

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549  
**FORM 10-Q**

(Mark One)  
 **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **September 30, 2020**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number **001-36747**

**Second Sight Medical Products, Inc.**  
(Exact name of Registrant as specified in its charter)

**California**  
(State or other jurisdiction of  
incorporation or organization)

**02-0692322**  
(I.R.S. Employer Identification No.)

**12744 San Fernando Road, Suite 400, Sylmar, CA 91342**

(Address of principal executive offices, including zip code)

**(818) 833-5000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock	EYES	NASDAQ
Warrants	EYESW	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of November 10, 2020, the registrant had 23,118,233 shares of common stock, no par value per share and 7,682,244 warrants, outstanding.

SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY

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**PART I. FINANCIAL STATEMENTS**

**Item 1. Financial Statements**

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Balance Sheets**  
(in thousands)

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,437	\$ 11,327
Accounts receivable, net	—	455
Inventories, net	—	1,029
Prepaid expenses and other current assets	872	299
Total current assets	3,309	13,110
Property and equipment, net	193	1,122
Right-of-use assets	—	2,342
Deposits and other assets	20	25
Total assets	<u>\$ 3,522</u>	<u>\$ 16,599</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 285	\$ 1,093
Accrued expenses	1,260	1,889
Accrued compensation expense	393	2,698
Accrued clinical trial expenses	707	707
Current operating lease liabilities	—	237
Contract liabilities	335	335
Total current liabilities	2,980	6,959
Long term operating lease liabilities	—	2,365
Total liabilities	2,980	9,324
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value, 10,000 shares authorized; none outstanding	—	—
Common stock, no par value; 300,000 shares authorized; shares issued and outstanding: 23,118 and 15,643 as of September 30, 2020 and December 31, 2019, respectively	270,126	264,008
Additional paid-in capital	49,287	48,613
Accumulated other comprehensive loss	(498)	(562)
Accumulated deficit	(318,373)	(304,784)
Total stockholders' equity	542	7,275
Total liabilities and stockholders' equity	<u>\$ 3,522</u>	<u>\$ 16,599</u>

*See accompanying notes.*

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Statements of Operations (unaudited)**  
(in thousands, except per share data)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net sales	\$ —	\$ 472	\$ —	\$ 2,882
Cost of sales	—	364	—	2,028
Gross profit	—	108	—	854
<b>Operating expenses:</b>				
Research and development, net of grants	279	3,379	4,489	8,998
Clinical and regulatory, net of grants	261	862	1,604	2,404
Selling and marketing	—	1,308	701	5,100
General and administrative	1,062	2,178	4,599	6,883
Restructuring charges	—	—	2,229	3,297
Total operating expenses	1,602	7,727	13,622	26,682
Loss from operations	(1,602)	(7,619)	(13,622)	(25,828)
Miscellaneous income (expense), net	(1)	35	33	104
Net loss	\$ (1,603)	\$ (7,584)	\$ (13,589)	\$ (25,724)
Net loss per common share – basic and diluted	\$ (0.07)	\$ (0.49)	\$ (0.69)	\$ (1.79)
Weighted average common shares outstanding – basic and diluted	23,118	15,574	19,714	14,408

*See accompanying notes.*

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Statements of Comprehensive Loss (unaudited)**  
(in thousands)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net loss	\$ (1,603)	\$ (7,584)	\$ (13,589)	\$ (25,724)
Other comprehensive income (loss):				
Foreign currency translation adjustments	35	(11)	64	(10)
Comprehensive loss	<u>\$ (1,568)</u>	<u>\$ (7,595)</u>	<u>\$ (13,525)</u>	<u>\$ (25,734)</u>

*See accompanying notes.*

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Statements of Stockholders' Equity (Deficiency) (unaudited)**  
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2018	9,542	\$ 229,019	\$ 44,111	\$ (575)	\$ (269,471)	\$ 3,084
Adoption of ASC Topic 842-Leases	—	—	—	—	(144)	(144)
Issuance of shares of common stock and warrants in connection with rights offering, net of issuance costs	5,976	34,399	—	—	—	34,399
Release of restricted stock units	6	—	—	—	—	—
Warrants modification (see note 7)	—	—	1,577	—	(1,577)	—
Stock-based compensation expense	—	—	898	—	—	898
Net loss	—	—	—	—	(9,700)	(9,700)
Foreign currency translation adjustment	—	—	—	(8)	—	(8)
Balance, March 31, 2019	15,524	263,418	46,586	(583)	(280,892)	28,529
Issuance of common stock in connection with employee stock purchase plan	47	238	—	—	—	238
Release of restricted stock units	2	—	—	—	—	—
Stock-based compensation expense	—	—	859	—	—	859
Net loss	—	—	—	—	(8,440)	(8,440)
Foreign currency translation adjustment	—	—	—	9	—	9
Balance, June 30, 2019	15,573	263,656	47,445	(574)	(289,332)	21,195
Release of restricted stock units	2	—	—	—	—	—
Stock-based compensation expense	—	—	686	—	—	686
Net loss	—	—	—	—	(7,584)	(7,584)
Foreign currency translation adjustment	—	—	—	(11)	—	(11)
Balance, September 30, 2019	15,575	\$ 263,656	\$ 48,131	\$ (585)	\$ (296,916)	\$ 14,286
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity(Deficiency)
	Shares	Amount				
Balance, December 31, 2019	15,643	\$ 264,008	\$ 48,613	\$ (562)	\$ (304,784)	\$ 7,275
Repurchase of fractional shares in connection with reverse stock split	(2)	(11)	—	—	—	(11)
Issuance of shares of common stock	1	6	—	—	—	6
Release of restricted stock units	15	—	—	—	—	—
Stock-based compensation expense	—	—	279	—	—	279
Net loss	—	—	—	—	(8,886)	(8,886)
Foreign currency translation adjustment	—	—	—	19	—	19
Balance, March 31, 2020	15,657	264,003	48,892	(543)	(313,670)	(1,318)
Issuance of shares of common stock and warrants in connection with share offering, net of issuance costs	7,500	6,393	280	—	—	6,673
Repurchase of ESPP shares as part of a rescission Offer	(39)	(270)	—	—	—	(270)
Stock-based compensation expense	—	—	88	—	—	88
Net loss	—	—	—	—	(3,100)	(3,100)
Foreign currency translation adjustment	—	—	—	10	—	10
Balance, June 30, 2020	23,118	270,126	49,260	(533)	(316,770)	2,083
Stock-based compensation expense	—	—	27	—	—	27
Net loss	—	—	—	—	(1,603)	(1,603)
Foreign currency translation adjustment	—	—	—	35	—	35
Balance, September 30, 2020	23,118	\$ 270,126	\$ 49,287	\$ (498)	\$ (318,373)	\$ 542

See accompanying notes.

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Statements of Cash Flows**  
(in thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$ (13,589)	\$ (25,724)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	148	293
Stock-based compensation	394	2,443
Non-cash lease expense	3	13
Inventory reserve	—	(793)
Restructuring charges-inventory and fixed asset impairment	1,116	2,587
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	461	240
Inventories	218	186
Prepaid expenses and other assets	(568)	1,010
Accounts payable	(1,256)	(178)
Accrued expenses	64	(282)
Accrued compensation expenses	(2,360)	(227)
Accrued clinical trial expenses	—	(199)
Contract liabilities	—	388
Net cash used in operating activities	<u>(15,369)</u>	<u>(20,243)</u>
<b>Cash flows from investing activities:</b>		
Sale of assets held for sale	398	—
Purchases of property and equipment	(331)	(394)
Net cash provided by (used in) investing activities	<u>67</u>	<u>(394)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from sale of common stock and/or warrants	6,679	34,399
Proceeds from employee stock purchase plan	—	238
Repurchase of ESPP shares and fractional shares in connection with reverse stock split	(281)	—
Net cash provided by financing activities	<u>6,398</u>	<u>34,637</u>
Effect of exchange rate changes on cash and cash equivalents	<u>14</u>	<u>(9)</u>
<b>Cash and cash equivalents:</b>		
Net increase (decrease)	(8,890)	13,991
Balance at beginning of period	11,327	4,471
Balance at end of period	<u>\$ 2,437</u>	<u>\$ 18,462</u>
<b>Non-cash financing activities:</b>		
Fair value of warrants issued in connection with issuance of common stock	\$280	\$—

*See accompanying notes.*

**SECOND SIGHT MEDICAL PRODUCTS, INC.**  
**AND SUBSIDIARY**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

## **1. Organization and Business Operations**

Second Sight Medical Products, Inc. (“Second Sight,” “we,” “us,” or “the Company”) was incorporated in the State of California in 2003. Second Sight develops implantable visual prosthetics to potentially enable blind individuals to achieve greater independence.

In 2007, Second Sight formed Second Sight Medical Products (Switzerland) Sàrl, initially to manage clinical trials and sales and marketing in Europe, the Middle East and Asia-Pacific, and more recently for the research of future technologies. As the laws of Switzerland require at least two corporate stockholders, Second Sight Medical Products (Switzerland) Sàrl is 99.5% owned directly by us and 0.5% owned by an executive of Second Sight as of September 30, 2020. Accordingly, Second Sight Medical Products (Switzerland) Sàrl is considered 100% owned for financial statement purposes and is consolidated with Second Sight for all periods presented. In June 2020, we commenced a process to dissolve our Swiss subsidiary which is expected to take approximately one year.

We are currently developing the Orion<sup>®</sup> Visual Cortical Prosthesis System (“Orion”), an implanted cortical stimulation device intended to provide useful artificial vision to individuals who are blind due to a wide range of causes including retinitis pigmentosa (RP), glaucoma, diabetic retinopathy, optic nerve injury or disease, or forms of cancer and trauma. The FDA granted Breakthrough Devices Program designation for Orion. A feasibility study of the Orion device is currently underway at the Ronald Reagan UCLA Medical Center in Los Angeles (“UCLA”) and Baylor College of Medicine in Houston (“Baylor”).

Our first commercially approved product, the Argus<sup>®</sup> II retinal prosthesis system (“Argus II”), entered clinical trials in 2006, received CE Mark approval for marketing and sales in the European Union (“EU”) in 2011, and received approval by the United States Food and Drug Administration (“FDA”) for marketing and sales in the United States in 2013. We began selling the Argus II in Europe at the end of 2011, Saudi Arabia in 2012, the United States and Canada in 2014, Turkey in 2015, Iran, Taiwan, South Korea and Russia in 2017, and Singapore in 2018. Given the limited addressable market of Argus II, we no longer market the Argus II and have focused all of our resources on the development of Orion.

In March 2020, we were severely adversely impacted by the COVID-19 pandemic and its related effects on our ability to finance our planned activities. As a result, we significantly reduced our staff and expenses and conserved liquidity as we continue operations and explore strategic options. These options include securing additional funding and exploring business alternatives that may include partnering, acquiring, investing in or combining with businesses that may or may not be in a related industry. No assurances can be given that any of these initiatives will occur.

