



# **NORTHWEST BIOTHERAPEUTICS INC**

## **FORM 10-Q**

(Quarterly Report)

Filed 08/14/18 for the Period Ending 06/30/18

Address 4800 MONTGOMERY LANE, BETHESDA, MD, 20814  
Telephone (727) 384-2323  
CIK 0001072379  
Symbol NWBO  
SIC Code 2834 - Pharmaceutical Preparations  
Fiscal Year 12/31

Powered by **barchart**

<https://www.barchart.com/solutions>

© Copyright 2022, Barchart.com, Inc. All Rights Reserved.

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2018**

**OR**

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

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

**Commission File Number: 001-35737**

**NORTHWEST BIOTHERAPEUTICS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**94-3306718**

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

**4800 Montgomery Lane, Suite 800, Bethesda, MD 20814**

(Address of principal executive offices) (Zip Code)

**(240) 497-9024**

(Registrant's telephone number)

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 x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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	"	Accelerated filer	"
Non-accelerated filer	" (Do not check if a smaller reporting company)	Smaller reporting company	x
		Emerging growth company	"

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

As of August 13, 2018, the total number of shares of common stock, par value \$0.001 per share, outstanding was 447,943,999.

---

---

**NORTHWEST BIOTHERAPEUTICS, INC.**

**FORM 10-Q**

**TABLE OF CONTENTS**

<b><u>PART I - FINANCIAL INFORMATION</u></b>	<b><u>3</u></b>
Item 1. Condensed Consolidated Interim Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for three and six months ended June 30, 2018 and 2017</u>	<u>5</u>
<u>Condensed Consolidated Statement of Stockholders' Equity (Deficit) for the six months ended June 30, 2018</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>26</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>31</u>
Item 4. Controls and Procedures	<u>32</u>
<b><u>PART II - OTHER INFORMATION</u></b>	<b><u>32</u></b>
Item 1. Legal Proceedings	<u>32</u>
Item 1A. Risk Factors	<u>32</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>33</u>
Item 3. Defaults Upon Senior Securities	<u>33</u>
Item 4. Mine Safety Disclosures	<u>33</u>
Item 5. Other Information	<u>33</u>
Item 6. Exhibits	<u>33</u>
<b><u>SIGNATURES</u></b>	<b><u>34</u></b>

---

**PART I - FINANCIAL INFORMATION**

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
(in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,597	\$ 117
Prepaid expenses and other current assets	838	1,285
Total current assets	<u>2,435</u>	<u>1,402</u>
Non-current assets:		
Property, plant and equipment, net	45,980	47,488
Other assets	61	17
Total non-current assets	<u>46,041</u>	<u>47,505</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 48,476</u></b>	<b><u>\$ 48,907</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,379	\$ 13,015
Accounts payable and accrued expenses to related parties and affiliates	2,368	5,385
Convertible notes, net	135	135
Convertible notes to related party	5,400	-
Notes payable, net	5,102	7,122
Notes payable to related party	369	1,121
Share settled debt, at fair value (in default)	1,562	3,308
Environmental remediation liability	6,200	6,200
Shares payable	138	-
Warrant liability	52,389	40,171
Mortgage loan, net	6,504	11,226
Total current liabilities	<u>98,546</u>	<u>87,683</u>
Non-current liabilities:		
Convertible notes payable, net of current portion, net	6,474	6,010
Note payable, net of current portion, net	2,511	2,507
Mortgage loan, net of current portion, net	4,735	-
Total non-current liabilities	<u>13,720</u>	<u>8,517</u>
Total liabilities	<u>112,266</u>	<u>96,200</u>
Preferred stock (\$0.001 par value); 100,000,000 shares authorized as of June 30, 2018 and December 31, 2017, respectively		
Convertible Series A, 15,000,000 shares designated - 3.2 million and 9.7 million shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively; aggregate liquidation preference of \$7,137	6,181	7,439
Convertible Series B, 15,000,000 shares designated - 7.5 million and 5.6 million shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively; aggregate liquidation preference of \$17,527	14,333	12,601
<b>COMMITMENTS AND CONTINGENCIES</b>		
Stockholders' equity (deficit):		
Common stock (\$0.001 par value); 1,200,000,000 shares authorized; 444.6 million and 328.9 million shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	444	329
Additional paid-in capital	746,509	721,554
Accumulated deficit	(831,341)	(788,619)
Accumulated other comprehensive loss	84	(597)
Total stockholders' equity (deficit)	<u>(84,304)</u>	<u>(67,333)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) AND TEMPORARY EQUITY</b>	<b><u>\$ 48,476</u></b>	<b><u>\$ 48,907</u></b>

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

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

(in thousands, except per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Research and other	\$ 278	\$ 88	\$ 410	\$ 156
Total revenues	<u>278</u>	<u>88</u>	<u>410</u>	<u>156</u>
<b>Operating costs and expenses:</b>				
Research and development	5,282	5,466	10,015	10,501
General and administrative	14,449	3,284	17,454	6,289
Legal expenses	901	2,003	2,111	5,935
Total operating costs and expenses	<u>20,632</u>	<u>10,753</u>	<u>29,580</u>	<u>22,725</u>
Loss from operations	(20,354)	(10,665)	(29,170)	(22,569)
<b>Other income (expense):</b>				
Change in fair value of derivative liabilities	6,313	6,457	(5,138)	7,896
Net loss from extinguishment of debt	(816)	(7,007)	(601)	(8,542)
Interest expense	(3,302)	(1,308)	(6,626)	(2,502)
Foreign currency transaction gain	(3,018)	2,270	(1,187)	2,844
<b>Net loss</b>	<u>\$ (21,177)</u>	<u>\$ (10,253)</u>	<u>\$ (42,722)</u>	<u>\$ (22,873)</u>
Deemed dividend on convertible preferred stock	(3,535)	-	(13,589)	-
<b>Net loss applicable to common stockholders</b>	<u>\$ (24,712)</u>	<u>\$ (10,253)</u>	<u>\$ (56,311)</u>	<u>\$ (22,873)</u>
Net loss per share applicable to common stockholders - basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.05)</u>	<u>\$ (0.14)</u>	<u>\$ (0.12)</u>
Weighted average shares used in computing basic and diluted loss per share	<u>424,922</u>	<u>208,458</u>	<u>390,732</u>	<u>185,108</u>

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

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited)**  
(in thousands)

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net loss	\$ (21,177)	\$ (10,253)	\$ (42,722)	\$ (22,873)
Other comprehensive loss				
Foreign currency translation adjustment	835	(1,326)	681	(1,640)
Total comprehensive loss	<u>\$ (20,342)</u>	<u>\$ (11,579)</u>	<u>\$ (42,041)</u>	<u>\$ (24,513)</u>

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

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**  
**(Unaudited)**  
(in thousands)

	<b>Common Stock</b>		<b>Additional</b>	<b>Subscription</b>	<b>Accumulated</b>	<b>Cumulative</b>	<b>Total</b>
	<b>Shares</b>	<b>Par value</b>	<b>Paid-in</b>	<b>Receivable</b>	<b>Deficit</b>	<b>Translation</b>	<b>Stockholders'</b>
			<b>Capital</b>			<b>Adjustment</b>	<b>Equity (Deficit)</b>
<b>Balance at January 1, 2018</b>	<b>328,857</b>	<b>\$ 329</b>	<b>\$ 721,554</b>	<b>\$ -</b>	<b>\$ (788,619)</b>	<b>\$ (597)</b>	<b>\$ (67,333)</b>
Issuance of common stock and warrants for cash in a registered direct offering	4,000	4	696	-	-	-	700
Issuance of common stock for conversion of Series A convertible preferred stock	67,955	68	11,807	(109)	-	-	11,766
Deemed dividend on conversion of Series A convertible preferred stock to common stock	-	-	(9,910)	-	-	-	(9,910)
Beneficial conversion feature of Series B convertible preferred stock	-	-	2,086	-	-	-	2,086
Deemed dividend related to immediate accretion of beneficial conversion feature of Series B convertible preferred stock	-	-	(2,086)	-	-	-	(2,086)
Issuance of common stock for conversion of Series B convertible preferred stock	9,441	9	2,162	-	-	-	2,171
Deemed dividend on conversion of Series B convertible preferred stock to common stock	-	-	(1,594)	-	-	-	(1,594)
Warrants exercised for cash	8,957	9	2,110	-	-	-	2,119
Reclassification of warrant liabilities related to warrants exercised for cash	-	-	2,177	-	-	-	2,177
Conversion of share settled debt into common stock	10,800	11	1,735	-	-	-	1,746
Issuance of common stock and warrants for conversion of debt and accrued interest	14,473	14	3,899	-	-	-	3,913
Reclass between accrued interest and subscription receivable	-	-	-	9	-	-	9
Proceeds from investor to offset subscription receivable	-	-	-	100	-	-	100
Stock-based compensation	100	-	11,873	-	-	-	11,873
Net loss	-	-	-	-	(42,722)	-	(42,722)
Cumulative translation adjustment	-	-	-	-	-	681	681
<b>Balance at June 30, 2018</b>	<b>444,583</b>	<b>\$ 444</b>	<b>746,509</b>	<b>\$ -</b>	<b>\$ (831,341)</b>	<b>\$ 84</b>	<b>\$ (84,304)</b>

