obligations of the Company and the Holder of this Warrant shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

(e) Governing Law. This Warrant shall be governed in all respects by the laws of the State of California, without regard to its principles of conflicts of law.

(f) Subscription Agreement. This Warrant is issued pursuant and subject, to all of the terms, conditions, representations, and disclosures set forth in the Statement of Investor Suitability and Subscription Agreement for 2013 Convertible Notes and Warrants (the "Subscription Agreement"), the Notice to Shareholders, and Notice to Interested Parties, all issued in January of 2013.

(g) Notices. Any Notice and other communications required or permitted hereunder shall be in writing and shall be mailed by (a) registered or certified mail, postage prepaid, (b) overnight delivery by commercial carrier, by facsimile or electronic mail or otherwise, delivered by hand or by messenger, addressed to the parties at their respective addresses which, in the case of the Holder, shall, unless otherwise indicated in writing, be that address specified in the Holder's Subscription Agreement duly executed by the Holder to subscribe for this Warrant. Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, or, if sent by mail, on the third day following deposit in the United States mail, or if sent by facsimile or electronically, upon electronic confirmation.

Robert Greenberg
President

Holder

AIR COMMERCIAL REAL ESTATE ASSOCIATION

STANDARD MULTI-TENANT OFFICE LEASE - NET

1. **Basic Provisions ("Basic Provisions")**.

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only April 15, 2014, is made by and between Mann Biomedical Park, LLC, a Delaware Limited Liability Company (formerly Sylmar Biomedical Park, LLC, a Delaware Limited Liability Company) ("**Lessor**") and Second Sight Medical Products, Inc., a California Corporation ("**Lessee**"), (collectively the "**Parties**", or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), known as Suite Number(s) 400, Building 3 floor(s), consisting of approximately 45,351 rentable square feet and approximately 42,706 useable square feet ("**Premises**"). The Premises are located at: 12744 San Fernando Road, in the City of Los Angeles, County of Los Angeles, State of California, with zip code 91342. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall ~~not~~ have ~~any~~ rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project**." The Project consists of approximately 181,025 rentable square feet. (See also Paragraph 2)

1.2(b) **Parking:** 30 unreserved and zero reserved vehicle parking spaces at a monthly cost of $0 per unreserved space and $zero (0) per reserved space. (See Paragraph 2.6)

1.3 **Term:** seven (7) years and nine (9) months ("**Original Term**") commencing May 1, 2014 ("**Commencement Date**") and ending February 28, 2022 ("**Expiration Date**"). (See also Paragraph 3)

1.4 **Early Possession:** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing N/A ("**Early Possession Date**"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** $30,883.30 per month ("**Base Rent**)", payable on the first day of each month commencing May 1, 2014. (See also Paragraph 4)

☑ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 50

1.6 **Lessee's Share of Operating Expenses:** thirty-eight & 2/100 percent (38.2%) ("**Lessee's Share**"). In the event that that size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification. Tenant is 38.22% of the Building and 25.05% of the business park (Building 3 total is 118,674 sq. ft. and Business Park total 181,025 sq. ft.)

1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** $30,883.30 each month for the period 05/01/14 – 02/28/2015.

(b) **Operating Expenses:** $31,351.16 each month for the period 05/01/2014 – 02/28/2015.

(c) **Security Deposit:** $zero (0) ("**Security Deposit**"). (See also Paragraph 5)

(d) **Parking:** $zero (0) for the period None.

(e) **Other:** $zero (0) for _____.

(f) **Total Due Upon Execution of this Lease:** $62,234.46.

1.8 **Agreed Use:** General office, research and development of bio-medical devices and other bio-medical products. (See also Paragraph 6)

1.9 **Insuring Party.** Lessor is the "**Insuring Party**". (See also Paragraph 8)

1.10 **Real Estate Brokers:** (See also Paragraph 15 and 25)

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transaction (check applicable boxes):

☐ _____ represents Lessor exclusively ("**Lessor's Broker**");
☐ _____ represents Lessee exclusively ("**Lessee's Broker**"); or
☐ _____ represents both Lessor and Lessee ("**Dual Agency**").

(b) ~~**Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers for the brokerage services rendered by the Brokers the fee agreed to in the attached separate written agreement or if no such agreement is attached, the sum of _____ or _____% of the total Base Rent payable for the Original Term, the sum of _____ or _____ of the total Base Rent payable during any period of time that the Lessee occupies the Premises subsequent to the Original Term, and/or the sum of _____ or _____% of the purchase price in the event that the Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises.~~

1.11 **Guarantor.** The obligations of the Lessee under this Lease shall be guaranteed by N/A ("**Guarantor**"). (See also Paragraph 37)

1.12 **Business Hours for the Building:** Twenty-Four (24) hours per day, seven (7) days per week, fifty-two (52) weeks per year. ~~a.m. to _____ p.m., Mondays through Fridays (except Building Holidays) and _____ a.m. to _____ p.m. on Saturdays (except Building Holidays). **Building Holidays**" shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and _____ _____.~~

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1.13 **Lessor Supplied Services**. Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following within the Premises:

☐ Janitorial services
☐ Electricity
☑ Other (specify): Service, maintenance, repair and/or replacement of clean room and/or related equipment, or specialized equipment including, but not limited to dryers, environmental chambers or air handling equipment not associated with the HVAC for standard office space.

1.14 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

☑ an Addendum consisting of Paragraphs 50 through 53;
☑ a plot plan depicting the Premises;
☐ a current set of the Rules and Regulations;
☐ a Work Letter;
☐ a janitorial schedule;
☑ other (specify): Exhibit "A"

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee in a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law.