### **Liquidity and Going Concern**

From inception, our operations have been funded primarily through the sales of our common stock and warrants, as well as from the issuance of convertible debt, research and clinical grants, and limited product revenue generated from the sale of our Argus II product. Funding of our business since 2017 has been primarily provided by:

- Issuance of shares of common stock on May 5, 2020 which provided net proceeds of approximately \$6.7 million.
- Issuance of common stock and warrants in a Rights Offering in February 2019 which provided \$34.4 million of net cash proceeds
- Issuances of common stock through our At Market Issuance Sales Agreement during the fourth quarter of 2019 which provided \$0.1 million of net cash proceeds
- Issuances of common stock through our At Market Issuance Sales Agreement during the first quarter of 2018, which provided \$4.0 million of net cash proceeds
- Issuances of common stock via stock purchase agreements in May, August, October and December 2018, which provided net cash proceeds of \$22.0 million
- Revenue of \$3.4 million and \$6.9 million, for the years ended December 31, 2019 and 2018, respectively, generated by sales of our Argus II product

On May 5, 2020, we closed our underwritten public offering of 7,500,000 shares of common stock at an offering price of \$1.00 per share for aggregate net proceeds of approximately \$6.7 million.

We received an award for \$1.6 million grant (with the intent to fund \$6.4 million over five years subject to annual review and approval) from the National Institutes of Health (NIH) to fund the “Early Feasibility Clinical Trial of a Visual Cortical Prosthesis” that

commenced in January 2018. Our second year grant was recently approved under this grant. As of September 30, 2020 we recorded \$0.6 million of deferred grant costs which will be offset with the related grant funds when received. During the nine months ended September 30, 2020, we received a total of \$0.4 million of grant funds primarily from this grant.

On September 17, 2019, we received a \$2.4 million, four-year grant from the National Institutes of Health (NIH) to develop spatial localization and mapping technology (“SLAM”). This grant involves a joint collaboration with the Johns Hopkins University Applied Physics Laboratory (APL), and is intended to speed the integration of SLAM into future generations of Orion. The goal is to give Orion users the ability to localize objects and navigate landmarks in unfamiliar surroundings in real time. APL is the primary recipient of the grant. We have suspended our activities on the project until we clarify our future plans.

In a rights offering completed on February 22, 2019, we sold approximately 5,976,000 million units, each priced at \$5.792 for net proceeds of approximately \$34.4 million. Each unit consisted of one share and one immediately exercisable warrant having an exercise price of \$11.76 per share. Entities controlled by Gregg Williams, our Chairman of the Board of Directors, acquired approximately 5,180,000 million units in the offering for an aggregate investment of approximately \$30 million.

In November 2017, we entered into an At Market Issuance Sales Agreement (“Sales Agreement”) with B. Riley FBR Inc. and H.C. Wainwright & Co., LLC, as agents (“Agents”) pursuant to which we offered and sold, from time to time through either of the Agents, shares of our common stock having an aggregate offering price as set forth in the Sales Agreement and a related prospectus supplement filed with the SEC. We agreed to pay the Agents a cash commission of 3.0% of the aggregate gross proceeds from each sale of shares under the Sales Agreement. During January and February 2018, we sold approximately 278,000 shares of common stock which provided net proceeds of \$4.0 million under the Sales Agreement. During December 2019, we sold approximately 17,000 shares of common stock which provided net proceeds of \$0.1 million under the Sales Agreement. In April 2020, we terminated the Sales Agreement with the Agents.

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 no revenue that is developing a novel medical device, including limitations on our operating capital resources. We 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 the foreseeable future.

As more fully described in Note 9, we have been notified by the Nasdaq stock market regarding our non-compliance with the continued listing requirement on the Nasdaq capital market pursuant to its listing rules, and therefore we could be subject to delisting if we do not regain compliance within the compliance period (or the compliance period as may be extended).

Based upon our current plans we do not have sufficient funds to support our operations for the next 12 months from the date of issuance of these financial statements. Accordingly, these and other related factors raise substantial doubt about our ability to continue as a going concern. We anticipate that we will seek to additionally fund our operations through public or private equity or debt financings, grants, collaborations, strategic partnerships or other sources. However, we may be unable to raise additional capital or enter into such other arrangements when needed on favorable terms or at all. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or any other approved product candidates, or we may be unable to maintain our current limited operations, maintain our current organization and reduced employee base or otherwise capitalize on our business opportunities, as desired, which could materially and adversely affect our business, financial condition and results of operations. The accompanying financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Our independent registered public accounting firm, in its report on our 2019 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern.

## **2. Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements**

### *Basis of Presentation*

These unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) and following the requirements of the United States Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. In our opinion, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of our financial position and our results of operations and cash flows for periods presented. These statements do not include all disclosures required by GAAP and should be read in conjunction with our financial statements and accompanying notes for the fiscal year ended December 31, 2019, contained in our Annual Report on Form 10-K filed with the SEC on March 19, 2020. The results of the interim periods are not necessarily indicative of the results expected for the full fiscal year or any other interim period or any future year or period.

### Reverse Stock Split

On December 31, 2019 we effected a reverse stock split of the outstanding shares of our no par value common stock and outstanding warrants to purchase our common stock by a ratio of 1-for-8 (1:8). The common stock and warrants began trading on the Nasdaq Capital Market on a split-adjusted basis on January 6, 2020.

The accompanying consolidated financial statements and notes thereto give retrospective effect to the reverse stock split for all periods presented. All issued and outstanding common stock, options and warrants exercisable for common stock, restricted stock units, and per share amounts contained in our consolidated financial statements have been retrospectively adjusted.

### Significant Accounting Policies

**Segment Reporting.** Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. Our chief operating decision-maker reviews financial information presented on a consolidated basis. Accordingly, we consider ourselves to be in a single reporting segment, specifically the discovery, development and commercialization of visual prosthetics for profoundly blind individuals. We historically managed our Argus II and Orion programs on a consolidated basis within this single operating segment and do not assess the performance of our product lines or geographic regions on other measures of income or expense, such as program expense, operating income or net income. Our underlying technology consists of hardware components (implanted and wearable) and software. A vast majority of this underlying technology is shared between our Argus II and Orion branded systems. While we have ceased production and marketing the Argus II product indicated for individuals with retinitis pigmentosa, we are developing Orion as a next generation product with potential to treat a broader market of blind individuals, including the retinitis pigmentosa market.

Based upon our decision on May 10, 2019 to accelerate our transition to the Orion platform and suspend production of Argus, we recorded impairment charges of \$2.6 million related to inventory of Argus II in the nine months ended September 30, 2019. As part of this transition we commenced a corporate restructuring plan to focus on development of Orion and other key research projects. On March 31, 2020, due to the COVID-19 pandemic and related inability to secure additional funding, we laid off the majority of our employees and reduced our operating expenses significantly to allow for our continuing business operations. Due to our focus on Orion and wind down of selling and marketing activities related to Argus II, we recorded further impairment charges to our inventory of \$0.5 million and \$0.7 million to our fixed assets used primarily for Argus activities. We also incurred \$1.0 million in severance payments and other costs associated with the wind down, all of which were substantially paid by September 30, 2020. We continue to advance the development of our Orion technology and are exploring various strategic options, however we cannot assure that any of these endeavors will yield satisfactory results or that we will be able to maintain our operations.

Our significant accounting policies are set forth in Note 2 of the financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019.

### Recently Issued Accounting Pronouncements

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

## 3. Concentration of Risk

### Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of cash, money market funds, and trade accounts receivable. We maintain cash and money market funds with financial institutions that we deem reputable. We extended differing levels of credit to our customers, and typically did not require collateral.

### Customer Concentration

The following tables provide information about disaggregated revenue by service type, customer and geographical market.

The following table shows our revenues by customer type during the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Direct customers	\$ —	\$ 412	\$ —	\$ 2,364
Indirect customers (distributors)	—	60	—	518
Total	\$ —	\$ 472	\$ —	\$ 2,882

During the three and nine months ended September 30, 2020 and 2019, the following customers each comprised greater than 10% of our total revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Customer 1	—%	44%	—%	23%
Customer 2	—%	29%	—%	12%
Customer 3	—%	28%	—%	6%
Customer 4	—%	—%	—%	12%
Customer 5	—%	—%	—%	11%

As of September 30, 2020 and December 31, 2019, the following customers each comprised greater than 10% of our total accounts receivable:

	September 30, 2020	December 31, 2019
Customer 1	—%	97%

#### *Geographic Concentration*

During the three and nine months ended September 30, 2020 and 2019, regional revenue based on customer locations which each comprised greater than 10% of our total revenues, consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Italy	—%	44%	—%	23%
China	—%	29%	—%	12%
United States	—%	27%	—%	60%

#### *Foreign Operations*

The accompanying condensed consolidated financial statements as of September 30, 2020 and December 31, 2019 include assets amounting to \$0.1 million and \$1.3 million, respectively, relating to operations of our subsidiary based in Switzerland. It is possible that unanticipated events in foreign countries could disrupt our operations.

#### **4. Fair Value Measurements**

The authoritative guidance with respect to fair value establishes 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 we have 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.

Cash equivalents, which includes money market funds, are the only financial instrument measured and recorded at fair value on our consolidated balance sheet, and they are valued using Level 1 inputs.

Assets measured at fair value on a recurring basis are as follows (in thousands):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>September 30, 2020 (unaudited):</b>				
Money market funds	\$ 2,331	\$ 2,331	\$ —	\$ —
<b>December 31, 2019:</b>				
Money market funds	\$ 11,307	\$ 11,307	\$ —	\$ —

#### 5. Selected Balance Sheet Detail

##### *Inventories, net*

Inventories consisted of the following (in thousands):

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 738	\$ 803
Work in process	1,477	1,716
Finished goods	816	2,069
	3,031	4,588
Allowance for excess and obsolete inventory and impairment charge	(3,031)	(3,559)
Inventories, net	\$ —	\$ 1,029

We recorded \$2.6 million as an impairment charge during the nine months ended September 30, 2019, related to our plans to suspend Argus II production. We recorded further impairment charges to our inventory of \$0.5 million in the first nine months of 2020. Additionally, finished goods inventory amounting to approximately \$0.2 million that we expect to use for our future warranty claims has been offset with the warranty accrual which is included in accrued expenses.

##### *Property and equipment*

Property and equipment consisted of the following (in thousands):

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Laboratory equipment	\$ 584	\$ 2,724
Computer hardware and software	69	1,672
Leasehold improvements	—	304
Furniture, fixtures and equipment	—	78
	653	4,778
Accumulated depreciation and amortization	(460)	(3,656)
Property and equipment, net	\$ 193	\$ 1,122

As a result of our decision to cease marketing of Argus II we recorded an impairment of \$0.7 million related to our fixed assets used primarily for Argus activities. We sold a substantial number of our fixed assets for net proceeds of \$0.4 million in July 2020.