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

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(in thousands)

	<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (42,722)	\$ (22,873)
<b>Reconciliation of net loss to net cash used in operating activities:</b>		
Depreciation and amortization	722	100
Amortization of debt discount	5,082	687
Amortization of debt premium	(240)	-
Non-cash interest expense	-	348
Change in fair value of derivatives	5,138	(7,896)
Loss from extinguishment of debt	601	8,092
Stock-based compensation related to warrants modification	141	-
Stock-based compensation for services	11,873	373
Subtotal of non-cash charges	23,317	1,704
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses and other current assets	453	212
Accounts payable and accrued expenses	857	3,222
Related party accounts payable and accrued expenses	1,782	1,730
Other non-current assets	(42)	29
Net cash used in operating activities	(16,355)	(15,976)
<b>Cash Flows from Investing Activities:</b>		
Refund of leasehold improvement related to UK construction	-	220
Purchase of property, plant and equipment	-	(9)
Net cash provided by investing activities	-	211
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of Series A convertible preferred stock and warrants	527	-
Proceeds from issuance of Series B convertible preferred stock and warrants, net	6,594	-
Proceeds from issuance of common stock and warrants in a registered direct offering, net	1,000	7,067
Proceeds from issuance of common stock and warrants in a private offering	-	553
Proceeds from private offering (shares payable)	138	-
Proceeds from investor to offset subscription receivable	100	-
Proceeds from exercise of warrants	2,119	100
Proceeds from issuance of notes payable, net	3,701	3,973
Proceeds from issuance of notes payable to related party	30	2,740
Proceeds from issuance of convertible notes payable, net	-	1,604
Proceeds from issuance of convertible notes payable to related party	5,400	-
Repayment of notes payable	(2,200)	-
Repayment of notes payable to related parties	(782)	(880)
Repayment of convertible notes payable	-	(3,258)
Net cash provided by financing activities	16,627	11,899
Effect of exchange rate changes on cash and cash equivalents	1,208	(2,983)
Net increase (decrease) in cash and cash equivalents	1,480	(6,849)
Cash and cash equivalents, beginning of the year	117	6,871
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 1,597</b>	<b>\$ 22</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest payments on mortgage loan	\$ (633)	\$ (658)
Interest payments on senior convertible note	\$ -	\$ (485)
Interest payments on notes payable to related party	\$ (27)	\$ (47)

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



**NORTHWEST BIOTHERAPEUTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
(in thousands)

	<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Issuance of common stock for conversion of Series A convertible preferred stock	\$ 11,766	\$ -
Deemed dividend on conversion of Series A convertible preferred stock to common stock	\$ 9,910	\$ -
Beneficial conversion feature of Series B convertible preferred stock	\$ 2,086	\$ -
Deemed dividend related to immediate accretion of beneficial conversion feature of Series B convertible preferred stock	\$ 2,086	\$ -
Issuance of common stock for conversion of Series B convertible preferred stock	\$ 2,171	\$ -
Deemed dividend on conversion of Series B convertible preferred stock to common stock	\$ 1,594	\$ -
Reclassification of warrant liabilities related to warrants exercised for cash	\$ 2,177	\$ 1,847
Conversion of share settled debt into common stock	\$ 1,746	\$ 451
Issuance of common stock and warrants for conversion of debt and accrued interest	\$ 3,312	\$ 5,462
Exchange 2014 Senior Convertible Notes and accrued interest for secured convertible note	\$ -	\$ 5,175
Forgiveness of certain payables to Cognate BioServices, Inc.	\$ -	\$ 3,750
Embedded conversion features with issuance of secured convertible notes	\$ -	\$ 1,826
Beneficial conversion feature associated with convertible note issued to related party	\$ -	\$ -
Warrants and contingently issuable warrants associated with convertible notes payable to related party	\$ 4,217	\$ -
Warrants issued associated with notes payable	\$ -	\$ 83
Conversion of note payable to offset Series A convertible preferred stock subscription receivable	\$ 500	\$ -
Conversion of interest payable to offset Series A convertible preferred stock subscription receivable	\$ 71	\$ -
Reclass between accrued interest and subscription receivable	\$ 9	\$ -

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

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

**1. Organization and Description of Business**

Northwest Biotherapeutics, Inc. and its wholly owned subsidiaries NW Bio GmbH, Aracaris Ltd and Aracaris Capital, Ltd (collectively, the "Company", "we", "us" and "our") were organized to discover and develop innovative immunotherapies for cancer.

The Company is developing experimental dendritic cell vaccines using its platform technology known as DCVax. DCVax is being tested in clinical trials for use in the treatment of certain types of cancers.

Cognate BioServices, Inc. ("Cognate BioServices"), a company which was related by common ownership until a management buyout of Cognate occurred on February 6, 2018, provides the Company with mission critical contract manufacturing services, research and development services, distribution and logistics, and related services, in compliance with the Company's specifications and the applicable regulatory requirements for clinical grade cellular products. The Company and Cognate BioServices are currently parties to a series of contracts providing for these services as more fully described below. The Company is currently dependent on Cognate BioServices to provide the manufacturing services, and any interruption of such services could potentially have a material adverse effect on the Company's ability to proceed with its clinical trials. In addition, a former Cognate affiliate in the UK (which was formerly part of Cognate BioServices, and is now known as Advent BioServices, in a related party relationship to the Company) is preparing for production of DCVax-L products there. The Company and Advent BioServices entered into contract arrangements for manufacturing and related services for the U.K. and Europe on May 14, 2018.

**2. Liquidity, Financial Condition and Management Plans**

During the six months ended June 30, 2018 the Company used approximately \$16.4 million of cash in its operating activities. Management believes that the Company will be able to continue accessing capital resources through the sale of equity and debt financing arrangements. However, the Company has no assurance that such capital will be available at the times needed and/or on the terms desired.

During the six months ended June 30, 2018, the Company raised approximately \$19.6 million in equity and debt securities to fund its operations. The Company had current assets of \$2.4 million and a working capital deficit of approximately \$96.1 million at June 30, 2018. The Company owed an aggregate of \$2.4 million of trade liabilities and accrued expenses to certain related parties as of June 30, 2018, of which \$2.0 million was payable to Advent BioServices and Cognate Israel.

The Company has not yet generated any material revenue from the sale of its products and is subject to all of the risks and uncertainties that are typically faced by biotechnology companies that devote substantially all of their efforts to R&D and clinical trials and do not yet have commercial products. The Company expects to continue incurring losses for the foreseeable future. The Company's existing liquidity is not sufficient to fund its operations, anticipated capital expenditures, working capital and other financing requirements until the Company reaches significant revenues. Until that time, the Company will need to obtain additional equity and/or debt financing, especially if the Company experiences downturns in its business that are more severe or longer than anticipated, or if the Company experiences significant increases in expense levels resulting from being a publicly-traded company or from expansion of operations. If the Company attempts to obtain additional equity or debt financing, the Company cannot assume that such financing will be available to the Company on favorable terms, or at all.

Because of recurring operating losses, net operating cash flow deficits, and an accumulated deficit, there is substantial doubt about the Company's ability to continue as a going concern within one year from the date of this filing. The condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

**3. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated. Certain immaterial reclassifications have been made to prior period amounts to conform to the current period presentation.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the Company prepares its annual audited consolidated financial statements. The condensed consolidated balance sheet as of June 30, 2018, condensed consolidated statements of operations for the three and six months ended June 30, 2018 and 2017, condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2018 and 2017, condensed consolidated statement of stockholders' equity (deficit) for the six months ended June 30, 2018, and the condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the three and six months ended June 30, 2018 are not necessarily indicative of results to be expected for the year ending December 31, 2018 or for any future interim period. The condensed consolidated balance sheet at December 31, 2017 has been derived from audited financial statements; however, it does not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017 and notes thereto included in the Company's annual report on Form 10-K, which was filed with the SEC on April 17, 2018.