2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) The monthly rent per parking space specified in Paragraph 1.2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

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exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expenses) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed be Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1. **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent").

4.2 **Operating Expenses.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share of all Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "**Operating Expenses**" include all costs incurred by Lessor relating to the ownership and operation of the Project, calculated as if the Project was at least 95% occupied, including, but not limited to, the following:

(i) The operation, repair, and maintenance in neat, clean, safe, good order and condition, of the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, lessees or occupants of the Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.

(cc) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.

(ii) The cost of trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;

(iii) The cost of any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

(iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;

(v) The amount of the Real Property Taxes payable by Lessor pursuant to paragraph 10;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;

(vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;

(viii) The cost to replace equipment or capital components such as the roof, foundations, or exterior walls, the cost to replace a Common Area capital improvement, such as the parking lot paving, elevators or fences, and/or the cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3. Provided however, that if such equipment or capital component has a useful life for accounting purposes of 5 years or more that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such capital improvement in any given month;

(ix) The cost to replace equipment or improvements that have a useful life for accounting purposes of 5 years or less.

(x) Reserves set aside for maintenance, repair, and/or replacement of Common Area improvements and equipment.

(b) Any item of Operating Expense that is specifically attributable to the Premises, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any such item that is not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose

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(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Operating Expenses is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the Operating Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Operating Expenses for the preceding year. If Lessee's payments during such year exceed Lessee's Share, Lessor shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

(e) Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Operating Expenses, and any remaining amount to any other outstanding charges or costs.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit. Refer to Addendum Paragraph 53.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into

by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request investigative and remedial responsibilities.

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(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of written request therefor.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.** Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any improvements within the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "**Utility Installations**" refers to all floor and window coverings, air lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed $2000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership**. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. * Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent. *Including any Lessee Installed alterations performed in prior leases for the Premises with Lessee.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

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8. **Insurance; Indemnity.**

8.1 **Insurance Premiums.** The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (a)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "**insured contract**" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full insurable replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $5,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("**Rental Value insurance**"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and

consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

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9. **Damage or Destruction.**

9.1 **Definitions.**

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or

rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

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10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities and Services.**

11.1 **Services Provided by Lessor.** Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

11.2 **Services Exclusive to Lessee.** Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 **Excess Usage by Lessee.** Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 **Interruptions.** There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "**assign or assignment**") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "**Net Worth of Lessee**" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and nonfixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A "**Default**" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guarantee and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material data safety sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "**debtor**" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "**Inducement Provisions**", shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed

upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

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(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided, however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

15.1 **Additional Commission.** If a separate brokerage fee agreement is attached then in addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule attached to such brokerage fee agreement.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Project, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by

courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

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(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) *Lessor's Agent.* A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: *To the Lessor:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. *To the Lessee and the Lessor:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties, b. A duty of honest and fair dealing and good faith, c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) *Lessee's Agent.* An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. *To the Lessee:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. *To the Lessee and the Lessor*: a. Diligent exercise of reasonable skills and care in performance of the agent's duties, b. A duty of honest and fair dealing and good faith, c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) *Agent Representing Both Lessor and Lessee.* A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee, b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover**. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies**. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement**. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law**. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; NonDisturbance**.

30.1 **Subordination**. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment**. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **NonDisturbance**. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**NonDisturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to

provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing**. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees**. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

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32. **Lessor's Access; Showing Premises; Repairs**. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee. In addition, Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. **Auctions**. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs**. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Lessor may not place any sign on the exterior of the Building that covers any of the windows of the Premises. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger**. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents**. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor**.

37.1 **Execution**. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 **Default**. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession**. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options**. If Lessee is granted an Option, as defined below, then the following provisions shall apply.

39.1 **Definition**. "Option" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee**. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options**. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options**.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Security Measures**. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. **Reservations**.

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on pole signs in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

42. **Performance Under Protest**. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" with 6 months shall be deemed to have waived its right to protest such payment.

43. **Authority; Multiple Parties; Execution**.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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44. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. **Offer**. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments**. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**

48. **Arbitration of Disputes**. An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease ☐ is ☑ is not attached to this Lease.

49. **Americans with Disabilities Act**. Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2 . RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.
WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at:	Sylmar, CA	Executed at:	Sylmar, CA
On:	7/21/14	On:	July 21, 2014
By **LESSOR:**		By **LESSEE:**	
Mann Biomedical Park, LLC a Delaware Limited Liability Company		Second Sight Medical Products, Inc. a California Corporation	
By:	/s/ Anoosheh Bostani	By:	/s/ Robert Greenberg
Name Printed:	Anoosheh Bostani	Name Printed:	Robert Greenberg
Title:	Manager	Title:	President
By:		By:	
Name Printed:		Name Printed:	
Title:		Title:	
Address:		Address:	
Telephone:	( )	Telephone:	( )
Facsimile:	( )	Facsimile:	( )
Email:		Email:	
Email:		Email:	
Federal ID No.		Federal ID No.	
LESSOR'S BROKER:		**LESSEE'S BROKER:**	
Attn:		Attn:	
Title:		Title:	
Address:		Address:	
Telephone:	( )	Telephone:	( )
Facsimile:	( )	Facsimile:	( )
Email:		Email:	
Federal ID No.		Federal ID No.	
Broker/Agent DRE License #:		Broker/Agent DRE License #:	

INITIALS INITIALS

INITIALS INITIALS

OPTION(S) TO EXTEND
STANDARD LEASE ADDENDUM

Dated	April 15, 2014
By and Between (Lessor)	Mann Biomedical Park, LLC, a Delaware Limited Liability Company
By and Between (Lessee)	Second Sight Medical Products, Inc.
Address of Premises:	12744 San Fernando Road, Los Angeles, CA 91342 Suite 400

Paragraph 51

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one additional 60 month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least 6 but not more than 9 months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(ii) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease, are conditions of this Option.