### Contract Liabilities

Contract liabilities consisted of the following (in thousands):

Beginning balance as of December 31, 2019	\$	335
Consideration received in advance of revenue recognition		—
Revenue recognized		—
Ending balance as of September 30, 2020	\$	<u>335</u>

### Product Warranties

A summary of activity of our warranty liabilities, which are included in accrued expenses, for the period ended September 30, 2020 is presented below:

Beginning balance as of December 31, 2019	\$	1,575
Additions		—
Settlements		(618)
Adjustments and other		—
Total		<u>957</u>
Less: Finished goods inventory expected to be used for future warranty claims		(236)
Ending balance as of September 30, 2020	\$	<u>721</u>

### Allowance for Doubtful Accounts

Allowance for doubtful accounts consisted of the following (in thousands):

Beginning balance as of December 31, 2019	\$	117
Additions		—
Write-offs		(117)
Ending balance as of September 30, 2020	\$	<u>—</u>

### Right-of-use assets and operating lease liabilities

We lease certain office space and equipment for our use. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease costs are recognized in the income statement over the lease term on a straight-line basis. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets. The depreciable life of assets and leasehold improvements are limited by the expected lease term. Our lease agreements do not contain any material residual value guarantees or restrictive covenants. As most of our leases do not provide an implicit rate, we used our estimated incremental borrowing rate of 10% based on the information available at commencement date in determining the present value of lease payments.

On May 18, 2020 we entered into a Letter Agreement with Sylmar Biomedical Park, LLC (the "Landlord"), pursuant to which the parties agreed to accelerate the expiration dates of our existing leases (the "Leases"), to a date not later than June 18, 2020 ("Accelerated Termination Date"). We agreed to pay the Landlord (i) \$210,730 to bring the Leases current (the "Owed Rent") and to remit (ii) a one-time early termination fee in the amount of \$150,000 (the "Early Termination Amount"). Prior to the early termination agreed in this letter we were obligated to pay aggregate base rent of approximately \$0.9 million and common area maintenance expenses for the term remaining under the Leases through the respective expiration dates in February 2022 and April 2023. The Landlord acknowledged that as of the date of the Letter Agreement the Owed Rent and the Early Termination Amount constituted all amounts owing to the Landlord under the Leases. As a result of the letter agreement, we wrote down the right-of-use assets and extinguished related lease liabilities in the amounts of \$2.3 million and \$2.4 million, respectively. We paid an early termination fee of \$150,000 which was expensed in our restructuring charges for the nine months ended September 30, 2020. Due to the termination of this lease there are no right-of-use assets or current or long term lease liabilities at September 30, 2020.

On July 7, 2020, we entered into a lease with Sylmar Biomedical Park, LLC, to lease a smaller portion of our present facility. The new lease allows us to significantly reduce our rent while maintaining operations and our current address. The term of the lease is from June 16, 2020 until December 31, 2020 and automatically renews monthly thereafter unless terminated by either party with 30 day notice. The monthly rent is \$16,000 inclusive of a proportionate share of the building's maintenance cost. The facility will support the Company's current staff and operations, including continuation of its Orion early feasibility study, with six subjects at UCLA and Baylor College of Medicine, and other Orion research.

<u>Assets</u>	<u>Classification</u>	<b>December 31, 2019</b>	
Non-current assets	Right-of-use assets	\$	2,342
<b>Liabilities</b>			
Current	Current operating lease liabilities	\$	237
Long term	Long term operating lease liabilities	\$	2,365

The components of lease expense for the three and nine months ended September 30, 2020 and 2019 were as follows (unaudited):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Lease expense:				
Operating lease expense	\$ —	\$ 123	\$ 229	\$ 370
Short-term expense	48	—	48	—
Total lease expense	<u>\$ 48</u>	<u>\$ 123</u>	<u>\$ 277</u>	<u>\$ 246</u>

Cash paid for lease amounts included in the measurement of lease liabilities amounted to \$275,000 and \$357,000, respectively, during the nine months ended September 30, 2020 and 2019.

## 6. Equity Securities

### *Increase in Authorized Shares of Common Stock*

On June 4, 2019, our shareholders approved an amendment to our restated articles of incorporation increasing our authorized no par value shares of common stock from 200 million to 300 million shares.

### *Potentially Dilutive Common Stock Equivalents*

As of September 30, 2020 and 2019, we excluded the potentially dilutive securities summarized below, which entitle the holders thereof to potentially acquire shares of common stock, from our calculations of net loss per share and weighted average common shares outstanding, as their effect would have been anti-dilutive (in thousands).

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Common stock warrants issued to underwriters	375	100
Common stock warrants issued in connection with March 2017 rights offering	1,706	1,706
Common stock warrants issued in connection with February 2019 rights offering	5,976	5,976
Common stock options	265	1,085
Restricted stock units	—	62
Employee stock purchase plan	—	56
	<u>8,322</u>	<u>8,985</u>

## 7. Warrants

On May 5, 2020, we closed our underwritten public offering of 7,500,000 shares of common stock at an offering price of \$1.00 per share for aggregate net proceeds of approximately \$6.7 million. Direct cost of this offering consisted of an 8.5% underwriting fee and reimbursable expenses of \$90,000 and other costs incurred by us of \$100,000. Also, for cash consideration of \$100, we granted to the underwriters warrants to purchase 375,000 shares of the Company's common stock at an exercise price of \$1.25 per share, which was 25 percent above the offering price to the investors. The warrant is exercisable, in whole or in part, for a period commencing 180 days after the effective date of the underwriting agreement (April 30, 2020) and ending on the fifth anniversary date of the effective date of the underwriting agreement. The fair value of these warrants, calculated using the Black-Scholes option-pricing model, was determined to be \$280,000 (\$0.75 per share) using the following assumptions: expected term of 5.0 years, volatility of 94.0%, risk-free interest rate of 0.67% and expected dividend rate of 0.0%. The fair value of these warrants reduced the amounts included in common stock from the offering and were offset by an increase in additional paid in capital.

On February 22, 2019, we completed a registered rights offering to existing stockholders in which we sold approximately 5,976,000 units at \$5.792 per unit, which was the adjusted closing price of our common stock on that date. Each Unit consisted of a share of our common stock and a warrant to purchase an additional share of our stock for \$11.76. The warrants had a five-year life and trade on Nasdaq under the symbol EYESW.

On March 6, 2017, we completed a registered rights offering to existing stockholders in which we sold approximately 1,706,000 units at \$11.76 per unit, which was the adjusted closing price of our common stock on that date. Each unit consisted of a share of our common stock and a warrant to purchase an additional share of our stock for \$11.76. The warrants have a five-year life and have been approved for trading on Nasdaq under the symbol EYESW. As of September 30, 2020, 632 of the warrants associated with the rights offering had been exercised.

We extended the term of 1.7 million warrants issued in our March 2017 rights offering by approximately two years effective as of February 15, 2019 as part of our February 2019 rights offering. We determined the fair value of the March 2017 Warrants immediately before and after the modification. The fair value of the March 2017 Warrants after the modification was increased by approximately \$1.6 million, resulting in an accounting adjustment to additional paid-in capital and accumulated deficit in the consolidated statements of shareholders' equity. The assumptions used in the determination of fair value of the warrants before and after the extension included a risk free interest rate of 2.50% and 2.49%, expected volatility of 81% and 82%, and expected lives of 3.08 years and 5.08 years, respectively and 0% dividend yields for both.

A summary of warrants activity for the nine months ended September 30, 2020 is presented below (in thousands, except per share and contractual life data).

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price Per Share</b>	<b>Weighted Average Remaining Contractual Life (in Years)</b>
Warrants outstanding as of December 31, 2019	7,682	\$ 11.76	4.21
Issued	375	1.25	4.60
Exercised	—		
Forfeited or expired	—		
Warrants outstanding as of September 30, 2020	<u>8,057</u>	\$ 11.27	3.51
Warrants exercisable as of September 30, 2020	<u>8,057</u>	\$ 11.27	3.51

The warrants outstanding as of September 30, 2020 had no intrinsic value.

## 8. Stock-Based Compensation

A summary of stock option activity under our 2011 Equity Incentive Plan (“2011 Plan”) for the nine months ended September 30, 2020 is presented below (in thousands, except per share and contractual life data).

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)
Options outstanding as of December 31, 2019	984	\$ 21.78	7.70
Granted	228	\$ 5.49	
Exercised	—	\$	
Forfeited or expired	(957)	\$ 19.75	
Options outstanding as of September 30, 2020	<u>255</u>	<u>\$ 14.85</u>	<u>6.46</u>
Options exercisable as of September 30, 2020	<u>177</u>	<u>\$ 18.99</u>	<u>5.32</u>

The estimated aggregate intrinsic value of stock options exercisable as of September 30, 2020 was zero. As of September 30, 2020, there was \$0.3 million of total unrecognized compensation cost related to outstanding stock options that will be recognized over a weighted average period of 3.06 years.

During the nine months ended September 30, 2020, we granted stock options to purchase 227,701 shares of common stock to certain employees. The options are exercisable for a period of ten years from the date of grant at \$0.90 to \$5.98 per share, which was the fair value of our common stock on the respective grant dates. The options generally vest over a period of four years. The fair value of these options, calculated using the Black-Scholes option-pricing model, was determined to be \$0.8 million (\$0.69 to \$4.05 per share) using the following assumptions: expected term of 6.02 years, volatility of 78.0% to 96%, risk-free interest rate of 0.31% to 1.50% and expected dividend rate of 0.0%.

During the three and nine months ended September 30, 2020, approximately 71,000 and 957,000 options were cancelled or expired resulting in a reduction of stock option expense of approximately \$57,000 and \$312,000, respectively.

The following table summarizes restricted stock unit (“RSU”) activity for the nine months ended September 30, 2020 (in thousands, except per share data):

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of December 31, 2019	61	\$ 5.92
Awarded	—	—
Vested and released	(15)	5.92
Forfeited/canceled	(46)	5.92
Outstanding as of September 30, 2020	<u>—</u>	<u>\$ —</u>

We adopted an employee stock purchase plan in June 2015 for all eligible employees. At September 30, 2020 the available number of shares that may be issued under the plan is 77,031.

We completed our offer to rescind certain purchases of shares under our ESPP plan on May 27, 2020. We voluntarily offered to rescind the sale of shares of our common stock to employees who purchased those shares under the ESPP and to reimburse any losses upon the sale of our shares of our common stock for certain purchase periods because these shares may not have been exempt from registration under the Securities Act of 1933. The rescission of these share purchases resulted in the repurchase and cancellation of 39,467 shares of our common stock. The total cost for the repurchase of these shares and the reimbursement of any losses from the sale of such shares totaled approximately \$270,000.