**Use of Estimates**

In preparing condensed consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of expenses during the reporting period. Due to inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in these estimates. On an ongoing basis, the Company evaluates its estimates and assumptions. These estimates and assumptions include valuing equity securities in share-based payment arrangements, estimating the fair value of financial instruments recorded as derivative liabilities, useful lives of depreciable assets and whether impairment charges may apply, and the fair value of environmental remediation liabilities.

**Significant Accounting Policies**

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the 2017 Annual Report.

**Adoption of Recent Accounting Standards**

*Revenue from Contracts with Customer*

In April 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-10 to clarify the implementation guidance on licensing and the identification of performance obligations consideration included in ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which is also known as ASC 606, was issued in May 2014 and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In March 2016, the FASB issued ASU 2016-08 to provide amendments to clarify the implementation guidance on principal versus agent considerations. The Company implemented the standard on the effective date of January 1, 2018 on a modified retrospective basis to contracts which were not completed as of this date. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements as we did not have any unrecognized transaction price, or any remaining performance obligations under the Company's patient service contracts. Payments from patients are non-refundable, and are not dependent on the Company's ongoing future performance. Due to potential collectability issues with patients, the Company has adopted a policy of recognizing these payments as revenue when received.

*Recognition and Measurement of Financial Assets and Financial Liabilities*

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the accompanying notes to the financial statements; and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 will be effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has adopted this guidance during the quarter ended March 31, 2018. The adoption of this update did not impact the Company's condensed consolidated financial statements and related disclosures.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments, which addresses specific cash flow classification issues where there is currently diversity in practice including debt prepayment and proceeds from the settlement of insurance claims. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU No. 2016-15 as of January 1, 2018. The adoption of this update did not impact the Company's condensed consolidated financial statements and related disclosures.

**Recent Issued Accounting Pronouncements**

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard will be effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is currently evaluating the impact that ASU 2016-02 will have on its condensed consolidated financial statements and related disclosures.

Compensation-Stock Compensation

In May 2017, the FASB issued ASU No. 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. It is effective prospectively for the annual period ending December 31, 2018 and interim periods within that annual period. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on the condensed consolidated financial statements and disclosures, but does not expect it to have a significant impact.

Accounting for Certain Financial Instruments with Down Round Features

In July 2017, the FASB has issued a two-part ASU No. 2017-11, (i). *Accounting for Certain Financial Instruments with Down Round Features* and (ii) *Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception* which simplifies the accounting for certain financial instruments with down round features, a provision in an equity-linked financial instrument (or embedded feature) that provides a downward adjustment of the current exercise price based on the price of future equity offerings. It is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The Company will be evaluating the impact of adopting this standard on its condensed consolidated financial statements and disclosures.

Improvements to Nonemployee Share-Based Payment Accounting

In June 2018, the FASB issued ASU 2018-07 "Improvements to Nonemployee Share-Based Payment Accounting", which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company is currently evaluating the impact of the new standard on its condensed consolidated financial statements.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

**4. Fair Value Measurements**

*Derivative Warrants Granted in 2018*

During the six months ended June 30, 2018, the Company granted approximately 68.3 million warrants (the "Warrants") to multiple investors (the "Holders"), including 11.7 million contingently issuable warrants to Linda F. Powers, the Company's Chief Executive Officer. Since the Company's adoption of a sequencing policy, the warrants were classified as liabilities and measured at fair value on the grant date, with changes in fair value recognized as other income on the statements of operations and disclosed in the financial statements.

A summary of weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring warrants granted during the six months ended June 30, 2018 is as follows:

	<b>2018 Warrants Granted Associated with</b>				
	<b>Series A Convertible Preferred Stock</b>	<b>Series B Convertible Preferred Stock</b>	<b>Common Stock</b>	<b>Issuance of Debt</b>	<b>Modification of Warrant Liabilities</b>
Strike price	\$ 0.22	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.26
Contractual term (years)	2.0	2.0	2.0	5.0	3.8
Volatility (annual)	116%	115%	114%	94%	99%
Risk-free rate	2%	2%	3%	3%	3%
Dividend yield (per share)	0%	0%	0%	0%	0%

The following table classifies the Company's liabilities measured at fair value on a recurring basis into the fair value hierarchy as of June 30, 2018 and December 31, 2017 (in thousands):

	<b>Fair value measured at June 30, 2018</b>			
	<b>Fair value at June 30, 2018</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Warrant liability	\$ 52,389	\$ -	\$ -	\$ 52,389
Embedded conversion feature	2,794	-	-	2,794
Share-settled debt (in default)	1,562	-	-	1,562
Total fair value	<u>\$ 56,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,745</u>

  

	<b>Fair value measured at December 31, 2017</b>			
	<b>Fair value at December 31, 2017</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Warrant liability	\$ 40,171	\$ -	\$ -	\$ 40,171
Embedded conversion feature	2,608	-	-	2,608
Share-settled debt (in default)	3,308	-	-	5,200
Total fair value	<u>\$ 46,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,979</u>

There were no transfers between Level 1, 2 or 3 during the six-month period ended June 30, 2018.

The following table presents changes in Level 3 liabilities measured at fair value for the six-month period ended June 30, 2018. Both observable and unobservable inputs were used to determine the fair value of positions that the Company has classified within the Level 3 category. Unrealized gains and losses associated with liabilities within the Level 3 category include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long- dated volatilities) inputs (in thousands).

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

	<b>Warrant Liability</b>	<b>Embedded Conversion Feature</b>	<b>Share-settled Debt (in Default)</b>	<b>Total</b>
Balance – January 1, 2018	\$ 40,171	\$ 2,608	\$ 3,308	\$ 46,087
Warrants granted	9,443	-	-	9,443
Extinguishment of warrant liabilities related to warrants exercised for cash	(2,177)	-	-	(2,177)
Conversion of share-settled debt	-	-	(1,746)	(1,746)
Change in fair value	4,952	186	-	5,138
Balance – June 30, 2018	<u>\$ 52,389</u>	<u>\$ 2,794</u>	<u>\$ 1,562</u>	<u>\$ 56,745</u>

A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring the Company's warrant liabilities and embedded conversion feature that are categorized within Level 3 of the fair value hierarchy as of June 30, 2018 is as follows:

	<b>As of June 30, 2018</b>		<b>As of December 31, 2017</b>	
	<b>Warrant Liability</b>	<b>Embedded Conversion Feature</b>	<b>Warrant Liability</b>	<b>Embedded Conversion Feature</b>
Strike price	\$ 0.29	\$ 0.50	\$ 0.31	\$ 0.50
Contractual term (years)	2.4	2.2	2.5	2.5
Volatility (annual)	99%	106%	110%	102%
Risk-free rate	2%	2%	2%	2%
Dividend yield (per share)	0%	0%	0%	0%

## 5. Property & Equipment

Property and equipment consist of the following at June 30, 2018 and December 31, 2017 (in thousands):

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>Estimated Useful Life</b>
Leasehold improvements	\$ 81	\$ 81	Lesser of lease term or estimated useful life
Office furniture and equipment	25	25	3 years
Computer equipment and software	611	622	3 years
	717	728	
Less: accumulated depreciation	(626)	(559)	
Total property, plant and equipment, net	<u>\$ 91</u>	<u>\$ 169</u>	
Land in the United Kingdom	\$ 29,003	\$ 29,003	NA
Buildings in the United Kingdom	17,786	18,601	15 years
Less: accumulated depreciation	(900)	(285)	
Total facilities in the United Kingdom, net	<u>\$ 45,889</u>	<u>\$ 47,319</u>	

Depreciation expenses were approximately \$357,000 and \$44,000 for the three months ended June 30, 2018 and 2017 and were approximately \$722,000 and \$100,000 for the six months ended June 30, 2017 and 2016.

## 6. Stock-based Compensation

On May 28, 2018, the Company entered into Option Grant Agreements and issued options thereunder to certain directors, officers and consultants, most of which options were approved by the Board in prior months (collectively, the "Options").

The Options included 68,600,000 options for officers, 15,680,000 options to independent directors, and 1,500,000 to an individual consultant. The Options are subject to vesting requirements. 50% of the Options are vested on the grant date, and the remaining 50% of the Options will vest monthly over a period of 24 months following the Board approvals of the Options, subject to acceleration upon the occurrence of certain achievement milestones as reported in an 8-K filed on June 1, 2018. A performance milestone was achieved and the Company accelerated vesting on 25% of these outstanding Options. As a result, the Company recorded an additional charge to stock-based compensation of \$2.6 million during the three months ended June 30, 2018.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

Modification of Stock Options

In January 2018, the Board also approved extension of the term of options that were granted to Dr. Alton Boyton and Dr. Marnix Bosch on June 13, 2017, from 5 years to 10 years to conform to the term of other employee options. The Company accounted for the modification as a Type I (probable-to-probable) modification and the incremental cost was approximately \$0.4 million.