(iii) Except for the provisions of this Lease granting an option or options to extend the term, all of the terms and conditions of this Lease except where specifically modified by this option shall apply.

(iv) This Option is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and without the intention of thereafter assigning or subletting.

(v) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:
(Check Method(s) to be Used and Fill in Appropriately)

~~☐ I. Cost of Living Adjustment(s) (COLA)~~

~~a. On (Fill in COLA Dates): _____ the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area):~~

~~_____~~

~~All Items (1982-1984 = 100), herein referred to as "CPI".~~

~~b. The monthly rent payable in accordance with Paragraph A.I.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.I.a above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): ☐ the first month of this term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"):~~

~~_____~~

~~The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.~~

~~c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the parties.~~

~~☐ II. Market Rental Value Adjustment(s) (MRV)~~

~~a. On (Fill in MRV Adjustment Date(s)) _____ the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:~~

~~1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached, within thirty days, then:~~

INITIALS INITIALS

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~~(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or~~

~~(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions:~~

~~(i) Within 15 days thereafter, Lesser and Lessee shall each select an ☐ appraiser or ☐ broker (**"Consultant"** check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.~~

~~(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lesser's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.~~

~~(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.~~

~~(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, ie. the one that is NOT the closest to the actual MRV.~~

~~2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.~~

~~b. Upon the establishment of each New Market Rental Value:~~

~~1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and~~
~~2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.~~

☑ **III. Fixed Rental Adjustment(s) (FRA)**

The Base Rent shall be increased to the following amounts on the dates set forth below, which represent three percent (3%) fixed annual increases:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:	
3/1/2022	$	41,155.10
3/1/2023	$	42,389.75
3/1/2024	$	43,661.44
3/1/2025	$	44,971.28
3/1/2026	$	46,320.42

B. NOTICE:

Unless specified otherwise herein, notice of any rental adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE:

The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease or if applicable, paragraph 9 of the Sublease.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

INITIALS INITIALS

44. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. **Offer**. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments**. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**

48. **Arbitration of Disputes**. An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease ☐ is ☑ is not attached to this Lease.

49. **Americans with Disabilities Act**. Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.
WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at:	Executed at:
On:	On:
By **LESSOR:**	By **LESSEE:**
Mann Biomedical Park, LLC a Delaware Limited Liability Company	Second Sight Medical Products, Inc. a California Corporation
By: /s/ Anoosheh Bostani Name Printed: Anoosheh Bostani Title: Manager	By: /s/ Robert Greenberg Name Printed: Robert Greenberg Title: President
By: Name Printed: Title: Address:	By: Name Printed: Title: Address:
Telephone: ( ) Facsimile: ( ) Email: Email: Federal ID No.	Telephone: ( ) Facsimile: ( ) Email: Email: Federal ID No.
LESSOR'S BROKER:	**LESSEE'S BROKER:**
Attn: Title: Address:	Attn: Title: Address:
Telephone: ( ) Facsimile: ( ) Email: Federal ID No. Broker/Agent DRE License #:	Telephone: ( ) Facsimile: ( ) Email: Federal ID No. Broker/Agent DRE License #:

INITIALS INITIALS

RENT ADJUSTMENT(S)
STANDARD LEASE ADDENDUM

Dated April 15, 2014

By and Between (Lessor) Mann Biomedical Park, LLC, a Delaware Limited Liability Company (formerly Sylmar Biomedical Park, LLC, a Delaware Limited Liability Company)

(Lessee) Second Sight Medical Products, Inc.

Address of Premises: 12744 San Fernando Road, Los Angeles, CA 91342 Suite 400

Paragraph 50

A. RENT ADJUSTMENTS:

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below: (Check Method(s) to be Used and Fill in Appropriately)

☐ ~~I. Cost of Living Adjustment(s) (COLA)~~

~~a. On (Fill in COLA Dates): _____ the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982-1984 = 100), herein referred to as "CPI".~~

~~b. The monthly rent payable in accordance with Paragraph A.I.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.I.a above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): the ☐ first month of this term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment. However, In no event shall the annual increase be less than three percent (3%), or greater than six percent (6%).~~

~~c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the parties.~~

☐ ~~**II. Market Rental Value Adjustment(s) (MRV)**~~

~~a. On (Fill in MRV Adjustment Date(s)) _____ the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:~~

~~1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached, within thirty days, then:~~

~~(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or~~

~~(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions:~~

~~(i) Within 15 days thereafter, Lesser and Lessee shall each select an ☐ appraiser or ☐ broker (**"Consultant"** check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.~~

~~(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lesser's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.~~

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~~(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.~~

~~(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, ie. the one that is NOT the closest to the actual MRV.~~

~~2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.~~

~~b. Upon the establishment of each New Market-Rental Value:~~
~~1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and~~
~~2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.~~

☑ **III. Fixed Rental Adjustment(s) (FRA)**

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:	
03/01/2015 - 02/29/2016	$	33,106.23
03/01/2016 - 02/28/2017	$	34,466.76
03/01/2017 - 2/28/2018	$	35,500.76
03/01/2018 - 2/28/2019	$	36,565.79
3/01/2019 - 2/29/2020	$	37,662.76
3/01/2020 - 2/28/2021	$	38,792.64
3/01/2021 - 2/28/2022	$	39,956.41

B. NOTICE:

Unless specified otherwise herein, notice of any such adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE:

The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease or if applicable, paragraph 9 of the Sublease.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

INITIALS INITIALS

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ADDENDUM

Date: April 15, 2014

By and Between (Lessor) Mann Biomedical Park, a Delaware Limited Liability Company (formerly Sylmar Biomedical Park, LLC, a Delaware Limited Liability Company)

(Lessee) Second Second Medical Products, Inc.