Stock-based compensation expense recognized for stock-based awards in the condensed consolidated statements of operations for the three and nine months ended September 30, 2020 and 2019 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of sales	\$ —	\$ 43	\$ —	\$ 133
Research and development	11	119	120	440
Clinical and regulatory	12	19	39	84
Selling and marketing	—	118	41	379
General and administrative	4	387	194	1,407
Total	<u>\$ 27</u>	<u>\$ 686</u>	<u>\$ 394</u>	<u>\$ 2,443</u>

## 9. Risk and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread globally. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, most states in the U.S., including California, where we are headquartered, have declared a state of emergency. The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns.

In accordance with local and state guidelines regarding the COVID-19 pandemic, we are requiring all of our employees to work remotely unless they cannot perform their essential functions remotely, and have also suspended all non-essential travel for our employees. While a significant number of our employees may be accustomed to working remotely or working with other remote employees, much of our workforce has not historically been remote. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance becomes available, temporarily suspending travel and restricting the ability to do business in person may create operational or other challenges, any of which could harm our business, financial condition and results of operations.

In addition, our clinical trials have been affected by the COVID-19 outbreak. Patient visits in ongoing clinical trials have been delayed, for example, due to prioritization of hospital resources toward the COVID-19 outbreak, travel restrictions imposed by governments, and the inability to access sites for initiation and monitoring. For example, scheduled patient visits to our clinical sites at UCLA and Baylor were temporarily put on hold due to COVID-19. One site has since resumed visits and we are in the process of planning to resume patient visits with the other site. Both sites continue to see patients if needed for any potential medical issues that may arise including any suspected adverse events. In addition, the validation study for the revised FLORA assessment was paused due to travel requirements for its completion. Also, some of our suppliers of certain materials used in the development of our product candidates are located in areas impacted by COVID-19 which could limit our ability to obtain sufficient materials for Orion. COVID-19 has and will continue to adversely affect global economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our product candidates, if approved, and impact our operating results. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic. We could experience further harm to our business and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

COVID-19 has directly and indirectly adversely affected Second Sight and will likely continue to do so for an uncertain period of time. In March and April 2020 we laid off a substantial majority of our employees as a result of COVID-19 and an inability to obtain financing. We retain twelve of our employees to oversee current operations. The cumulative effects of COVID-19 on the Company cannot be predicted at this time, but could include, without limitation:

- inability to meet warranty obligations for our Argus II products;
- reputational damages of the Company and its products;
- inability to raise additional funds to finance and continue our operations;
- inability to maintain adequate office laboratory facilities;
- inability to retain and hire experienced personnel;
- inability to finalize our plan for and enroll patients into our proposed pivotal clinical trial;
- material delays or inability to complete development and commercialization of Orion;
- inability to satisfy Nasdaq's continued listing requirements and possible delisting; and
- other uncertain events that may have negative impact on our operations.

By notice dated October 1, 2020 (“Notice”) Nasdaq advised us that for 30 consecutive business days preceding the date of the Notice, the bid price of our common stock had closed below the \$1.00 per share minimum required for continued listing on the Nasdaq Capital Market (the “Minimum Bid Price Requirement”) as required by Nasdaq Listing Rules.

Under Nasdaq Listing Rule 5810(c)(3)(A), if during the 180 calendar day period following the date of the Notice (the “Compliance Period”), the closing bid price of our common stock is at or above \$1.00 for a minimum of 10 consecutive business days, we will regain compliance with the Minimum Bid Price Requirement and our common stock will continue to be eligible for listing on Nasdaq absent noncompliance with any other requirement for continued listing.

If we do not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period, under Nasdaq Listing Rule 5810(c)(3)(A)(ii), if on the last day of the Compliance Period we are in compliance with the market value of publicly held shares requirement for continued listing, as well as all other standards for initial listing of our common stock on Nasdaq (other than the bid price requirement), we may be eligible for additional time if we also provide written notice to Nasdaq of our intention to cure the deficiency during a second compliance period at which point Nasdaq may grant us an additional 180 days to regain compliance with the Minimum Bid Price Requirement.

If we do not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period (or the Compliance Period as may be extended) our common stock will be subject to delisting.

On July 23, 2020, Nasdaq notified us that we no longer met Listing Rule 5550(b)(2) (the “Rule”) requiring the Company to maintain a minimum market value of listed securities (“MVLS”) of \$35 million. Nasdaq’s notice was based on a review of our MVLS for the prior 30 business days. Nasdaq’s notice also noted that we do not meet the requirements under Listing Rules 5550(b)(1) and 5550(b)(3) which require stockholders’ equity of at least \$2.5 million, or net income from continuing operations of \$500,000 in the most recently completed, or in two of the three most recently completed fiscal years. However, Nasdaq’s listing rules provide us a compliance period of 180 calendar days, or until January 19, 2021, in which to regain compliance.

In the event we do not regain compliance with the Rule prior to the expiration of the compliance period, we will receive written notification that our securities are subject to delisting. At that time, we may appeal the delisting determination to a Nasdaq Hearings Panel.

On July 21, 2020, Nasdaq notified us, based on our submitted information that the board of directors had appointed an independent director to our compensation committee, that we currently comply with Rule 5605(d)(2) (the “Rule”), and this matter is now closed.

As previously disclosed prior to that remediation, Nasdaq had notified us on June 2, 2020 that we did not comply with the compensation committee requirement for continued listing on Nasdaq set forth in the Rule.

Separately from the foregoing, Nasdaq had notified us on July 15, 2020 that we again qualified for a cure period to meet listing rules brought into question due to changes in the board of directors. We previously reported in Forms 8-K filed with the SEC regarding letters from Nasdaq dated April 15, 2020, June 1, 2020, and June 2, 2020.

As previously disclosed, Nasdaq notified us on April 15, 2020, after the appointment of Matthew Pfeffer, one of our then independent directors, as our acting Chief Executive Officer effective March 27, 2020, that we no longer complied with Nasdaq’s independent director and audit committee requirements as set forth in Listing Rule 5605 (the “Listing Rules”). On June 1, 2020, Nasdaq notified us that following the resignation of William J. Link as a director effective May 31, 2020, our noncompliance with the Listing Rules was then due to more than one vacancy on our board and audit committee. As a result, Nasdaq advised the Company that we were no longer eligible for the cure period set forth in our Form 8-K filed June 4, 2020 and that a plan of compliance was required to be submitted to Nasdaq no later than July 16, 2020.

Our board of directors has concluded that our non-executive Chair, Gregg Williams, meets the criteria of an independent director and has appointed Mr. Williams to be a member of the Audit Committee as of June 22, 2020, as a result of which the Company has only one vacancy on its board and committees. In the July 15, 2020 letter, Nasdaq acknowledged our conclusion regarding Mr. Williams’ independent director status and appointment to the Audit Committee. As a result, Nasdaq confirmed that we again are eligible for the cure period provided in Nasdaq’s Listing Rules. As such, Nasdaq reiterated that consistent with Listing Rules 5605(b)(1)(A) and 5605(c)(4), our cure period to regain compliance is as follows:

- until the earlier of the Company’s next annual shareholders’ meeting or March 27, 2021;

or

- if the next annual shareholders’ meeting is held before September 23, 2020, then the Company must evidence compliance no later than September 23, 2020.

Nasdaq requires us to submit documentation, including biographies of any new directors, evidencing compliance with the rules no later than as described above. If we do not regain compliance by the dates set forth above, Nasdaq will provide us written notification that our securities will be delisted, at which time we may appeal the delisting determination to a Nasdaq Hearing Panel.

## **10. Litigation, Claims and Assessments**

Ten oppositions filed by Pixium Vision are pending in the European Patent Office, each challenging the validity of a European patent owned by us. We have filed one opposition that is currently pending in the European Patent Office challenging the validity of a patent owned by Pixium Vision. 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 believe a successful challenge will not have a material effect on our ability to manufacture and sell our products, or otherwise have a material effect on our operations.

By letters received on June 23, 2020 and July 21, 2020 counsel for a participant in the Orion Early Feasibility Study has alleged claims against the Company for breach of contract, breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, promissory estoppel and negligent infliction of emotional distress. Counsel in addition has alleged that Second Sight has violated the protocol established by the FDA for good clinical practice within this industry. As full compensation for damages arising from these claims the Company was presented with a demand for payment of \$3,000,000. The Company believes that the claims asserted are without merit. Although the Company does not believe a lawsuit will be filed imminently, the claim is in the early stage and no assurance can be given that this matter will not result in litigation. To the extent a lawsuit is filed, the Company intends to vigorously defend it.

We are party to litigation arising in the ordinary course of business. It is our opinion that the outcome of such matters will not have a material effect on our results of operations, however, the results of litigation and claims are inherently unpredictable. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q as well as our audited 2019 financial statements and related notes included in our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission ("SEC") on March 19, 2020. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our products, plans and strategy for our business and related financing, contains forward-looking statements that involve risks and uncertainties, including statements regarding our expected financial results in future periods. The words "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "might," "plans," "projects," "will," "would," "strategy" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Examples of forward-looking statements include, among others, statements we make regarding expectations for revenues, liquidity, cash flows and financial performance, the anticipated results of our development efforts and the timing for receipt of required regulatory approvals, insurance reimbursements and product launches, our financing plans and future capital requirements, the materially adverse impact of the recent COVID-19 coronavirus pandemic and related public health measures on our business. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. You should read "Risk Factors" in Part II, Item 1A of this Quarterly Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. We assume no obligations to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect actual outcomes.

Second Sight Medical Products, Inc. (NASDAQ: EYES) develops implantable visual prosthetics that are intended to deliver useful artificial vision to blind individuals. We are a recognized global leader in neuromodulation devices for blindness, and are committed to developing new technologies to treat the broadest populations of sight-impaired individuals.

Leveraging our 20 years of experience in neuromodulation for vision, we are developing the Orion® Visual Cortical Prosthesis System ("Orion"), an implanted cortical stimulation device intended to provide useful artificial vision to individuals who are blind due to a wide range of causes, including RP, glaucoma, diabetic retinopathy, optic nerve injury or disease and eye injury. Orion is intended to convert images captured by a miniature video camera mounted on glasses into a series of small electrical pulses. The device is designed to bypass diseased or injured eye anatomy and to transmit these electrical pulses wirelessly to an array of electrodes implanted on the surface of the brain's visual cortex, where it is intended to provide the perception of patterns of light. We are conducting a six-subject Early Feasibility Study of the Orion device at the Ronald Reagan UCLA Medical Center in Los Angeles ("UCLA") and Baylor College of Medicine in Houston ("Baylor") Although regularly scheduled visits are on hold due to the coronavirus outbreak, sites continue to see patients if needed for any potential medical issues that may arise including any suspected adverse events. Our 12 month results for the subjects indicate to us that:

- We have a good safety profile. Four subjects experienced a total of eleven adverse events (AEs) related to the device or to the surgery, through the latest independent medical safety monitor meeting in March 2020. One was considered a serious adverse event (SAE), and all of the adverse events were in the expected category. The one SAE was resolved quickly and did not require a hospital stay.
- The efficacy data is encouraging. We measure efficacy by looking at three measures of visual function: The first is square localization, where Orion subjects sit in front of a touch screen and are asked to touch within the boundaries of a square when it appears. The second is direction of motion, where subjects are asked to identify the direction and motion of lines on a screen. The third is grating visual acuity, a measure of visual acuity that is adapted for very low vision. On square localization, five of the six subjects in our feasibility study performed significantly better with the system on than off. On direction of motion, all six performed better on than off; and on grating visual acuity, three had measurable visual acuity on the scale of this test (versus none who can do it with the device off). Another efficacy measurement of day-to-day functionality and benefit is FLORA, which stands for Functional Low-Vision Observer Rated Assessment. FLORA is an assessment performed by an independent, third-party low vision orientation and mobility specialist who spends time with each of the subjects in their homes. The specialist asks each of the subjects a series of questions and also observes them performing 15 or more daily living tasks, such as finding light sources, following a sidewalk, or sorting laundry. The specialist then determines if the system is providing a benefit, if it is neutral, or if it is actually hurting the abilities of subjects to perform these tasks. Our FLORA results show that for five of the six subjects, the Orion system is providing benefit. No peer-reviewed data is available yet for the Orion system. We reached agreement with the FDA in the fourth quarter of 2019 to utilize a revised version of FLORA as our primary efficacy endpoint in our pivotal trial for Orion, pending successful validation of the instrument.