The following table summarizes stock option activities for the Company's option plans for the six months ended June 30, 2018 (amount in thousands, except per share number):

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>	<b>Total Intrinsic Value</b>
Outstanding as of December 31, 2017	12,656	\$ 10.56	1.9	\$ -
Granted	97,123	0.23	9.8	2,687
Forfeited/expired	(12,587)	-	-	-
Outstanding as of June 30, 2018	97,192	\$ 0.24	9.8	\$ 2,687
Options vested and exercisable	73,202	\$ 0.24	9.8	\$ 2,204

The following weighted average assumptions were used to compute the fair value of stock options granted during the six months ended June 30, 2018:

	<b>For the Six Months Ended June 30, 2018</b>
Exercise price	\$ 0.23
Expected term (years)	5.2
Expected stock price volatility	95%
Risk-free rate of interest	3%

The following table summarizes stock-based compensation expense related to stock options for the three and six months ended June 30, 2018 and 2017 (in thousands):

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Research and development	\$ 854	\$ 373	\$ 1,124	\$ 424
General and administrative	10,715	-	10,715	-
<b>Total stock-based compensation expense</b>	<b>\$ 11,569</b>	<b>\$ 373</b>	<b>\$ 11,839</b>	<b>\$ 424</b>

The weighted average grant date fair value was approximately \$15.5 million, including the incremental fair value of \$0.4 million resulting from the modification of Dr. Alton Boyton's and Dr. Marnix Bosch's options, which is being recognized over the new vesting period of 2.5 years. The total unrecognized compensation cost was approximately \$3.2 million as of June 30, 2018 and will be recognized over the next 2.0 years.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

**7. Outstanding Debt**

The following table summarizes outstanding debt as of June 30, 2018 and December 31, 2017, respectively (amount in thousands, except per share data):

	<b>Maturity Date</b>	<b>Stated Interest Rate</b>	<b>Conversion Price</b>	<b>Face Value</b>	<b>Remaining Debt (Discount)/ Premium</b>	<b>Fair Value of Embedded Conversion Option</b>	<b>Carrying Value</b>
<b>Short term convertible notes payable</b>							
6% unsecured (1)	Due	6%	\$ 3.09	\$ 135	\$ -	\$ -	\$ 135
<b>Short term convertible notes payable - related party</b>							
10% unsecured (2)	On Demand	10%	\$ 0.23	5,400	-	-	5,400
<b>Short term notes payable</b>							
6% unsecured (3)	8/25/2018	6%	N/A	1,389	(171)	-	1,218
8% unsecured (4)	Various	8%	N/A	3,442	(144)	-	3,298
10% unsecured (6)	On Demand	10%	N/A	150	-	-	150
12% unsecured (7)	On Demand	12%	N/A	440	(4)	-	436
				5,421	(319)	-	5,102
<b>Short term notes payable - related parties</b>							
10% unsecured - Related Parties (9)	On Demand	10%	N/A	300	-	-	300
12% unsecured - Related Parties (9)	On Demand	12%	N/A	69	-	-	69
				369	-	-	369
<b>Share-settled debt, at fair value (10)</b>							
	In Default	18%	\$ 0.24	1,562	-	-	1,562
<b>Short term mortgage loan (11)</b>							
	11/16/2018	12%	N/A	6,618	(114)	-	6,504
<b>Long term convertible notes payable</b>							
12% secured convertible notes (12)	06/21/20	12%	\$ 0.50	5,350	(1,670)	2,794	6,474
<b>Long term notes payable</b>							
8% unsecured (13)	12/12/19	8%	N/A	2,880	(369)	-	2,511
<b>Long term mortgage loan (11)</b>							
	08/17/19	12%	N/A	4,763	(28)	-	4,735
<b>Ending balance as of June 30, 2018</b>				<b>\$ 32,498</b>	<b>\$ (2,500)</b>	<b>\$ 2,794</b>	<b>\$ 32,792</b>
	<b>Maturity Date</b>	<b>Stated Interest Rate</b>	<b>Conversion Price</b>	<b>Face Value</b>	<b>Remaining Debt (Discount)/ Premium</b>	<b>Fair Value of Embedded Conversion Option</b>	<b>Carrying Value</b>
<b>Short term convertible notes payable</b>							
6% unsecured (1)	Due	6%	\$ 3.09	\$ 135	\$ -	\$ -	\$ 135
<b>Short term notes payable</b>							
8% unsecured (4)	9/3/2018 and 12/5/2018	8%	N/A	2,007	355	-	2,362
8% unsecured (5)	6/30/2018	8%	N/A	1,655	(103)	-	1,552
10% unsecured (6)	On Demand	10%	N/A	650	-	-	650
12% unsecured (7)	On Demand	12%	N/A	440	(82)	-	358
8% unsecured (8)	On Demand	8%	N/A	2,200	-	-	2,200
				6,952	170	-	7,122
<b>Short term notes payable - related parties</b>							
10% unsecured - Related Parties (9)	On Demand	10%	N/A	1,071	-	-	1,071
12% unsecured - Related Parties (9)	On Demand	12%	N/A	50	-	-	50
				1,121	-	-	1,121
<b>Share-settled debt, at fair value (10)</b>							
	In Default	18%	\$ 0.24	3,308	-	-	3,308
<b>Short term mortgage loan (11)</b>							
	8/16/2018 & 11/16/18	12%	N/A	11,629	(403)	-	11,226
<b>Long term convertible notes payable</b>							
12% secured convertible notes (12)	06/21/20	12%	\$ 0.50	5,350	(1,948)	2,608	6,010
<b>Long term notes payable</b>							
8% unsecured (4)	06/20/19	8%	N/A	2,880	(373)	-	2,507
<b>Ending balance as of December 31, 2017</b>				<b>\$ 31,375</b>	<b>\$ (2,554)</b>	<b>\$ 2,608</b>	<b>\$ 31,429</b>





**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

- (1) This \$135,000 note as of June 30, 2018 and December 31, 2017 consists of two separate 6% notes in the amounts of \$110,000 and \$25,000. In regard to the \$110,000 note, the Company has made ongoing attempts to locate the creditor to repay or convert this note, but has been unable to locate the creditor to date. In regard to the \$25,000 note, the holder has elected to convert these notes into equity, the Company has delivered the applicable conversion documents to the holder, and the Company is waiting for the holder to execute and return the documents.
- (2) Between February 2018 and April 2018, the Company's Chief Executive Officer, Linda Powers, loaned the Company an aggregate principal amount of \$5.4 million, and the Company entered into convertible note agreements for this amount (the "Convertible Notes"). The Convertible Notes bear interest rate at 10% per annum, and are repayable upon 15 days' notice from the holder (and no later than five years from the date of the Convertible Notes).

The principal and interest of the Convertible Notes are convertible into Series B Preferred Stock at conversion price of \$2.30 per share, and each share of Series B Preferred Stock is convertible into 10 shares of common stock. Additionally, the Convertible Notes carry Class D-2 Warrants, with half of the Class D-2 Warrants due and issuable when the loan was provided, and half of the Class D-2 Warrants due on a proportional basis in the event of conversion of some or all of the Note. The Class D-2 Warrants have five-year term.

The Company issued 23.5 million Class D-2 Warrants with an exercise price of \$0.30, including 11.7 million contingently issuable warrants. The fair value of the warrants were approximately \$4.2 million, which were recorded as debt discount at the issuance date.

The Company recorded \$4.2 million interest expenses as amortization on the debt discount immediately due to the term of the Convertible Notes, which are on demand.

The accrued interest associated with the Convertible Notes were approximately \$178,000 as of June 30, 2018.

- (3) On May 1, 2018, the Company entered into a Convertible Secured Full Recourse Redeemable Note Agreement (the "Secured Note") of \$1.4 million with an existing investor, who is currently holding certain share-settled debt of the Company. The Secured Note included an original issue discount of \$0.1 million and \$50,000 legal cost that was reimbursable to the investor. The Secured Note bears interest at a rate of 6% per annum, and will be due on August 25, 2018.

- (4) This \$3.4 million note as of June 30, 2018 consists of three separate 8% notes in the amounts of \$0.3 million, \$0.5 million and \$2.6 million.