Address of Premises: 12744 San Fernando Road, Los Angeles, CA 91342 Suite 400

Paragraph 52 and 53

In the event of any conflict between the provisions of this Addendum and the printed provisions of the Lease, this Addendum shall control.

52. Assignment and Subletting: In avoidance of doubt, filing an IPO is not considered a transfer of lease and will not require Landlord consent. Lessee may transfer its interest in the Premises and/or Lease to any Affiliate (as defined below) of Lessee without Lessor's consent provided Lessee shall not be released from its obligations under the Lease. Lessee shall provide Lessor with prompt notice of any such transfer to an Affiliate and promptly supply Lessor with any documents or information requested by Lessor regarding such assignment or sublease or such affiliate. The change in the control of ownership of Lessee shall not be a transfer that requires Lessor consent unless neither Lessee nor the new controlling (non-affiliated) entity shall satisfy the Net Worth requirement under Paragraph 12.1(c). The term "Affiliate" shall mean (i) any entity that is controlled by, controls or is under common control with, Lessee or (ii) any entity that merges with, is acquired by, or acquires Lessee through the purchase of stock or assets and where the net worth of the surviving entity as of the date such transaction is completed is not less than that of Lessee immediately prior to the transaction calculated under generally accepted accounting principles. "Control," as used in this Section shall mean the ownership, directly or indirectly, of greater than fifty percent (50%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of greater than fifty percent (50%) of the voting interest in, an entity.

53. Chemicals List: To the extent Lessor's consent is required under Section 6.2 of Lease, Lessor consents to Tenant's use, subject to the terms of Section 6.2 of Lease, of the chemicals list attached as Exhibit "A" entitled "Chemical Addendum to the Lease Agreement between Mann Biomedical Park, LLC and Second Sight Medical Products Inc."

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Exhibit A
Chemical Addendum to the Lease Agreement between
Mann Biomedical Park, LLC and Second Sight Medical Products, Inc.

Name	Manufacturer
1-methoxy-2-propanol	Sigma Aldrich
1-methyl-2-pyrrolidinone	Alfa Aesar
3,4-Ethylenedioxythiophene	Sigma Chemical
Acetone	Burdick & Jackson
Acetone	Burdick & Jackson
Adhesion Promoter	HD Microsystems
Adhesion Promoter	HD Microsystems
Adhesive Silicone	Nusil Technology
Adhesive Silicone	Nusil Technology
Adhesive Silicone	Nusil Technology
Adhesive Silicone	Nusil Technology
Adlebond	Henkel
Ammonium Chloride	Fluka Chemical
Ammonium Hexachloroplatinate	Alfa Aesar
Ammonium Hexachloroplatinate (IV), Pt 43.4%	Alfa Aesar
Ammonium Hydroxide	Fluka Chemical
Ammonium Hydroxide	EMD
Ammonium Hydroxide	EMD
Ammonium Hydroxide 5.0N	Fluka/Sigma
Ascorbic Acid	Sigma Chemical
AZ Developer 1 : 1	AZ Electronic Materials

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AZ 300 MIF Developer	AZ Electronic Materials
AZ 400K Developer	
AZ Developer, Diluted 1:1	AZ Electronic Materials
AZ nLOF 2035 Photoresist	
AZ300 MIF Developer	AZ Electronic Materials
Baker PRS 3000	JT Baker
Baker PRS 3000	JT Baker
Bondline 2824 Platinum Epoxy	
Bondline 2900 LV	
Calcium Carbonate	Alfa Aesar
Calcium Chloride	AMERESCO
Calcium Oxide	Sigma Chemical
Calconcarboxylic Acid	Sigma Chemical
Cellgro F-12 50/50	Mediatech
Chloroform	Sigma Chemical
Chromium (III) Oxide, 99.9%	Sigma Aldrich
Chromium (VI) Oxide, 99.9%	Sigma Aldrich
Cleaning and Deoxidizing Solution	Brooktronics Engineering
Copper (II) Sulfate Pentahydrate, 98%	Sigma Chemical
CR7 Chrome Mask Etchant OM Group Cyantek	
Diethyl Ether	Sigma
Dulbecco’s Modified Eagle’s Medium	ATCC
Durabond E20NS Epoxy Adhesive	Loctite
Durabond U05FL Urethane Adhesive	Loctite
Epo-Tek	

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Epo-Tek 353ND, Part A	Epoxy Technology
Epo-Tek 353ND, Part B	Epoxy Technology
Epo-Tek 353ND4 Part A	Epoxy Technology
Epo-Tek 353ND4 Part B	Epoxy Technology
Eriochrome	Sigma Chemical
Ethylene Glycol	Sigma Chemical
Ethylenediaminetetraacetic	Alfa Aesar
Ethylenediaminetetraacetic	Sigma Chemical
Ethylenediaminetetraacetic 0.5M	Alfa Aesar
Ferroin Solution	Fluka Chemical
Horse Serum	Sigma Aldrich
Hydrazine Anhydrous, 98%	Sigma Chemical
Hydrochloric Acid	Fluka Chemical
Hydrochloric Acid	Fluka Chemical
Hydrochloric Acid	Fluka Chemical
Hydrochloric Acid	Fisher Scientific
Hydrofluoric Acid (no more than 60%)	JT Baker
Hydrofluoric Acid 10:1	JT Baker
Hydrofluoric Acid, 48%	Sigma Chemical
Hydrofluoric Acid, 60%	JT Baker
Hydrogen Peroxide	Aldrich Chemical
Hydrogen Peroxide, 30%	KMG Chemicals
Hydrogen Peroxide, 30%	KMG Chemicals
Hydroxyethyl Cellulose	TCI
Iron (II) Chloride Tetrahydrate, 97%	Sigma Aldrich