Our principal offices are located in Los Angeles, California.

Our first commercially approved product, the Argus® II Retinal Prosthesis System (“Argus II”), treats outer retinal degenerations, such as retinitis pigmentosa, also referred to as RP. The Argus II was the only retinal prosthesis approved in the United States by the Food and Drug Administration (“FDA”), and was the first approved retinal prosthesis in the world. 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. A subset of these patients would be eligible for the Argus II since the approved baseline vision for the Argus II is worse than legally blind (20/200). We commissioned 3<sup>rd</sup> party market research to estimate the size of the RP market that resulted in an estimate of approximately 1,500 patients in the US with advanced RP that could be treated with the Argus II given the eligibility criteria of our label.

We began selling the Argus II System in Europe at the end of 2011, Saudi Arabia in 2012, the United States and Canada in 2014, Turkey in 2015, Iran, Taiwan, South Korea and Russia in 2017, and Singapore in 2018. Given the limited addressable market of Argus II, we no longer market the Argus II and have focused all of our resources on the development of Orion.

We are also researching multiple technologies that we believe to be complimentary to artificial vision and could potentially provide significant enhancements to the Orion user experience. In most cases, we collaborate with 3<sup>rd</sup> party firms to advance and integrate these innovative technologies with our artificial vision systems. Examples of technologies that we believe will be complimentary to our products include: eye tracking, object recognition and localization, thermal imaging and depth-based decluttering.

#### *Recent developments*

In March 2020, we were severely adversely impacted by the unprecedented economic shock caused by the COVID-19 pandemic and its related effects on our ability to secure financing for our planned activities. As a result, we significantly reduced our staff and expenses and conserved liquidity as we continue operations and explore strategic options. These options include securing additional funding and exploring business alternatives that may include partnering, acquiring, investing in or combining with businesses that may or may not be in a related industry. We are actively seeking opportunities to develop partnerships or collaborations with others to advance further Orion development, conduct pivotal trials and bring the product to market for the treatment of blindness. No assurances can be given that any of these initiatives will occur.

In early March 2020, we commenced clinical validation activities for the FLORA-20 instrument, the primary efficacy endpoint we have selected for our future pivotal clinical trial of Orion. In mid-March 2020, our validation activities were suspended as a result of public health concerns and related social distancing due to COVID-19. We are in the process of evaluating when activities related to the validation study can be resumed.

On March 27, 2020, the Board of Directors appointed Matthew Pfeffer, a member of our Board and Chairman of the Audit Committee of the Board, as acting Chief Executive Officer.

In furtherance of our decision to withdraw Argus II from the market, we have terminated two post-market studies for Argus II in Germany and the U.S., terminated an extended non-significant risk study in the U.S. for Argus 2s, and suspended our technical support of Argus II worldwide. We have not yet formally withdrawn our submission to the FDA for market approval of the Argus 2s wearables system while we evaluate our strategic options.

In May 2020, we completed an underwritten public offering of 7,500,000 shares of common stock at an offering price of \$1.00 per share for aggregate gross proceeds of \$7.5 million, and net proceeds of approximately \$6.7 million after deducting underwriting discounts, commissions and other offering expenses. Based on our current plans, we believe the financing provides sufficient working capital to sustain ongoing operations into the first quarter of 2021.

In May 2020, we entered into a Letter Agreement with Sylmar Biomedical Park, LLC (the “Landlord”) to terminate our facility leases in which we agreed to vacate the premises by June 18, 2020 and pay \$210,730 to bring our leases current and pay a one-time early termination fee of \$150,000. Prior to the early termination, we were obligated to pay aggregate base rent of approximately \$0.9 million and common area maintenance expenses for the respective remaining terms of our leases in February 2022 and April 2023.

We completed our offer to rescind certain purchases of shares under our ESPP plan on May 27, 2020. We voluntarily offered to rescind the sale of shares of our common stock to employees who purchased those shares under the ESPP and to reimburse any losses upon the sale of our shares of our common stock for certain purchase periods because these shares may not have been exempt from registration under the Securities Act of 1933. The rescission of these share purchases resulted in the repurchase and cancellation of 39,467 shares of our common stock. The total cost for the repurchase of these shares and the reimbursement of any losses from the sale of such shares totaled approximately \$270,000.

In June 2020, we commenced a process to dissolve our Swiss subsidiary which is expected to take approximately one year.

On July 7, 2020, we entered into a lease with Sylmar Biomedical Park, LLC, to lease a smaller portion of our present facility. The new lease allows us to significantly reduce our rent while maintaining operations and our current address. The term of the lease is from June 16, 2020 until December 31, 2020 and automatically renews monthly thereafter unless terminated by either party with 30 day notice. The monthly rent is \$16,000 inclusive of a proportionate share of the building's maintenance cost. The prior rent was \$38,000, plus a proportionate share of the building's maintenance cost, which averaged approximately \$20,000 per month in 2019. The facility will support the Company's current staff and operations, including continuation of its Orion early feasibility study, with six subjects at UCLA and Baylor College of Medicine, and other Orion research.

As of November 10, 2020, we have twelve employees including five whom we have rehired to refocus on the advancement of Orion and sustain our ongoing operations.

#### *Capital Funding*

From inception, our operations have been funded primarily through the sales of our common stock and warrants, as well as from the issuance of convertible debt, research and clinical grants, and limited product revenue generated from the sale of our Argus II product. Funding of our business since 2017 has been primarily provided by:

- On May 5, 2020, we closed our underwritten public offering of 7,500,000 shares of common stock at an offering price of \$1.00 per share for aggregate net proceeds of approximately \$6.7 million
- Issuances of common stock and warrants in a Rights Offering in February 2019 which provided \$34.4 million of net cash proceeds
- Issuances of common stock through our At Market Issuance Sales Agreement during the fourth quarter of 2019 which provided \$0.1 million of net cash proceeds
- Issuances of common stock through our At Market Issuance Sales Agreement during the first quarter of 2018, which provided \$4.0 million of net cash proceeds
- Issuances of common stock via stock purchase agreements in May, August, October and December 2018, which provided net cash proceeds of \$22.0 million
- Revenue of \$3.4 million and \$6.9 million, for the years ended December 31, 2019 and 2018, respectively, generated by sales of our Argus II product.

We received an award for \$1.6 million grant (with the intent to fund \$6.4 million over five years subject to annual review and approval) from the National Institutes of Health (NIH) to fund the "Early Feasibility Clinical Trial of a Visual Cortical Prosthesis" that commenced in January 2018. Our second year award of \$1.4 million was recently approved under this grant. As of September 30, 2020 we recorded \$0.6 million of deferred grant costs which will be offset with the related grant funds when received. During the nine months ended September 30, 2020, we received a total of \$0.4 million of grant funds primarily from this grant.

On September 17, 2019, we received a \$2.4 million, four-year grant from the National Institutes of Health (NIH) to develop spatial localization and mapping technology ("SLAM"). This grant involves a joint collaboration with the Johns Hopkins University Applied Physics Laboratory, and is intended to speed the integration of SLAM into future generations of Orion. The goal is to give Orion users the ability to localize objects and navigate landmarks in unfamiliar surroundings in real time. APL is the primary recipient of the grant. We have suspended our activities on the project until we clarify our future plans.

In a rights offering completed on February 22, 2019 we sold approximately 5,976,000 units, each priced at \$5.792 for net cash proceeds of approximately \$34.4 million. Each unit consisted of one share and one immediately exercisable warrant having an exercise price of \$11.76 per share. Entities controlled by Gregg Williams, our Chairman of the Board of Directors, acquired approximately 5,180,000 units in the offering for an aggregate investment of approximately \$30 million.

In November 2017, we entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) with B. Riley FBR Inc. and H.C. Wainwright & Co., LLC, as agents (“Agents”) pursuant to which we offered and sold, from time to time through either of the Agents, shares of our common stock having an aggregate offering price as set forth in the Sales Agreement and a related prospectus supplement filed with the SEC. We agreed to pay the Agents a cash commission of 3.0% of the aggregate gross proceeds from each sale of shares under the Sales Agreement. During January and February 2018, we sold 278,000 shares of common stock for additional net proceeds of \$4.0 million under the Sales Agreement. During December 2019, we sold approximately 17,000 shares of common stock which provided net proceeds of \$0.1 million under the Sales Agreement. This agreement was terminated in April 2020.

We are subject to the risks and uncertainties associated with a business with no revenue that is developing a novel medical device. We 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 the foreseeable future. Based on our current plans, we do not have sufficient funds to continue operating our business at current levels for at least twelve months from the date of issuance of this report. To finance our operations beyond that point, we will need to raise additional capital, which cannot be assured. However, our operating plan may change as a result of many factors currently unknown to us, and we will need to seek additional funds during that period, through public or private equity offerings or debt financings, grants, collaborations, strategic partnerships or other sources. However, we may be unable to raise additional capital or enter into such other arrangements when needed on favorable terms or at all. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs, or we may be unable to expand or maintain our operations, maintain our current organization and employee base or otherwise capitalize on our business opportunities, as desired, which could materially and adversely affect our business, financial condition and results of operations. Accordingly, these factors among others raise substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm, in its report on our 2019 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern.

### *Product and Clinical Development Plans*

*Orion.* By further developing our visual cortical prosthesis, Orion, we believe we may be able to significantly expand our market to include nearly all profoundly blind individuals. The only notable exceptions for potential use of the Orion are those who are blind due to otherwise currently treatable diseases, individuals who are born blind, or blindness due to direct damage of the visual cortex, which is rare. However, of the estimated 36 million blind people worldwide, there are approximately 5.8 million people who are legally blind due to causes that are not otherwise treatable (including RP) or age-related macular degeneration (“AMD”). We continue to develop and refine our estimates of the potential addressable market size as we evaluate the commercial prospects for Orion using a combination of published sources, third party market research, and physician feedback. We currently estimate over 500,000 individuals in the US are legally blind due to retinitis pigmentosa, glaucoma, diabetic retinopathy, optic nerve disease and eye injury. Of this population, we estimate the potential US addressable market is between 50,000 and 100,000 individuals with bi-lateral blindness at the light-perception level or worse. Our marketing approvals by the FDA and other regulatory agencies will ultimately determine the subset of these patients who are eligible for the Orion based on our clinical trials and the associated results.