During the six months ended June 30, 2018, the Company converted approximately \$1.4 million principal and \$0.2 million accrued interest into approximately 7.7 million shares of common stock at fair value of \$2.1 million. The Company recorded an approximate \$0.5 million debt extinguishment loss from this conversion.

- (5) On December 30, 2016, the Company entered into a note purchase agreement (the "Note") with an individual investor for an aggregate principal amount of \$3.3 million. The Note bore interest at 8% per annum with 18 months term. The Note carries an original issue discount of \$0.3 million and \$10,000 legal cost that was reimbursable to the investor.

During the six months ended June 30, 2018, the Company entered into multiple exchange agreement with the Note holder to convert approximately \$1.7 million principal and \$33,000 accrued interest into approximately 6.8 million shares of common stock at fair value of \$1.8 million. The Company recorded an approximate \$0.1 million debt extinguishment loss from this conversion.

- (6) In 2017, the Company entered two promissory note agreements (the "Notes") with certain investors for an aggregate principal amount of \$650,000. The Notes bore interest at 10% per annum, and were payable upon demand.

During the six months ended June 30, 2018, the Company agreed to take the proceeds from the \$500,000 note and \$12,000 accrued interest to offset certain Series A convertible preferred stock subscription receivable.

- (7) In 2017, the Company entered two promissory note agreements (the "Notes") with the same investor for an aggregate principal amount of \$0.4 million. The Notes bore interest at 12% per annum, and is payable upon demand. The Company also issued approximately 1.2 million warrants with a weighted average strike price of \$0.19 in conjunction the Note. The Company recorded \$0.1 million debt discount at the issuance date, which is the fair value of the warrants.

The remaining debt discount associated with the Notes was \$4,000 as of June 30, 2018.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

- (8) On December 29, 2017, the Company entered a promissory note agreement (the "Note") with a third party for principal amount of \$2.2 million. The Note bore interest at 8% per annum, and is payable upon demand.

During the six months ended June 30, 2018, the Company made full repayment to the Note holder in the amount of \$2.2 million, including \$9,000 related to accrued interest.

(9) Related Party Notes

Goldman Notes

In 2017, Leslie J. Goldman, an officer of the Company, loaned the Company an aggregate amount of \$1.3 million pursuant to certain Demand Promissory Note Agreements. On January 3, 2018, Mr. Leslie loaned the Company an additional \$30,000 (collectively the "Goldman Notes"). Approximately \$0.5 million of the Goldman Notes bear interest at the rate of 12% per annum, and \$0.8 million of the Goldman Notes bear interest at the rate of 10% per annum.

During the year ended December 31, 2017, the Company made an aggregate principal payment of \$1.2 million to settle some of Mr. Goldman's outstanding demand notes, and an aggregate of \$47,000 interest payment associated with these demand notes. Such payment included repayment of \$0.3 million outstanding debt incurred during the year ended December 31, 2016.

During the six months ended June 30, 2018, the Company made an aggregate principal payment of \$0.4 million to the Goldman Notes.

The outstanding principal amount for the Goldman Notes was approximately \$69,000 and \$0.4 million as of June 30, 2018 and December 31, 2017, respectively.

There was approximately \$69,000 accrued interest associated with the Goldman Notes which remained due as of June 30, 2018.

Toucan Notes

In 2017, Toucan Capital Fund III loaned the Company an aggregate amount of \$1.2 million pursuant to multiple Demand Promissory Notes (the "Toucan Notes"). The Toucan Notes bear interest at 10% per annum, and are payable upon demand, with 7 days' prior written notice to the Company.

During the year ended December 31, 2017, the Company made an aggregate principal payment of approximately \$0.8 million on the Toucan Notes.

During the six months ended June 30, 2018, the Company made an aggregate principal payment of approximately \$0.4 million to the Toucan Notes. In addition, the Company also made a partial interest payment of \$18,000.

All principal was repaid as of June 30, 2018. There was approximately \$50,000 remaining of unpaid interest as of June 30, 2018.

Board of Directors Notes

In 2017, Jerry Jasinowski, Robert Farmer and Cofer Black, members of the Company's Board of Directors, loaned the Company an aggregate amount of \$300,000 pursuant to multiple Demand Promissory Notes (the "Notes"). The Notes bear interest at 10% per annum, and are payable upon demand, with 7 days' prior written notice to the Company.

No repayments have been made on any of these notes. The full principal amounts remained outstanding as of June 30, 2018.

- (10) During the six months ended June 30, 2018, the holder of the Company's share-settled debt converted approximately \$1.7 million of outstanding share-settled debt.

- (11) The two mortgage loans will be due on August 16, 2019 and November 16, 2018. During the six months ended June 30, 2018, the Company made \$633,000 of interest payments.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

(12) These long-term secured convertible notes (the "Notes") have a 3-year maturity and bear interest at 12% per annum. No interest will be payable during the term, but interest will accrue and be payable at maturity. The Notes are secured by the property owned by the Company in the U.K., and not by any other assets of the Company. The Notes and accrued interest will be convertible at any time during the term at fixed conversion prices: 50% of the principal and accrued interest will be convertible at \$0.25 per share, 25% of the principal and accrued interest will be convertible at \$0.50 per share and 25% of the principal and accrued interest will be convertible at \$1.00 per share.

The Notes contained an embedded conversion feature which had been revalued as of June 30, 2018 to approximately \$2.8 million (see note 4).

(13) On June 12, 2018, the Company entered into a note purchase agreement (the "Note") with an individual investor for an aggregate principal amount of \$2,880,000. The Note bears interest at 8% per annum with a 2-year term. The Note carries an original issue discount of \$375,000 and \$5,000 for legal cost that was reimbursable to the investor.

No repayments have been made on the Note. The remaining debt discount and accrued interest associated with the Note as of June 30, 2018 was \$369,000 and \$12,000, respectively.

The following table summarizes total interest expenses related to senior convertible notes, other notes and mortgage loan for the three and six months ended June 30, 2018 and 2017, respectively (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Interest expenses related to 2014 Senior convertible notes:				
Contractual interest	\$ -	\$ 39	\$ -	\$ 424
Amortization of debt issuance costs	-	-	-	175
<b>Total interest expenses related to senior convertible notes</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>599</b>
Interest expenses related to other notes:				
Contractual interest	551	245	1,074	389
Amortization on debt premium	(90)	348	(240)	348
Amortization of debt discount	2,325	190	4,819	270
<b>Total interest expenses related to other notes</b>	<b>2,786</b>	<b>783</b>	<b>5,653</b>	<b>1,007</b>
Interest expenses related to mortgage loan:				
Contractual interest	316	360	639	649
Amortization of debt issuance costs	130	123	263	242
<b>Total interest expenses on the mortgage loan</b>	<b>446</b>	<b>483</b>	<b>902</b>	<b>891</b>
Interest expenses related to Series A convertible preferred stock	68	-	68	-
Other interest expenses	2	3	3	5
<b>Total interest expense</b>	<b>\$ 3,302</b>	<b>\$ 1,308</b>	<b>\$ 6,626</b>	<b>\$ 2,502</b>

## 8. Net Loss per Share Applicable to Common Stockholders

Basic loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the reporting period. Diluted loss per common share is computed similar to basic loss per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

The following securities were not included in the diluted net loss per share calculation because their effect was anti-dilutive as of the periods presented (in thousands):

	<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Series A convertible preferred stock	32,187	-
Series B convertible preferred stock	75,059	-
Common stock options	97,192	12,656
Common stock warrants - equity treatment	-	37,554
Common stock warrants - liability treatment	356,844	84,135
Contingently issuable warrants	11,739	-
Share-settled debt and accrued interest, at fair value	11,046	30,932
Convertible notes and accrued interest	40,923	27,501
<b>Potentially dilutive securities</b>	<b>624,990</b>	<b>192,778</b>

**9. Related Party Transactions**

*Cognate & Advent Expenses and Accounts Payable*

The following table summarizes expenses incurred to related parties during the three and six months ended June 30, 2018 and 2017 (amount in thousands) (some of which remain unpaid as noted below):

	<b>For the three months ended June 30,</b>		<b>For the six months ended June</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Cognate BioServices, Inc. (no longer related party in Q2 2018)	\$ -	\$ 1,100	\$ 873	\$ 2,878
Cognate BioServices GmbH	-	348	66	765
Cognate Israel	70	318	98	689
Advent BioServices	1,747	853	3,666	856
<b>Total</b>	<b>\$ 1,817</b>	<b>\$ 2,619</b>	<b>\$ 4,703</b>	<b>\$ 5,188</b>

The following table summarizes outstanding accounts payable held by related parties as of June 30, 2018 and December 31, 2017 (amount in thousands). These unpaid amounts include part of the expenses reported in the table above and also certain expenses incurred in prior periods. The unpaid amounts to Cognate BioServices, Inc. also include certain amounts that the Company disputes and that are under discussion with Cognate.