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Iron (III) Chloride Hexahydrate, 97%	Sigma Aldrich
Isopropyl Alcohol	Decon Laboratories
Isopropyl Alcohol	Burdick & Jackson
Isopropyl Alcohol	Burdick & Jackson
Isopropyl Alcohol	Burdick & Jackson
Isopropyl Alcohol, 70%	MCC
Kester 1544 Rosin Soldering Flux	TCI
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquid Silicone Elastomer	Nusil Technology
Liquinox Critical Cleaning Liquid Detergent	Alconox
Loctite 5421	Henkel
Loctite FP 4531	Henkel
Master Bond	Master Bond
Master Bond	Master Bond
Master Bond EP3HTMED	Master Bond
Master Bond EP42HT-2	Master Bond
McCoy’s 5A Medium	Lonza
Methanol	BDH Chemicals
Methanol	BDH Chemicals

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Moisture Barrier Silicone	Transene Company
Multi-etch TM	
Murexide	Sigma Chemical
Nitric Acid	Fisher Scientific
Nitric Acid	Fisher Scientific
Nitric Acid, 70%	Sigma Aldrich
Nitric Acid, Fuming HN03, >90%	Aldrich Chemical
Octaethylene Glycol Monohexadecyl Ether	Sigma Chemical
Osmium Tetroxide Solution	Fluka Chemical
Paraformaldehyde Solution, 4%	USB
Paraformaldehyde Solution, 4%	USB
Perchloric Acid 1.0N	VWR
Perfluorooctame	Aldrich Chemical
Phenolphthalein	Aqua Solution
Phosphate Buffered Saline	Sigma Chemical
Phosphoric Acid, ≥85 wt.%	Sigma Aldrich
Phosphoric Acid, ≥85 wt.%	Sigma Chemical
Platinum AP RTU, 5 wt%	Aldrich Chemical
Poly (Acrylic Acid)	Sigma Chemical
Poly-L-Ornithine	Sigma Aldrich
Potassium Carbonate	Sigma Chemical
Potassium Chloride	Fisher Scientific
Potassium Chromate	Alfa Aesar
Potassium Hydroxide	Fluka Chemical
Potassium Hydroxide	Sigma Chemical

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Potassium Hydroxide Reagent Grade (flakes)	Sigma Chemical
Potassium Hydroxide Volumetric Standard, 1.0N	
Potassium Iodide	Sigma Chemical
Potassium Permanganate	Sigma Chemical
Potassium Phosphate Monobasic	Sigma Chemical
Propylene Glycol	SAFC
Pyrrole, 98%	Sigma Aldrich
Silicone Crosslinker	Nusil Technology
Silicone Primer	Nusil Technology
Silicone Primer	Nusil Technology
Silicone Primer	Nusil Technology
Silver Nitrate	Alfa Aesar
Simple Green Cleaner	
Sodium Azide	Sigma Chemical
Sodium Chloride	Sigma Chemical
Sodium Chloride	Sigma Chemical
Sodium Chloride, Crystal	Mallinckrodt Chemicals
Sodium DiHydrogen Phosphate Anhydrous	Fluka Chemical
Sodium Hydrogen Carbonate	Fluka Chemical
Sodium Hydroxide	Sigma
Sodium Hypochlorite, 5%	Acros
Sodium Nitrate, 99.0%	Sigma Chemical
Sodium Oxalate	
Sodium Persulfate Natriumpersulfate	Fluka Chemical
Sodium Phosphate Dibasic	Sigma Chemical

Initials Initials

Sodium Phosphate Dibasic	Sigma Chemical
Sodium Phosphate Dibasic	Sigma Chemical
Sodium Phosphate Dibasic Anhydrous	Fluka Chemical
Sodium Phosphate Dibasic Anhydrous	Fluka Chemical
Sodium Phosphate Monobasic	Sigma Aldrich
Sodium Phosphate Tribasic	Sigma Chemical
Sodium Phosphate Tribasic	Sigma Chemical
Sodium Phosphate, Dibasic Heptahydrate	Omnipur
Sodium Phosphate, Dibasic Heptahydrate	Omnipur
Sodium p-toluene-sulfonate, 95%	Aldrich Chemical
Sodium Thiosulphate Pentahydrate	Sigma Chemical
Sterile Isopropyl Alcohol Solution Filtered to 0.2mm	Decon Laboratories
Sulfuric Acid	BDH Chemicals
Sulfuric Acid 1mol/l	BDH Chemicals
Sulfuric Acid GR	EM Science
Toluene	Burdick & Jackson
Tri-sodium Phosphate	Fluka Chemical
Trypsin EDTA, 1X	Mediatech
Trypsin EDTA, 1X	Mediatech
Urea Hydrogen Peroxide	Aldrich Chemical
Xylenol Orange Tetrasodium Salt	Sigma Chemical
Zinc	Aldrich Chemical

Initials Initials

Second Sight Medical Products, Inc.

Code of Business Conduct and Ethics

PURPOSE AND EXPECTATIONS

This Code of Business Conduct and Ethics (the "Code") is a formal statement of the core values and beliefs of Second Sight Medical Products, Inc. ("Second Sight") that provides the foundation for all business conduct. The Code expresses our commitment, as a company, and as individuals, to conduct our business with integrity at all times. It expresses our common understanding of what we at Second Sight mean when we talk about acting with integrity, honesty and fairness. It means that:

- We respect both the laws of all places where we operate and our own Second Sight policies and procedures;
- We are honest and treat people with respect and dignity; and
- We are courageous and accountable in our effort to comply with this Code and make Second Sight a great place to work.