Our objective in designing and developing the Orion visual prosthesis system is to bypass the optic nerve and directly stimulate the part of the brain responsible for human vision. A six-subject Early Feasibility Study of the Orion device is currently underway at UCLA and Baylor. Regularly scheduled visits at both sites were placed on hold in mid-March due to Covid-19, however visits at UCLA resumed mid-September 2020. Regularly scheduled visits at Baylor are still on hold but the site is preparing to resume the study soon. Our 12 month results for the six subjects indicate a good safety profile with encouraging efficacy data and benefits in helping subjects perform their daily living tasks. We believe these data are encouraging and support advancement of Orion into a larger pivotal clinical study. Early promising results are not necessarily indicative of results which may be obtained in large clinical trials. No assurance can be given that we will achieve similar results in our larger Orion clinical trials. No peer-reviewed data is available yet for the Orion system.

In November 2017, the FDA granted Breakthrough Devices Program designation for the Orion. This designation is given to a few select medical devices in order to provide more effective treatment of life-threatening or irreversibly debilitating diseases or conditions. This program is intended to help patients have more timely access to these medical devices by expediting their development, assessment, and review.

### **COVID-19 Pandemic**

In accordance with local and state guidelines regarding the COVID-19 pandemic, we are requiring all of our employees to work remotely unless they cannot perform their essential functions remotely, and have also suspended all non-essential travel for our employees. While many of our employees are accustomed to working remotely, much of our workforce has not historically been remote. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance becomes available, temporarily suspending travel and restricting the ability to do business in person may create operational or other challenges, any of which could harm our business, financial condition and results of operations.

In addition, our clinical trials have been affected by the COVID-19 outbreak. Patient visits in ongoing clinical trials have been delayed, for example, due to prioritization of hospital resources toward the COVID-19 outbreak, travel restrictions imposed by governments, and the inability to access sites for initiation and monitoring. Also, some of our suppliers of certain materials used in the development of our product candidates are located in areas impacted by COVID-19 which could limit our ability to obtain sufficient materials for our product candidates. COVID-19 has and will continue to adversely affect global economies and financial markets, and may result in an economic downturn that could affect demand for our product candidates, if approved, and impact our operating results. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic. We cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our business, the ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. See the Risk Factors section for further discussion of the possible impact of the COVID-19 pandemic on our business.

### **Critical Accounting Policies and Estimates**

The preparation of our condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) and the requirements of the United States Securities and Exchange Commission require management to make estimates, assumptions and judgments that affect the amounts, liabilities, revenue and expenses reported in the financial statements and the notes to the financial statements. On an ongoing basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates under different assumptions or conditions. A summary of our critical accounting policies is presented in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019.

#### *Segment Reporting*

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. Our chief operating decision-maker reviews financial information presented on a consolidated basis. Accordingly, we consider ourselves to be in a single reporting segment, specifically the discovery, development and commercialization of visual prosthetics for profoundly blind individuals. We historically managed our Argus II and Orion programs on a consolidated basis within this single operating segment and do not assess the performance of our product lines or geographic regions on other measures of income or expense, such as program expense, operating income or net income. Our underlying technology consists of hardware components (implanted and wearable) and software. A vast majority of this underlying technology is shared between our Argus II and Orion branded systems. While we have ceased marketing the Argus II product indicated for individuals with retinitis pigmentosa, we are developing Orion as a next generation product with potential to treat a broader market of blind individuals, including the retinitis pigmentosa market.

Based upon our decision on May 10, 2019 to accelerate our transition to the Orion platform and suspend production of Argus, we recorded impairment charges of \$2.6 million related to inventory of Argus II in the nine months ended September 30, 2019. As part of this transition we commenced a corporate restructuring plan to focus on development of Orion and other key research projects. On March 31, 2020, due to the COVID-19 pandemic and related inability to secure additional funding, we laid off the majority of our employees and reduced our operating expenses significantly to allow for our continuing business operations. Due to our focus on Orion and wind down of selling and marketing activities related to Argus II, we recorded further impairment charges to our inventory of \$0.5 million and \$0.7 million to our fixed assets used primarily for Argus activities. We also incurred \$0.2 million in material and overhead costs associated with Argus II and \$0.8 million in severance payments and other costs associated with the wind down, all of which were substantially paid by September 30, 2020. We continue to advance the development of our Orion technology and are exploring various strategic options, however we cannot assure that any of these endeavors will yield satisfactory results or that we will be able to maintain our operations.

There have been no other material changes to our critical accounting policies during the nine months ended September 30, 2020.

### **Results of Operations**

*Net sales.* Our net sales consists of revenue primarily from the sale of our Argus II product which is no longer marketed. We do not expect future revenues from the sale of Argus II.

*Cost of sales.* Cost of sales includes the salaries, benefits, material, overhead, third party costs, warranty, charges for excess and obsolete inventory, and other costs required to make the Argus II system at our Los Angeles, California facility. Our product involves technologically complex materials and processes. We record cost of sales when products are implanted, which may differ from the period we are able to record revenue. Such timing differences may cause our reported results of operations to be difficult to compare from period to period.

*Operating Expenses.* We generally recognize our operating expenses as incurred 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 stock-based compensation for research and development, clinical and regulatory, sales and marketing, and general and administrative personnel. We have received 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 have recorded the amount of funding received from these grants as reductions to operating expenses.

- 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. Due to the recent downsizing of our business, we are currently evaluating the path forward for our research and development activities for Orion, including the potential for collaboration with 3<sup>rd</sup> parties and/or outsourcing the engineering work for Orion.
- 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 offset by grant revenue received in support of specific clinical research projects. We expect clinical and regulatory expenses to be lower in the short-run as we have closed our clinical study activities related to Argus II and Orion clinical site visits have been temporarily put on hold due to COVID-19. In the long-run, we expect clinical and regulatory expenses to increase if and when we conduct a pivotal clinical study of Orion.
- Sales and marketing expenses consist primarily of salaries, commissions, travel and related expenses for personnel engaged in sales, marketing, market access and business development functions, as well as costs associated with promotional and other marketing activities including the cost of units consumed as demos or samples. We expect sales and marketing expenses to be materially lower in 2020 than in 2019 as we no longer employ sales and marketing personnel and no longer market the Argus II product.
- 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 and annuity costs, insurance costs and other general corporate expenses, including rent. We expect general and administrative expenses to be significantly lower in 2020 as we have significantly reduced staff.

#### **Comparison of the Three Months Ended September 30, 2020 and 2019**

We implanted no Argus II products during the third quarter of 2020 compared to four in the third quarter of 2019. All of the implants in the third quarter of 2019 were in Europe, the Middle East and Asia (collectively, “EMEA”).

*Net Sales.* There were no net sales in the third quarter of 2020 as compared to \$0.5 million in the same period in 2019. Revenue was recognized for four units in the third quarter of 2019. Revenue recognized per implant was approximately \$118,000 in the third quarter of 2019. We do not expect future revenues from the sale of Argus II.

*Cost of sales.* There were no cost of sales in the third quarter of 2020 as compared to \$0.4 million in the third quarter of 2019. Cost of sales in the third quarter of 2019 consisted primarily of the cost of products implanted and unabsorbed production costs.

*Research and development expense.* Research and development expense decreased by \$3.1 million, or 92%, to \$0.3 million in the third quarter of 2020 from \$3.4 million in the third quarter of 2019. The costs decreased from the prior period due primarily to costs related to our reduction in force and significantly curtailed activity while we reevaluate our development plans.

*Clinical and regulatory expense.* Clinical and regulatory expense decreased \$0.6 million, or 70%, to \$0.3 million in the third quarter of 2020 from \$0.9 million in the third quarter of 2019. This decrease is attributable to decreased costs associated with the Orion feasibility study. We expect clinical and regulatory costs to increase once we are able to resume our Orion development and resume our Early Feasibility Study but will currently continue at a reduced level until that point.

*Selling and marketing expense.* Selling and marketing expense decreased \$1.3 million, or 100%, to zero in the third quarter of 2020 from \$1.3 million in the third quarter of 2019. This decrease in costs was primarily driven by our elimination of commercial activities related to Argus II and the resulting decreased use of outside services, supplies, reduced headcount and related compensation expense.

*General and administrative expense.* General and administrative expense decreased \$1.1 million, or 51%, to \$1.1 million in the third quarter of 2020 from \$2.2 million in the same period of 2019. This decrease is primarily attributable to lower compensation costs primarily due to reduced staffing. We expect general and administrative expenses to remain at these levels until such time as we are able to resume our development activities related to Orion.

## Comparison of the Nine Months Ended September 30, 2020 and 2019

We implanted no Argus II products during the first nine months of 2020 compared to 25 in the first nine months of 2019. Twelve of the implants in the first nine months of 2019 were in Europe, the Middle East and Asia (collectively, “EMEA”) while the remainder were in the U.S.

*Net Sales.* There were no net sales in the first nine months of 2020 as compared to \$2.9 million in the same period in 2019. Revenue was recognized for 23 units in the first nine months of 2019. Revenue recognized per implant was approximately \$125,000 in the first nine months of 2019. We do not expect future revenues from the sale of Argus II.

*Cost of sales.* There were no cost of sales in the first nine months of 2020 as compared to \$2.0 million in the first nine months of 2019. Cost of sales in the first nine months of 2019 consisted primarily of the cost of products implanted and unabsorbed production costs.

*Research and development expense.* Research and development expense decreased by \$4.5 million, or 50%, to \$4.5 million in the first nine months of 2020 from \$9.0 million in the first nine months of 2019. The costs decreased from the prior period due primarily to costs related to our reduction in force and significantly curtailed activity while we reevaluate our development plans.

*Clinical and regulatory expense.* Clinical and regulatory expense decreased \$0.8 million, or 33%, to \$1.6 million in the first nine months of 2020 from \$2.4 million in the first nine months of 2019. This decrease is attributable to decreased costs associated with the Orion feasibility study. We expect clinical and regulatory costs to increase once we are able to resume our Orion development and our Early Feasibility Study but will currently continue at a reduced level until that point.

*Selling and marketing expense.* Selling and marketing expense decreased \$4.4 million, or 86%, to \$0.7 million in the first nine months of 2020 from \$5.1 million in the first nine months of 2019. This decrease in costs was primarily driven by our elimination of commercial activities related to Argus II and the resulting decreased use of outside services, supplies, reduced headcount and related compensation expense. We expect selling and marketing expense to decrease as we no longer market Argus II and are focused on Orion development.