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Cognate BioServices, Inc. (no longer related party in Q2 2018)*	\$ 6,913	\$ 4,520
Cognate BioServices GmbH	325	279
Cognate Israel	35	239
Advent BioServices	2,000	165
<b>Total</b>	<b>\$ 9,273</b>	<b>\$ 5,203</b>

\*Including certain disputed amounts that the Company are in the process of discussing with Cognate.

*Advent BioServices Agreement*

On May 14, 2018, the Company entered into a DCVax-L Manufacturing and Services Agreement with Advent BioServices, a related party which was formerly part of Cognate BioServices and was spun off separately as part of an institutional financing of Cognate. The Advent Agreement provides for manufacturing of DCVax-L products for the European region. The Agreement is structured in the same manner as the Company's existing Agreements with Cognate BioServices. The Advent Agreement provides for a program initiation payment of approximately \$1.0 million (£0.7 million), in connection with technology transfer to the UK, development of new Standard Operating Procedures (SOPs), training of personnel, selection of new suppliers and auditing for GMP compliance, and other preparatory activities. Such initiation payment was fully paid by the Company as of June 30, 2018. The Advent Agreement provides for certain payments for achievement of milestones and, as is the case under the existing agreement with Cognate BioServices, the Company is required to pay certain fees for dedicated production capacity reserved exclusively for DCVax production, and pay for a certain minimum number of patients, whether or not the Company fully utilizes the dedicated capacity and number of patients.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

***Other Related Parties***

*Linda F. Powers - Demand Loans*

Between February 2018 and April 2018, the Company's Chief Executive Officer, Linda Powers, loaned the Company aggregate principal amounts of \$5.4 million, and the Company entered into convertible note agreements for these amounts (the "Convertible Notes"). The Convertible Notes bear interest rate at 10% per annum, and are repayable upon 15 days' notice from the holder (and no later than five years from the date of the Convertible Notes).

The Convertible Notes are convertible into Series B Preferred Stock at conversion price of \$2.30 per share, and each share of Series B Preferred Stock is convertible into 10 shares of common stock. Additionally, the Convertible Notes carry Class D-2 Warrants, with half of the Class D-2 Warrants due and issuable when the loan was provided, and half of the Class D-2 Warrants due on a proportional basis in the event of conversion of some or all of the Note. The Class D-2 Warrants have five-year term.

The Company issued 23.5 million Class D-2 Warrants with an exercise price of \$0.30, including 11.7 million contingently issuable warrants. The fair value of the warrants was approximately \$4.2 million, which were recorded as debt discount at the issuance date.

The Company recorded \$4.2 million of interest expenses as amortization on the debt discount immediately due to the term of the Convertible Notes, which are on demand.

The accrued interest associated with the Convertible Notes was approximately \$178,000 as of June 30, 2018.

*Leslie J. Goldman - Demand Loans*

In 2017, Leslie J. Goldman, an officer of the Company, loaned the Company an aggregate amount of \$1.3 million pursuant to multiple Demand Promissory Note Agreements. On January 3, 2018, Mr. Goldman loaned the Company an additional \$30,000 (collectively the "Goldman Notes"). Approximately \$0.5 million of the Goldman Notes bear interest at the rate of 12% per annum, and \$0.8 million of the Goldman Notes bear interest at the rate of 10% per annum.

During the year ended December 31, 2017, the Company made an aggregate principal payment of \$1.2 million to settle some of Mr. Goldman's outstanding demand notes, and an aggregate of \$47,000 interest payment associated with these demand notes. Such payment included repayment of \$0.3 million outstanding debt incurred during the year ended December 31, 2016.

During the six months ended June 30, 2018, the Company made an aggregate principal payment of \$0.4 million to the Goldman Notes.

The outstanding principal amount for the Goldman Notes was approximately \$69,000 and \$0.4 million as of June 30, 2018 and December 31, 2017, respectively.

There was approximately \$69,000 accrued interest associated with the Goldman Notes as of June 30, 2018.

*Toucan Capital III Fund - Demand Loans*

In April, 2017, Toucan Capital Fund III loaned the Company an aggregate amount of \$1.2 million pursuant to multiple Demand Promissory Notes (the "Toucan Notes"). The Toucan Notes bear interest at 10% per annum, and are payable upon demand, with 7 days' prior written notice to the Company.

During the year ended December 31, 2017, the Company made an aggregate principal payment of approximately \$0.8 million to the Toucan Notes.

During the six months ended June 30, 2018, the Company made an aggregate principal payment of approximately \$0.4 million to the Toucan Notes. In addition, the Company also made a partial interest payment of \$18,000.

All principal was repaid as of June 30, 2018. There was approximately \$50,000 of remaining unpaid interest as of June 30, 2018.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

*Board of Directors - Demand Loans*

In April, 2017, Jerry Jasinowski, Robert Farmer and Cofer Black, members of the Company's Board of Directors, loaned the Company an aggregate amount of \$0.3 million pursuant to multiple Demand Promissory Notes (the "Notes"). The Notes bear interest at 10% per annum, and are payable upon demand, with 7 days' prior written notice to the Company.

No repayments have been made on any of these notes. The full principal amounts remained outstanding as of June 30, 2018.

**10. Temporary Equity**

Series A Convertible Preferred Stock

The following table summarizes the Company's Series A Convertible Preferred Stock activities for the six months ended June 30, 2018 (amount in thousands):

	<b>Series A Convertible Preferred Stock</b>	
	<b>Shares</b>	<b>Amount</b>
<b>Balance as of January 1, 2018</b>	<b>9,720</b>	<b>\$ 7,439</b>
Issuance of Series A convertible preferred stock and warrants for cash (net of \$0.5 million warrant liability)	294	27
Conversion of note payable to offset Series A convertible preferred stock subscription receivable	-	500
Conversion of interest payable to offset Series A convertible preferred stock subscription receivable	-	71
Issuance of common stock for conversion of Series A convertible preferred stock	(6,795)	(11,766)
Deemed dividends on conversion of Series A convertible preferred stock to common stock	-	9,910
<b>Balance as of June 30, 2018</b>	<b>3,219</b>	<b>\$ 6,181</b>

During the six months ended June 30, 2018, the Company issued 294,118 shares of the Series A Convertible Preferred Stock, par value \$0.001 per share (the "Series A Shares"), at a purchase price of \$1.70 per share, and 2-year Class D-1 Common Stock Purchase Warrants (the "Class D-1 Warrants") to purchase up to 2.9 million shares of common stock at an exercise price of \$0.22 per share. The Company received \$0.5 million cash.

During the six months ended June 30, 2018, one of the Series A Shareholders converted his \$500,000 note and \$71,000 accrued interest with the Company to offset his current subscription due amount to the Company.

The Series A Preferred Stock are convertible into common stock after May 2, 2018. All Series A Shares are convertible at the option of the holder, at any time, into 10 shares of common stock, par value \$0.001 per share, for a total of 2.9 million shares of common stock (the equivalent of a conversion price of \$0.17 per share of common stock).

Due to the Sequencing Policy, the Class D-1 Warrants were classified as warrant liabilities. On the issuance date, the Company estimated the fair value of the Class D-1 Warrants at approximately \$500,000 under the Black-Scholes option pricing model using the following primary assumptions:

Exercise price	\$ 0.22
Expected term (years)	2.0
Expected stock price volatility	116%
Risk-free rate of interest	2%
Dividend yield (per share)	0%

The fair value of the Class D-1 Warrants was allocated to the \$500,000 proceeds, creating a corresponding preferred stock discount in the same amount.

The Company determined that the Series A Shares contain liquidation preference provisions allowing liquidation by the holder upon certain defined events ("deemed liquidation events"). As the event that may trigger the liquidation of the Series A Shares is not solely within the Company's control, the Series A Shares are classified as mezzanine equity (temporary equity) in the Company's consolidated balance sheets.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

If a liquidation or deemed liquidation event occurs, and the Series A preferred stock has not yet been converted by election of the holder or by mandatory conversion at the election of the Company, the holder will be entitled to a liquidation preference of either (a) an amount equal to the amount the holder paid for their preferred stock, or (b) the proportionate proceeds applicable to their shares on an as converted basis.

During the six months ended June 30, 2018, certain Series A Investors converted 6.8 million shares of Series A Shares into 68.0 million shares of common stock in accordance with their terms. The Company recognized approximately \$9.9 million of deemed dividends upon such conversion.