This Code is the cornerstone of our Compliance Program. Each of us on the worldwide Second Sight team is expected to comply with the spirit, as well as the letter, of this Code in all of our dealings on Second Sight's behalf. Since no code of conduct can anticipate each and every situation that we may encounter, many of the concepts described in this Code are further explained in our policies and procedures. The broad guidelines of this Code can help us make good decisions and act with integrity when facing challenging situations in the course of performing our jobs.

Individual Responsibility

We all must be role models for corporate integrity. Every one of us can influence and lead our fellow team members, when it comes to behaving honorably. Only by working together can we maintain our culture of integrity, accountability, and courage. This means acting with fairness and honesty in all of our dealings and exercising sound judgment in performing our jobs. None of us needs to face challenging situations alone; always ask questions and/or seek appropriate input from your supervisor before making decisions or taking actions that could raise legal or ethical issues.

Supervisor Responsibility

In addition to every individual's responsibilities, supervisors carry the additional responsibility of setting direction and maintaining an environment within their work groups that supports and fosters corporate integrity. No Second Sight employee should be asked to break the law, or go against Second Sight's values, policies and procedures. Every employee should be retrained on this Code of Ethics at least once a year..

Compliance with the Law

We play by the rules. We respect the letter and spirit of the laws and customs of all locations where we operate and/or do business. Laws vary from place to place, and what may be legal in one place may be illegal in another. You have a responsibility to acquire appropriate knowledge of and comply with the laws and regulations that apply to your job and your area of responsibility and to recognize the potential dangers of non-compliance.

Employees should not take any action on behalf of Second Sight that they know, or reasonably should know, violates any law or regulation. If you have questions regarding the application of particular laws or regulations, contact the Legal Department. If you are advised that an action or inaction would constitute a violation of law or regulation, you are expected to follow the advice of legal counsel. It is Second Sight's policy that each employee acts in a manner utilizing good judgment, high ethical standards and honesty in their business dealings on behalf of Second Sight.

Getting Advice and Addressing Compliance Concerns

If you are ever faced with a concern (or concerns) about legal and/or business integrity issues, discuss the matter with your supervisor. If reporting such conduct to your supervisor is difficult or seems inappropriate for any reason, you have a number of options. Consider discussing your concern with your supervisor’s manager or a member of the senior management team. You may always call the Human Resources Department or the Legal Department. Or it may also be helpful to discuss concerns with a person who has management responsibility in the appropriate functional area. If you raise a compliance concern and believe that it has not been timely addressed, please continue to raise it to an appropriate individual, up to and including Second Sight’s President and Chief Executive Officer.

OUR WORK AND OUR WORK ENVIRONMENT

Treating People with Respect and Dignity

A fundamental part of how we operate includes treating each other and our customers with respect and dignity. Being considerate of and recognizing the dignity of all people is central to how we define ourselves. How we act on this belief extends from respecting the confidentiality and privacy of patient and personal information to handling customer requests and patient inquiries promptly and courteously.

It also extends to acting professionally in any job-related activity, including Second Sight-sponsored off-site events and social gatherings. We all know and honor the fact that it is unacceptable to steal or damage the property of customers, co-workers, or Second Sight. Similarly, we do not create safety or health hazards, verbally or physically mistreat others, or engage in offensive behavior. This is a broad-ranging statement that includes far more than open violence, fighting, or disorderly conduct. It encompasses harassing, abusive, or intimidating treatment of any kind and the use of language or gestures that are inappropriate, harassing, or abusive in nature. It also includes interfering with a co-worker's job performance, using illegal drugs, or misusing or abusing alcohol or prescription drugs. All of us, as members of the Second Sight team, are expected to abide by all applicable policies regarding employee conduct. Laws relating to illegal drugs vary in different jurisdictions. We are an FDA regulated organization and always follow US federal law in addition to any local rules or laws.

Fair Employment Practices; Non-Harassing Environment

We are committed to following fair employment practices that provide equal opportunities to all employees. We do not discriminate against or harass another person on the basis of his or her race, color, religion, disability, gender, national origin, sexual orientation, age, or other legally protected status. This applies to all business- and employment-related activities. Please see our policy in the Second Sight Employee Handbook for additional information.

The Quality of Our Products, Work, and Research

By performing our jobs with integrity, we strive that every single medical device we develop, manufacture, test, and deliver meets applicable government regulatory standards, our own stringent quality requirements, and ultimately contributes to excellent patient care. We all share the responsibility for upholding Second Sight's standards and ensuring that our regulatory, clinical, and other quality-system policies and procedures are followed. The Quality Policy establishes Second Sight's commitment to quality. It provides a framework for establishing quality objectives relevant to both the customer needs and the business mission. It currently states: Second Sight is committed to developing and providing safe and effective products and services that comply with all applicable regulatory requirements and consistently meet or exceed the requirements of our customers and the ultimate users, the patients. We train and require all personnel to abide by the quality policy and quality system procedures. The management team and employees are committed to the above policy and to maintaining the effectiveness of the quality management system. Employees should make themselves aware of any revisions.

Quality is not limited to product quality. We must take pride in our work and pay careful attention to detail. Remember that everything we do reflects upon Second Sight. Quality does not just happen; it is the result of conscientious effort by each and every one of us.

Employee Privacy

Second Sight respects personal information and treats it with great care and in accordance with applicable law. There are circumstances that require Second Sight to receive or have access to personal information in order to administer various programs such as payroll, health benefits, time off and career development.