*General and administrative expense.* General and administrative expense decreased \$2.3 million, or 33%, to \$4.6 million in the first nine months of 2020 from \$6.9 million in the same period of 2019. This decrease is primarily attributable to lower compensation costs primarily due to reduced staffing. We expect general and administrative expenses to remain at these levels until such time as we are able to resume our development activities relating to Orion.

*Restructuring charges.* We recorded a non-cash restructuring charge of \$2.6 million in the first nine months of 2019 to our reserve for excess and obsolete inventory in connection with our plans to suspend Argus II production. In addition, we recognized \$0.7 million of pre-tax restructuring charges in the first nine months of 2019 consisting of severance and other employee termination benefits. We recorded non-cash restructuring charges of \$1.2 million in the first nine months of 2020 comprised of \$0.5 million to fully reserve our inventory in connection with our decision to no longer market Argus II and \$0.7 million to write-down our fixed assets that are not directly involved in the development of Orion and \$0.2 million in material and overhead costs associated with Argus II and \$0.8 million cash charge for severance compensation and other associated costs all of which was substantially settled by September 30, 2020.

## Liquidity and Capital Resources

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 no revenue that is developing a novel medical device, including limitations on our operating capital resources and uncertain demand for our products. We 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 the foreseeable future.

On May 5, 2020, we closed our underwritten public offering of 7,500,000 shares of common stock at an offering price of \$1.00 per share for aggregate net proceeds of approximately \$6.7 million. We believe the financing provides sufficient working capital to sustain ongoing operations into the first quarter of 2021.

In a rights offering completed on February 22, 2019, we sold approximately 5,976,000 units, each priced at \$5.792 for net cash proceeds of approximately \$34.4 million. Each unit consisted of one share and one immediately exercisable warrant having an exercise price of \$11.76 per share. Entities controlled by Gregg Williams, our Chairman of the Board of Directors, acquired approximately 5,180,000 units in the offering for an aggregate investment of approximately \$30 million. The expiration date of the warrants issued pursuant to this rights offering is March 14, 2024, and the expiration date of all previously outstanding warrants listed for trading under the symbol “EYESW” were extended to March 14, 2024.

We do not have sufficient funds to support our operations for the next 12 months from the date of issuance of this report. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. Conducting clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete and we may never generate the necessary data or results required to obtain marketing approval. We do not expect revenues until we are successful in completing the development and obtaining marketing approval for Orion. We expect expenses to increase in connection with our ongoing activities, particularly as we continue clinical trials of Orion, initiate new research and development projects and seek marketing approval for any product candidates that we successfully develop. In addition, if we obtain marketing approval for Orion, we expect to incur significant additional expenses related to sales, marketing, distribution and other commercial infrastructure to commercialize such product. In addition, our product candidates, if approved, may not achieve commercial success. We incur significant costs associated with operating as a public company in a regulated industry.

Until such time, if ever, we can generate substantial product revenues, we anticipate that we will seek to fund our operations through public or private equity or debt financings, grants, collaborations, strategic partnerships or other sources. Accordingly, these factors among others raise substantial doubt about our ability to continue as a going concern. However, we may be unable to raise additional capital or enter into such other arrangements when needed on favorable terms or at all. To the extent that we raise additional capital through the sale of equity, convertible debt or other equity-linked securities, the ownership interests of some or all of our common stockholders will be diluted, the holders of new equity securities may have priority rights over our existing stockholders and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If adequate funds are not available, we may be required to further curtail operations significantly or to obtain funds by entering into agreements on unattractive terms. If, for example, we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or to grant licenses on terms that may not be favorable to us. Our inability to raise capital could have a material adverse effect on our business, financial condition and results of operations. Our independent registered public accounting firm, in its report on our 2019 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern.

Cash and cash equivalents decreased by \$8.9 million from \$11.3 million as of December 31, 2019 to \$2.4 million as of September 30, 2020. Working capital was \$0.3 million as of September 30, 2020, as compared to \$6.2 million as of December 31, 2019, a decrease of \$5.9 million. We use our cash and cash equivalents and working capital to fund our operating activities.

#### *Cash Flows from Operating Activities*

During the first nine months of 2020, we used \$15.4 million of cash in operating activities, consisting primarily of a net loss of \$13.6 million, and a net change in operating assets and liabilities of \$3.5 million, offset by non-cash charges which provided cash of \$1.7 million for depreciation and amortization of property and equipment, stock-based compensation, change in right of use assets and impairment charges. During the first nine months of 2019, we used \$20.2 million of cash in operating activities, consisting primarily of a net loss of \$25.7 million, offset by non-cash charges of \$4.5 million for depreciation and amortization of property and equipment, stock-based compensation, change in right of use assets and a net change in operating assets and liabilities of \$1.0 million.

#### *Cash Flows from Investing Activities*

Cash provided by investing activities in the first nine months of 2020 was \$67,000 consisting of proceeds of \$398,000 received in the sale of property and equipment offset by equipment purchases of \$331,000. In the first nine months of 2019 we used \$394,000 to purchase property and equipment.

#### *Cash Flows from Financing Activities*

Financing activities provided \$6.4 million of cash in the first nine months of 2020 consisting of \$6.7 of net proceeds from the sale of common stock offset by the use of \$281,000 for the repurchase of partial shares in connection with our reverse stock split and our rescission purchase of our ESPP shares. Financing activities provided \$34.6 million of cash in the first nine months of 2019 consisting of the \$34.4 million in net proceeds from the sale of common stock and warrants and \$238,000 in proceeds from our employee stock purchase plan.

#### **Off-Balance Sheet Arrangements**

At September 30, 2020, we did not have any transactions, obligations or relationships that constitute off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### *Interest Rate Sensitivity*

The primary objective of our investment activities is to maintain the safety of principal and preserve liquidity without incurring significant risk. We invest cash in excess of our current needs in money market funds. As of September 30, 2020, our investments consisted solely of money market funds.

#### *Exchange Rate Sensitivity*

The majority of our operating expenses were denominated in U.S. dollars. We have not entered into foreign currency forward contracts to hedge our operating expense exposure to foreign currencies, but we may do so in the future.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, including our Acting Chief Executive Officer (“CEO”) and our Chief Accounting Officer (“CAO”), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2020. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. As of September 30, 2020, based on the evaluation of these disclosure controls and procedures, our CEO and CAO have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

#### *Changes in Internal Control over Financial Reporting*

There has been no change in our internal control over financial reporting during the nine months ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are updating our internal control environment to address changes in our risks in financial reporting to accommodate our reductions in operating activities, reductions in staffing levels, and segregation of duties. Such changes may result in new or reduced controls.

#### *Inherent Limitations on Effectiveness of Controls*

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART II-OTHER INFORMATION

### Item 1. Legal Proceedings

Ten oppositions filed by Pixium Vision are pending in the European Patent Office, each challenging the validity of a European patent owned by us. We have filed one opposition that is currently pending in the European Patent Office challenging the validity of a patent owned by Pixium Vision. 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 believe a successful challenge will not have a material effect on our ability to manufacture and sell our products, or otherwise have a material effect on our operations.

By letters received June 23, 2020 and July 21, 2020 counsel for a participant in the Orion Early Feasibility Study has alleged claims against the Company for breach of contract, breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, promissory estoppel and negligent infliction of emotional distress. Counsel in addition has alleged that Second Sight has violated the protocol established by the FDA for good clinical practice within this industry. As full compensation for damages arising from these claims the Company was presented with a demand for payment of \$3,000,000. The Company believes that the claims asserted are without merit. Although the Company does not believe a lawsuit will be filed imminently, the claim is in the early stage and no assurance can be given that this matter will not result in litigation. To the extent a lawsuit is filed, the Company intends to vigorously defend it.

From time to time, we may be involved in a variety of legal proceedings and claims relating to securities laws, product liability, patent infringement, contract disputes, employment matters and other matters relating to various claims that arise in the normal course of our business in addition to governmental and other regulatory investigations and proceedings. It is our opinion that the outcome of such matters will not have a material adverse effect on our results of operations, however, the results of litigation, proceedings, disputes and claims are inherently unpredictable. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### Item 1A. Risk Factors

*Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report, including our financial statements and related notes, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The risks described below are not the only risks facing us. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, the impact of COVID-19 and any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.*

In addition to other information set forth in this report, you should carefully consider the risk factors discussed under the “Risk Factors” section included in our 2019 Annual Report on Form 10-K, which was filed with the SEC on March 19, 2020 and as amended on Form 10-K/A and filed with the SEC on April 28, 2020, as well as those risk factors contained in our prospectus supplement dated April 30, 2020 as filed with the SEC on May 1, 2020. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Form 10-K, as amended, our Quarterly Report on Form 10-Q for the six months ended June 30, 2020 filed with the SEC on August 13, 2020 and our prospectus supplement.

*Since we have incurred material operating losses yearly since inception and have no current revenue producing operations, it is difficult to evaluate the future of our business.*

To date, since eliminating commercial activities concerning our Argus II production and marketing efforts in 2019 our operations on a consolidated basis have consisted of the continued development and clinical studies of our Orion-focused technologies and implementation of the early parts of our business plan relating to the Orion. We have incurred significant operating losses in each year since our inception and we will continue to incur additional losses for the next several years. In addition, our losses may be greater than expected and our operating results may suffer. We have limited historical financial data upon which we may base our projected revenue and base our planned operating expenses. Our limited operating history makes it difficult to evaluate our technology or prospective operations and business prospects.

*The COVID-19 pandemic has had an adverse effect on our business and results of operations and is expected to continue to have further adverse effects, which could be material, on our business, results of operations, financial condition, liquidity, and capital investments.*

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread globally. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, most states in the U.S., including California, where we are headquartered, have declared a state of emergency. The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns.

In accordance with local and state guidelines regarding the COVID-19 pandemic, we are requiring all of our employees to work remotely unless they cannot perform their essential functions remotely, and have also suspended all non-essential travel for our employees. While a significant number of our employees may be accustomed to working remotely or working with other remote employees, much of our workforce has not historically been remote. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance becomes available, temporarily suspending travel and restricting the ability to do business in person may create operational or other challenges, any of which could harm our business, financial condition and results of operations.