Series B Convertible Preferred Stock

The following table summarizes the Company's Series B Convertible Preferred Stock activities for the six months ended June 30, 2018 (amount in thousands):

	<b>Series B Convertible Preferred Stock</b>	
	<b>Shares</b>	<b>Amount</b>
<b>Balance as of January 1, 2018</b>	<b>5,582</b>	<b>\$ 12,601</b>
Issuance of Series B convertible preferred stock and warrants for cash (net of \$4.3 million warrant liability and \$10,000 subscription receivable)	2,868	2,309
Beneficial conversion feature of Series B convertible preferred stock	-	(2,086)
Deemed dividends related to immediate accretion of beneficial conversion feature of Series B convertible preferred stock	-	2,086
Issuance of common stock for conversion of Series B convertible preferred stock	(944)	(2,171)
Deemed dividends on conversion of Series B convertible preferred stock to common stock	-	1,594
<b>Balance as of June 30, 2018</b>	<b>7,506</b>	<b>\$ 14,333</b>

During the six months ended June 30, 2018, the Company issued 2.9 million shares of the Series B Convertible Preferred Stock, par value \$0.001 per share (the "Series B Shares"), at a purchase price of \$2.30 per share, and 2-year Class D-2 Common Stock Purchase Warrants (the "Class D-2 Warrants") to purchase up to 28.7 million shares of common stock at an exercise price of \$0.30 per share. The Company received \$6.6 million cash.

The Series B Preferred Stock are convertible into common stock after May 2, 2018. Each share of Series B Preferred Stock will be convertible at the option of the holder, at any time, into a total of 10 shares of common stock, par value \$0.001 per share, for a total of 28.7 million shares of common stock (the equivalent of a conversion price of \$0.23 per share of common stock).

Due to the Sequencing Policy, the Class D-2 Warrants were classified as warrant liabilities. On the issuance date, the Company estimated the fair value of the Class D-2 Warrants at approximately \$4.3 million under the Black-Scholes option pricing model using the following primary assumptions:

Exercise price	\$ 0.30
Expected term (years)	2.0
Expected stock price volatility	115%
Risk-free rate of interest	2%
Dividend yield (per share)	0%

The entire fair value of the Class D-2 Warrants was allocated to the \$6.6 million net proceeds, creating a corresponding preferred stock discount in the same amount.

The Company determined that the Series B Shares contain contingent liquidation provisions allowing liquidation by the holder upon certain defined events ("deemed liquidation events"). As the event that may trigger the liquidation of the Series B Shares is not solely within the Company's control, the Series B Shares are classified as mezzanine equity (temporary equity) in the Company's consolidated balance sheets, net of a subscription receivable of \$10,000.

If a liquidation or deemed liquidation event occurs, and the Series B preferred stock has not yet been converted by election of the holder or by mandatory conversion at the election of the Company, the holder will be entitled to a liquidation preference of either (a) an amount equal to the amount the holder paid for their preferred stock, or (b) the proportionate proceeds applicable to their shares on an as converted basis.



**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

The initial fair value of the warrants of approximately \$4.3 million was deducted from the gross proceeds from the Series B Investors to arrive at the initial discounted carrying value of the Series B Shares. The initial discounted carrying value resulted in recognition of a beneficial conversion feature of \$2.1 million, further reducing the initial carrying value of the Series B Shares. The resulting discount to the aggregate stated value of the Series B Shares, resulting from recognition of the beneficial conversion feature, was immediately accreted as a reduction of additional paid-in capital and an increase in the carrying value of the Series B Shares. The accretion is presented in the Consolidated Statement of Operations as a deemed dividend, increasing net loss to arrive at net loss attributable to common stockholders.

During the six months ended June 30, 2018, certain Series B Investors converted 0.9 million shares of Series B Shares into 9.4 million shares of common stock based on original term. The Company recognized approximately \$2.2 million of deemed dividends upon such conversion.

**11. Stockholders' Equity (Deficit)**

Increase of Authorized Shares

On April 27, 2018, the Company held a Special Meeting of Shareholders to vote on several matters, including increasing the number of authorized shares of common stock from 450,000,000 to 1,200,000,000, par value \$0.001 per share, and increasing the number of authorized shares of preferred stock from 40,000,000 to 100,000,000, par value \$0.001 per share. The shareholders approved both increases, with 87% of the votes cast in favor of the increase in common stock and 86% of the votes cast in favor of the increase in preferred stock. On May 2, 2018, the Company filed a Certificate of Amendment of its Seventh Amended and Restated Certificate of Incorporation with the Secretary of the State of Delaware, which effected the increase in authorized shares of common stock and the increase in authorized shares of preferred stock.

Equity Financing

On June 22, 2018, the Company entered into agreements with institutional investors for a registered direct offering with proceeds of \$1.0 million. The Company issued 4,000,000 shares of common stock at a purchase price of \$0.25 per share. Additionally, the investors received 2-year Class D-3 warrants to purchase up to 2,000,000 million shares of common stock with an exercise price of \$0.30 per share.

Debt Conversion

During the six months ended June 30, 2018, the Company converted approximately \$3.1 million principal and \$0.2 million accrued interest into approximately 14.5 million shares of common stock at fair value of \$3.9 million. The Company recorded an approximate \$0.6 million debt extinguishment loss from the conversion.

Warrants Exercised for Cash

During the six months ended June 30, 2018, the Company issued approximately 9.0 million shares of common stock from the exercise of warrants with an exercise price from \$0.22 to \$0.26 for aggregate proceeds of \$2.1 million.

Share-settled Debt

During the six months ended June 30, 2018, the Company issued 10.8 million shares of common stock to the holder of the Company's share-settled debt as advance payment for future debt conversion. The fair value of the remaining share-settled debt will be reduced when the Company is notified by the Holder of the value at which the shares have been sold.

As of June 30, 2018 and December 31, 2017, the outstanding share-settled debt was approximately \$1.6 million and \$3.3 million, respectively.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

**Common Stock Purchase Warrants**

During the six months ended June 30, 2018, the Company modified approximately 124 million warrants, with new expiration dates ranging between 2018 and 2023, and new exercise prices ranging between \$0.24 and \$2.50. These warrants, pursuant to the sequencing policy, were reclassified as liabilities.

The following is a summary of warrant activity for the six months ended June 30, 2018 (in thousands, except per share data):

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Remaining Contractual Term</b>
<b>Outstanding as of January 1, 2018</b>	<b>320,406</b>	<b>\$ 0.50</b>	<b>2.62</b>
Warrants granted	68,301	0.50	
Warrants exercised for cash	(8,957)	0.06	
Warrants expired and cancellation	(11,167)	1.27	
<b>Outstanding as of June 30, 2018</b>	<b>368,583</b>	<b>\$ 0.29</b>	<b>2.46</b>

**12. Variable Interest Entities**

Variable Interest Entities ("VIEs") are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both the power to direct the activities of a VIE that most significantly impact the entity's economic performance and an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Advent

On May 14, 2018, the Company entered into a DCVax-L Manufacturing and Services Agreement with Advent BioServices, a related party which was formerly part of Cognate and was spun off separately as part of an institutional financing of Cognate. The Advent Agreement provides for manufacturing of DCVax-L products for the European region. See Note 14 for more detail. Similar to Cognate, the Company has an implicit variable interest in Advent to potentially fund Advent's losses (if Advent incurs losses). As of June 30, 2018, the Company did not have the power over the most significant activities (control of operating decisions) and therefore did not meet the "power" criteria of the primary beneficiary.

The maximum exposure to loss is limited to the notional amounts of the implicit variable interest in Advent. Under the Advent Agreement, either party may terminate at any time upon twelve months' notice, providing a transition period for technology transfer. Accordingly, the maximum exposure to loss from the Company's implicit variable interest in Advent is \$5 million as of June 30, 2018, which is the minimum twelve-monthly payments the Company must pay to terminate their relationship with Advent.

**13. Commitments and Contingencies**

*U.S. Securities and Exchange Commission*

As previously reported, the Company has received a number of formal information requests (subpoenas) from the SEC regarding several broad topics that have been previously disclosed, including the Company's membership on Nasdaq and delisting, related party matters, the Company's programs, internal controls, the Company's Special Litigation Committee, disclosures and the publication of interim clinical trial data. Testimony of certain officers and third parties has been taken as well. The Company has been cooperating with the SEC investigation. As hoped, the investigation is winding to a conclusion. After investigation of a broad array of issues over the past two-plus years, the SEC Staff has informed us preliminarily that they have concerns in regard to two issues, relating to the Company's internal controls over financial reporting and the adequacy of certain disclosures made in the past. We have previously disclosed material weaknesses in our internal controls. As for disclosures, we believe our disclosures complied with applicable law. Despite our belief that the Staff should close the investigation, there can be no assurance that the Staff will not recommend some action involving the Company and/or individuals. Given the stage of the process, the Company is unable to provide a current assessment of the potential outcome or potential liability, if any.