Employee personnel files can be accessed only by authorized employees for business purposes or other purposes that are permitted by law. Other employee information will only be shared with outside organizations in a manner that is consistent with applicable law.

Duty of Loyalty; Conflict of Interest

Each and every Second Sight team member owes a duty of loyalty to Second Sight. In general, this means we must all give our best efforts to help ensure Second Sight's continued success. It also means that we must not exploit, for personal gain, any commercial opportunities discovered through the use of Second Sight property, confidential or public information, or our positions within Second Sight.

We must all do our best to prevent conflicts of interest as well as to minimize any appearance of conflicts of interest with our job responsibilities. A conflict of interest occurs when an individual's private interest interferes in any significant way with the interests of Second Sight as a whole; for example, giving Second Sight business to a distributor or another company because a family member or friend works at that particular distributor or company. It also includes holding a second job or having a consulting relationship with a competitor, supplier, or any other company that does business with Second Sight. Whether or not a conflict of interest exists must be determined based on the facts and other relevant information.

During our scheduled work hours, we must use our best efforts to perform our jobs well. We are free to participate in outside activities, but it is important not to engage in activity that is (or could appear to be) a conflict between our personal interests and Second Sight's best interests.

We must discuss all relevant facts about possible conflicts of interest with our supervisors. All determinations relating to such potential conflicts of interest must be reviewed and approved by a Second Sight Senior Manager. The Senior Manager will be guided by the Law and/or Human Resources Departments and will determine whether a conflict of interest exists and, if so, how best to deal with it.

Media/Public/Attorney Contacts

Product related press releases and contact with news media must only be made through the Marketing Department. Financial press releases, contacts with securities analysts, investors or investment bankers must be made only through, or at the direction of, the CFO.

- If a reporter or other member of the news media contacts you regarding product information, immediately refer him or her to the Marketing Department. If an analyst, rating agency, or investme/nt banker contacts you regarding financial matters, immediately refer him or her to the CFO. Never comment on, confirm, or deny anything relating to Second Sight business, including rumors.

- If an attorney, whether representing a person, another company, or the government, contacts you regarding Second Sight business, immediately refer him or her to the Legal Department.
- If you receive a summons, legal complaint, subpoena, or other similar legal document regarding Second Sight business, immediately consult with the Legal Department.

OUTSIDE THE WORKPLACE

Commitment to Fair Competition

We earn business because we develop, manufacture, and sell excellent products, provide valuable education to our customers, and act in a professional, helpful, and ethical manner. We have no need, or desire, to win business through illegal or unethical conduct. We support fair and vigorous competition on a level playing field at all times. Antitrust, fair-competition, and anti-monopoly laws and regulations help preserve fair competition by limiting abusive behavior, and we respect these rules.

In order to avoid creating even an appearance of illegal or unethical conduct with respect to these laws and regulations, it is important not to discuss sensitive topics with any person or company outside of Second Sight—including competitors, suppliers, trade associations, business-to-business exchanges, or former employees—without first obtaining advice from the Legal Department and entering into the appropriate confidentiality agreements. “Sensitive topics” include any and all aspects of product pricing, the market(s) for our products, products under development, marketing and sales plans, and key costs, such as research and development, labor costs, etc. If a competitor raises a sensitive topic, respectfully end the conversation immediately and properly document your refusal to participate in the conversation by notifying the Legal Department.

Marketing, Advertising and Sales Practices

We believe that enduring customer relationships are based on integrity and trust, and that our marketing, advertising, and sales practices must be both legal and ethical. We must work zealously, honestly and in good faith with our hospital and clinician partners on behalf of the patients who entrust themselves to that partnership. We must present product information that is truthful, accurate, fully informative, and fair. All sales and marketing materials must be based on facts and include all information required by regulatory agencies (such as the U.S. FDA or a European Competent Authority). All sales and marketing materials must be pre-approved in accordance with our policies. We do not, and will not, sacrifice integrity to make or maintain sales. Our marketing and sales activities must not encourage Health Care Providers to place their personal interests above those of their employers or patients.

Gifts, Meals and Entertainment

Certain laws and Second Sight policy limit the giving and receiving of gifts, payments, and business gratuities.

Remember that an employee of a public or government-owned hospital is a government employee and that most foreign hospitals are government owned. We cannot provide any gifts, meals, entertainment, or other business gratuities to a government employee, except as permitted by local law, the US Foreign Corrupt Practices Act, and with approval of a Senior Manager.

Our Relationships with Other Businesses

When engaging third parties (suppliers, contractors, consultants, and distributors), remember:

- Give third parties a chance to compete fairly for our business.
- Do not retain a third party to do anything illegal or improper. What we cannot do directly, we cannot do indirectly by acting through another.
- Consult your supervisor or the Legal Department before engaging a third party if a conflict of interest exists or may arise. For additional information, please read the section of this Code entitled *Duty of Loyalty; Conflict of Interest*.
- Choose only third parties who are genuinely qualified and have a good reputation for quality and honesty.
- Make sure that all agreements with physicians and other Health Care Providers are documented in writing in an agreement/contract that has been reviewed by the Legal Department.

Governments and Our Respect for Local Laws and Customs

Second Sight has many dealings with various governments and government officials. All such dealings must be conducted with integrity and in an honest, forthright manner. We do not want to take any action that could be viewed as an attempt to influence the decision-making process of a government, or its officials, by improperly offering any benefit that could be seen as a financial inducement, bribe, or kickback. In addition, requests or demands by a government representative for any such benefit must be immediately reported to the Legal Department.