In addition, our clinical trials have been affected by the COVID-19 outbreak. Patient visits in ongoing clinical trials have been delayed, for example, due to prioritization of hospital resources toward the COVID-19 outbreak, travel restrictions imposed by governments, and the inability to access sites for initiation and monitoring. For example, scheduled patient visits to our clinical sites at UCLA and Baylor were temporarily put on hold due to COVID-19. Visits have resumed at one site and we are in the process of planning to resume patient visits with the other site. Both sites continue to see patients if needed for any potential medical issues that may arise including any suspected adverse events. In addition, the validation study for the revised FLORA assessment was paused due to travel requirements for its completion. Also, some of our suppliers of certain materials used in the development of our product candidates are located in areas impacted by COVID-19 which could limit our ability to obtain sufficient materials for our product candidates. COVID-19 has and will continue to adversely affect global economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our product candidates, if approved, and impact our operating results. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic. We could experience further harm to our business and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

COVID-19 has directly and indirectly adversely affected Second Sight and will likely continue to do so for an uncertain period of time. In March and April 2020 we laid off a substantial majority of our employees as a result of COVID-19 and an inability to obtain financing. We retain approximately twelve of our employees to oversee current operations. The cumulative effects of COVID-19 on the Company cannot be predicted at this time, but could include, without limitation:

- inability to meet warranty obligations for our Argus II products;
- reputational damages of the Company and its products;
- inability to raise additional funds to finance and continue our operations;
- inability to maintain adequate office laboratory facilities;
- inability to retain and hire experienced personnel;
- diminished ability, or inability, to enroll patients or complete clinical trials and other activities required to achieve regulatory clearance of our products under development
- inability to finalize our plan for and enroll patients into our proposed pivotal clinical trial;
- material delays or inability to complete development and commercialization of Orion;
- inability to satisfy Nasdaq's continued listing requirements and possible delisting; and
- other uncertain events that may have negative impact on our operations.

***Our efforts may never demonstrate the feasibility of our Orion technology.***

Our research and development efforts remain subject to all of the risks associated with the development of new technology. Our Orion technology, though based on our FDA approved Argus II is not yet fully developed. Development of the underlying technology, including the further development and refinement of our Orion technology, may be affected by unanticipated technical or other problems, among other development and research issues, and the possible insufficiency of funds needed in order to complete development of these products or devices. Regulatory and clinical hurdles or challenges also may result in delays and cause us to incur additional expenses that may increase our need for capital and result in additional losses. If we cannot complete, or if we experience significant delays in developing our technology, applications or products for use by those patients who can benefit from vision restoration, particularly after incurring significant expenditures, our business may fail and investors may lose the entirety of their investment.

***We are currently not in compliance with Nasdaq listing standards. If our common stock is delisted, the market price and liquidity of our common stock and our ability to raise additional capital would be adversely impacted.***

Our common stock and warrants are currently listed on Nasdaq. Continued listing of a security on Nasdaq is conditioned upon compliance with various continued listing standards. On July 23, 2020 Nasdaq notified us that we no longer meet Listing Rule 5550(b)(2) requiring us to maintain a minimum market value of listed securities (“MVLS”) of \$35 million. The notice was based on a review of our MVLS for the past 30 business days. Nasdaq also noted us that we do not meet the requirements under Listing Rules 5550(b)(1) and 5550(b)(3) which require stockholders’ equity of at least \$2.5 million, or net income from continuing operations of \$500,000 in the most recently completed or in two of the three most recently completed fiscal years, respectively. However, Nasdaq’s listing rules provide us a compliance period of 180 calendar days, or until January 19, 2021, in which to regain compliance.

If at any time during this compliance period our MVLS closes at \$35 million or more for a minimum of ten consecutive business days, Nasdaq will provide written confirmation of compliance and the matter will be closed. In the event we do not regain compliance with the Rule prior to the expiration of the compliance period, we will receive written notification that our securities are subject to delisting. At that time, we may appeal the delisting determination to a Nasdaq Hearings Panel.

On July 21, 2020 Nasdaq notified us, based on the information that our board of directors had appointed an independent director to our compensation committee, that it has determined that we comply with Rule 5605(d)(2) and this matter is now closed. On July 15, 2020, Nasdaq notified us that we again qualified for a cure period to meet listing rules brought into question due to changes in our board of directors. We previously reported regarding letters from Nasdaq dated April 15, 2020, June 1, 2020, and June 2, 2020.

As previously disclosed, Nasdaq notified us on April 15, 2020, that due to the appointment of one of our independent directors as the acting Chief Executive Officer effective March 27, 2020, we no longer complied with Nasdaq’s independent director and audit committee requirements as set forth in Listing Rule 5605. On June 1, 2020, Nasdaq notified us that following the resignation of William J. Link as a director effective May 31, 2020, our noncompliance with the Listing Rules was then due to more than one vacancy on our board and audit committee. As a result, Nasdaq advised us that we were no longer eligible for the cure period set forth in our Form 8-K filed June 4, 2020 and that a plan of compliance was required to be submitted no later than July 16, 2020.

Our board of directors concluded that our non-executive Chair, Gregg Williams, meets the criteria of an independent director and has appointed Mr. Williams to be a member of the Audit Committee as of June 22, 2020, as a result of which we have only one vacancy on our board and committees. In the July 15, 2020 letter, Nasdaq acknowledged our conclusion regarding Mr. Williams’ independent director status and appointment to the Audit Committee. As a result, we are again eligible for the cure period provided in Nasdaq’s Listing Rules. As such, Nasdaq reiterated that consistent with Listing Rules 5605(b)(1)(A) and 5605(c)(4), the Company’s cure period to regain compliance is as follows:

- until the earlier of the Company’s next annual shareholders’ meeting or March 27, 2021;
- or
- if the next annual shareholders’ meeting is held before September 23, 2020, then the Company must evidence compliance no later than September 23, 2020.

By notice dated October 1, 2020 (“Notice”) Nasdaq advised us that for 30 consecutive business days preceding the date of the Notice, the bid price of our common stock had closed below the \$1.00 per share minimum required for continued listing on the Nasdaq Capital Market (the “Minimum Bid Price Requirement”) as required by Nasdaq Listing Rules.

Under Nasdaq Listing Rule 5810(c)(3)(A), if during the 180 calendar day period following the date of the Notice (the “Compliance Period”), the closing bid price of our common stock is at or above \$1.00 for a minimum of 10 consecutive business days, will regain compliance with the Minimum Bid Price Requirement and our common stock will continue to be eligible for listing on Nasdaq absent noncompliance with any other requirement for continued listing.

If we do not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period, under Nasdaq Listing Rule 5810(c)(3)(A)(ii), if on the last day of the Compliance Period we are in compliance with the market value of publicly held shares requirement for continued listing, as well as all other standards for initial listing of our common stock on Nasdaq (other than the bid price requirement), we may be eligible for additional time if we also provide written notice to Nasdaq of our intention to cure the deficiency during a second compliance period at which point Nasdaq may grant us an additional 180 days to regain compliance with the Minimum Bid Price Requirement.

If we do not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period (or the Compliance Period as may be extended) our common stock will be subject to delisting.

If our common stock were to be delisted from Nasdaq, trading of our common stock most likely would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the OTCQX Market, OTCQB Market. Such trading would likely reduce the market liquidity of our common stock. As a result, an investor could find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock. Many brokerage firms are reluctant to recommend low-priced stocks to their clients. Moreover, various regulations and policies restrict the ability of stockholders to borrow

against or “margin” low-priced stocks, and declines in the stock price below certain levels may trigger unexpected margin calls. Additionally, because brokers’ commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current price of the common stock can result in an individual stockholder paying transaction costs that represent a higher percentage of total share value than would be the case if our share price were higher. This factor may also limit the willingness of institutions to purchase our common stock. Finally, the additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from facilitating trades in our common stock, which could severely limit the market liquidity of the stock and the ability of investors to trade our common stock. As a result, the ability of our stockholders to resell their shares of common stock, and the price at which they could sell their shares, could be adversely affected. The delisting of our common stock from Nasdaq would also make it more difficult for us to raise additional capital.

***If shares of our common stock cease to be listed on a national exchange our securities will not be eligible for federal preemption rights and could be subject to state “blue sky” laws which may affect our capabilities of raising capital.***

Each state has its own securities laws, often called “blue sky” laws, which (i) limit sales of securities to a state’s residents unless the securities are registered in that state or qualify for an exemption from registration, and (ii) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or the transaction must be exempt from registration. The applicable broker must be registered in that state. We do not know whether securities will be registered or exempt from registration under the laws of any state. If our securities cease to be listed on the national exchange, a determination regarding registration will be made by those broker-dealers, if any, who agree to serve as the market-makers for our common stock. Registering or qualifying shares with states can be time consuming. Compliance and regulatory costs may vary from state to state and may adversely affect future financings and our ability to raise capital.

***If our common stock is delisted from national exchange some institutional investors may not be allowed to purchase our shares and may be required to liquidate their current positions in our stock which could negatively affect the price and volatility of our shares.***

Institutional investors may be restricted by their investment policies from investing in shares of companies that are not listed on a national exchange and may be required to liquidate their positions if our securities are delisted from a national exchange. Liquidations, should they occur, may increase volatility and cause wide fluctuations and further declines in the prices of our securities.

***Delisting of our common stock from national exchange can cause material dilution of our stock in future financings which can erode shareholder value.***

If we are not able to maintain listing of our securities on Nasdaq, the trading prices of our securities may decline and we may need to sell larger amounts of our securities to obtain needed operating capital, possibly at prices which are at further discounts to the market or upon other terms that are less favorable to us, subjecting our shareholders to material dilution and losses to their investment.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Exhibit Description</b>
31.1	<a href="#"><u>Certification of Principal Executive Officer of Second Sight Medical Products, Inc. pursuant to Section 302 of Sarbanes-Oxley Act of 2002.*</u></a>
31.2	<a href="#"><u>Certification of Principal Financial and Accounting Officer of Second Sight Medical Products, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u></a>
32.1	<a href="#"><u>Certifications of Principal Executive Officer and Principal Financial and Accounting Officer of Second Sight Medical Products, Inc. pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u></a>
101.INS	XBRL Instant Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

\* Included herein.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MATTHEW PFEFFER</u> Matthew Pfeffer	Acting Chief Executive Officer and Director (Principal Executive Officer)	November 12, 2020
<u>/s/ Edward J. Sedo</u> Edward J. Sedo	Acting Chief Accounting Officer (Principal Financial and Accounting Officer)	November 12, 2020

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew Pfeffer, hereby certify that:

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

Date: November 12, 2020

/s/ Matthew Pfeffer  
\_\_\_\_\_  
Matthew Pfeffer  
Acting Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Edward J. Sedo, certify that:

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

Date: November 12, 2020

/s/ Edward J. Sedo

Edward J. Sedo

Acting Chief Accounting Officer

(Principal Financial and Accounting Officer)

**Certifications of Principal Executive Officer and Principal Financial Officer  
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Matthew Pfeffer, Chief Executive Officer (Principal Executive Officer) and Edward J. Sedo, Chief Accounting Officer (Principal Financial and Accounting Officer) of Second Sight Medical Products, Inc. (the "Company"), each hereby certifies that, to the best of his knowledge:

1. The Quarterly Report of the Company on Form 10-Q (the "Report") for the quarter ended September 30, 2020, to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2020

/s/ Matthew Pfeffer

Matthew Pfeffer  
Acting Chief Executive Officer  
(Principal Executive Officer)

/s/ Edward J. Sedo

Edward J. Sedo  
Acting Chief Accounting Officer  
(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Second Sight Medical Products, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.