We respect the letter and spirit of the laws and customs of all locations where we operate and/or do business. Laws vary from place to place, and what may be legal in one place may be illegal in another. Occasionally, conduct that is legal or customary in a particular foreign country may violate U.S. law and/or Second Sight's policies. If you are concerned about a possible conflict between our policies and/or any local laws or customs, contact the Legal Department.

Gathering Competitive Information

Second Sight is a fierce competitor in the marketplace. That said, while we seek business-related information about our competitors, we do not do so in unfair, illegal, or improper manner.

Second Sight employees may only gather business-related information about our competitors in a fair, legal and proper manner such as public documents. While we are interested in learning as much as we can about our competitors, no one should urge a competitor's former or current employees, customers, or suppliers to disclose a competitor's confidential information. If someone offers us another person's or company's written information that is marked "confidential," we must decline it. If such information comes into Second Sight's possession, we will not use it improperly for our own competitive advantage.

If you receive such confidential information, immediately contact the Legal Department. If we hire an employee who previously worked for a competitor, each of us (including the newly hired employee) must respect that person's continuing legal and ethical obligations to his or her former employer not to disclose that former employer's confidential information.

Do not share confidential information from suppliers or customers with anyone outside Second Sight without written permission. If agreements are signed to protect information, be sure to follow their terms and conditions.

Intellectual Property

We vigorously develop, secure, maintain and protect our intellectual property rights—patents, trade names, trademarks, copyrights, and trade secrets. We also respect the intellectual property rights of others and do not use them improperly.

We must not violate intellectual property licensing arrangements by using the licensed property in an unauthorized manner; for example, unauthorized copying of software or publications. Remember to mark products and corporate publications (sales and marketing materials, presentations, or articles, for example) with appropriate intellectual property notices. If you learn of another person's or company's intellectual property that we may have unintentionally infringed, or are about to infringe, immediately contact the Legal Department. Likewise, immediately contact the Legal Department if you learn of another person's or company's activities that may infringe upon Second Sight's intellectual property.

CONDUCTING BUSINESS GLOBALLY

Compliance with Laws

You are expected to comply with the applicable laws in all countries to which you travel on Second Sight business, in which Second Sight operates and otherwise conducts business, including laws prohibiting bribery, corruption or the conduct of business with specified individuals, companies or countries. The fact that, in some countries, certain laws are not enforced or that violation of those laws is not subject to public criticism will not be accepted as an excuse for noncompliance. In addition, we expect employees to comply with U.S. laws, rules and regulations governing the conduct of business by its citizens and corporations outside the U.S. Each employee must become familiar with and comply with the laws, rules and regulations that apply to their position.

If you have a question as to whether an activity is restricted or prohibited, seek assistance from the Legal Department before taking any action, including giving any verbal assurances that might also be regulated by international laws.

Business with Governments and Government Officials

Most all countries around the world have laws that prohibit companies from making payments or giving gifts or inducements—including offering to make payments or give gifts or inducements—to influence government officials or to induce the purchase of Second Sight's products or services. "Government official" includes candidates for political office, political parties, and employees of public hospitals and international organizations such as the American Red Cross. "Inducements" are broadly defined to include anything of value.

Even if it were not illegal, we do not want to obtain or retain business by giving gifts to officials of a government or a multinational organization—like the United Nations or the World Health Organization—to influence their official acts or to induce them to use their influence to affect any governmental act. In addition, we cannot give or offer a gift to any person or firm when we know, or have reason to believe, that the gift will be passed on to a government official for such purposes. Remember that, in many countries, physicians and health care providers employed in the public sector are government employees.

Import/Export Laws

Second Sight team members involved in importing or exporting our products, technology, or personal information need to be familiar with, and abide by, our policies and procedures affecting imports and exports. We must obtain all required licenses and accurately declare, in the appropriate customs and shipping documentation, all goods we ship or transport.

Many countries in which we operate have laws controlling the import and export of technology, personal information, and medical devices. Violations of import and export control laws can occur if items exported to one country are re-exported to another country subject to different import and export controls. Violations can also occur merely by doing business with certain persons or businesses affiliated with, owned by, or controlled by persons designated as "prohibited entities."

The U.S. and other governments periodically impose trade restrictions—embargos, for example—on certain countries. These laws are complex and change frequently. The Legal Department can answer questions about countries currently subject to trade restrictions.

NO-RETALIATION POLICY

Second Sight will not tolerate any form of retaliation against an individual because he or she made a good-faith report or assisted with/cooperated in an investigation of a report, including reports made to or investigated by Second Sight, a government, or a government official. Second Sight will also not tolerate any other form of retaliation that is prohibited by applicable law.

CORRECTIVE ACTION AND DISCIPLINE

Any violation of this Code or Compliance Program policies will be taken very seriously. When a violation is identified, prompt and appropriate corrective action will be taken to respond to the violation. A violation may also result in corrective and/or disciplinary action, up to and including termination from employment with Second Sight. The corrective and/or disciplinary action taken will vary based on the nature, severity, and frequency of the violation.

EXHIBIT 21.1

SUBSIDIARIES OF SECOND SIGHT MEDICAL PRODUCTS, INC.

Second Sight Medical Products (Switzerland) Sàrl (Switzerland)

GUMBINER SAVETT INC.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS
Santa Monica, California

CONSENT OF INDEPENDENT REGISTRERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Second Sight Medical Products, Inc. and Subsidiary

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement of our report dated August 11, 2014, relating to the consolidated financial statements of Second Sight Medical Products, Inc. and Subsidiary (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficiency), and cash flows for each of the years in the two-year period ended December 31, 2013, which is contained in the Prospectus. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

We also consent to the reference to us under the caption "Experts" in the Prospectus.

/s/ Gumbiner Savett Inc.
August 11, 2014
Santa Monica, California