**NORTHWEST BIOTHERAPEUTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS**

*Chardan Capital Markets v. Northwest Biotherapeutics, Inc.*

On June 22, 2017, Chardan Capital Markets, LLC filed a lawsuit against the Company in the United District Court for the Southern District of New York, captioned Chardan Capital Markets v. Northwest Biotherapeutics, Inc., 1:17-cv-04727-PKC. Chardan alleges that it provided capital placement agent services to the Company in December 2016 under a contract and that it has not been fully compensated for those services. Chardan further alleges that it provided additional services to the Company in March 2017 in anticipation of entering into a contract and that it received no compensation. The operative complaint asserts claims sounding in unjust enrichment, quantum meruit, and breach of contract, and seeks recovery in the amount of \$496,000, plus interest and attorneys' fees and costs. The Company filed a motion to dismiss the complaint on December 1, 2017; Chardan filed its opposition brief on January 19, 2018; and the Company filed its reply brief on February 26, 2018. On August 6, 2018, the Court granted the Company's motion to dismiss the case in its entirety and entered a Judgment dismissing Chardan's Amended Complaint in its entirety.

**14. Subsequent Events**

Between July 2, 2018 and August 1, 2018, approximately \$642,000 principal and \$25,000 of accrued interest on certain notes were converted into approximately 3.1 million shares of common stock.

On August 13, 2018, the Company entered into an 18 month Note with an institutional investor at a 5% annual interest rate for \$1.0 million with principal and interest payable on the maturity date of January 13, 2020. Upon issuance of the Note, the investor received a 2 year, 50% warrant containing 833,333 exercise shares at an exercise price of \$0.60 per share. The Note also includes a prepayment provision.

On August 13, 2018 the Company entered into another 18 month Note with a different institutional investor at an 8% annual interest rate for \$1,155,000 with a maturity date of January 13, 2020. The note carried an OID of 15%. Net funding to the Company is \$1.0 million. No interest or principal payments are due during the first 6 months. Equal amortization payments of principal and interest are payable from month 7 through 18. The Note also includes a prepayment provision.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to those statements included with this report. In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "believe," "expect," "intend," "anticipate," and similar expressions are used to identify forward-looking statements, but some forward-looking statements are expressed differently. Many factors could affect our actual results, including those factors described under "Risk Factors" in our Form 10-K for the year ended December 31, 2017 and in Part II Item 1A of this report. These factors, among others, could cause results to differ materially from those presently anticipated by us. You should not place undue reliance on these forward-looking statements.

### **Overview**

The Company is focused on developing personalized immune therapies for cancer. We have developed a platform technology, DCVax®, which uses activated dendritic cells to mobilize a patient's own immune system to attack their cancer.

The Company's lead product, DCVax®-L, is designed to treat solid tumor cancers in which the tumor can be surgically removed. This product is in an ongoing Phase III trial for newly diagnosed Glioblastoma multiforme (GBM). 331 patients have been enrolled in the trial, and enrollment is closed. The trial is ongoing as the data continue to mature. The Company, the physicians and the patients remain blinded. On May 29, 2018, interim blinded data from the Phase III trial collected in 2017 were published in a peer reviewed scientific journal. As the Company noted in its announcement of the publication and in subsequent reports, the data could get either better or worse as it continues to mature. The Company is consulting with its Scientific Advisory Board, the Steering Committee of the trial and other independent experts about the ongoing handling of the trial.

As resources permit, the Company is also working on preparations for Phase II trials of DCVax-L for other indications.

The Company's second product, DCVax®-Direct, is designed to treat inoperable solid tumors. A 40-patient Phase I trial has been completed, and included treatment of a diverse range of cancers. As resources permit, the Company is working on preparations for Phase II trials of DCVax-Direct.

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

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses.

On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We based 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 and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates.

Our critical accounting policies and significant estimates are detailed in our Annual Report on Form 10-K for the year ended December 31, 2017. Our critical accounting policies and significant estimates have not changed substantially from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

### **Results of Operations**

#### ***Operating costs:***

Operating costs and expenses consist primarily of research and development expenses, including clinical trial expenses which increase when we are actively participating in clinical trials and especially when we are in a large ongoing international phase III trial. The associated administrative expenses also increase as such operating activities grow.

In addition to clinical trial related costs, our operating costs may include ongoing work relating to our DCVax products, including R&D, product characterization, and related matters. Going forward, we will also have to undertake process validation work.

Our operating costs also include the costs of preparations for the launch of new or expanded clinical trial programs, such as our planned Phase II clinical trials. The preparation costs include payments to regulatory consultants, lawyers, statisticians, sites and others, evaluation of potential investigators, the clinical trial sites and the CROs managing the trials and other service providers, and expenses related to institutional approvals, clinical trial agreements (business contracts with sites), training of medical and other site personnel, trial supplies and other. Additional substantial costs relate to the maintenance of manufacturing capacity, in both the US and Europe.

Our operating costs also include significant legal and accounting costs in operating the Company.

**Research and development:**

Discovery and preclinical research and development expenses include costs for substantial external scientific personnel, technical and regulatory advisers, and others, costs of laboratory supplies used in our internal research and development projects, travel, regulatory compliance, and expenditures for preclinical and clinical trial operation and management when we are actively engaged in clinical trials.

Because we are pre-revenue company, we do not allocate research and development costs on a project basis. We adopted this policy, in part, due to the unreasonable cost burden associated with accounting at such a level of detail and our limited number of financial and personnel resources.

**General and administrative:**

General and administrative expenses include administrative personnel related salary and benefit expenses, cost of facilities, insurance, travel, legal support, property and equipment and amortization of stock options and warrants.

**Three Months Ended June 30, 2018 and 2017**

We recognized a net loss of \$21.2 million and \$10.3 million for the three months ended June 30, 2018 and 2017, respectively. The increase in net loss was primarily due to the issuance of stock options during the three months ended June 30, 2018.

*Research and Development Expense*

Research and development expense were \$5.3 million and \$5.5 million for three months ended June 30, 2018 and 2017, respectively. At June 30, 2018, we owed Advent BioServices \$2.0 million as of June 30, 2018 (which was related to 2017 and the six months ended June 30, 2018).

The following table summarizes expenses incurred to related parties during the three months ended June 30, 2018 and 2017 (amount in thousands), which include amounts that remained outstanding and unpaid:

	<b>For the three months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Cognate BioServices, Inc. (no longer related party in Q2 2018)	\$ -	\$ 1,100
Cognate BioServices GmbH	-	348
Cognate Israel	70	318
Advent BioServices	1,747	853
Total	<u>\$ 1,817</u>	<u>\$ 2,619</u>

*General and Administrative Expense*

General and administrative expenses were \$14.4 million and \$3.3 million for the three months ended June 30, 2018 and 2017, respectively. The increase compared with 2017 was primarily due to stock-based compensation from issuance of stock options to our officers and directors. We recorded approximately \$10.7 million of stock-based compensation under general and administrative expenses during the three months ended June 30, 2018.

*Legal Expenses*

Legal costs were \$0.9 million and \$2 million for the three months ended June 30, 2018 and 2017, respectively. The decrease in 2018 was primarily due to a decrease in litigation matters in 2018 compared with 2017.

*Change in fair value of derivatives*

During the three months ended June 30, 2018, we recognized a non-cash gain of \$6.3 million as compared to a non-cash gain of approximately \$6.5 million for the three months ended June 30, 2017.

The non-cash gain during the quarter ended June 30, 2018 was primarily due to the decrease in stock price as of June 30, 2018 compared with March 31, 2018.

#### *Interest Expense*

During the quarter ended June 30, 2018 and 2017, we recorded interest expense of \$3.3 million and \$1.3 million, respectively. Interest expense increased in 2018 as compared with 2017 primarily due to the increase from issuance of debt and amortization on debt discount. Although no repayments of Ms. Powers' convertible notes have been made, we recorded approximately \$2.0 million of debt amortization cost on Ms. Powers' \$5.4 million convertible notes.

#### **Six Months Ended June 30, 2018 and 2017**

For the six months ended June 30, 2018 and 2017, net cash used in operations was \$16.4 million and \$16.0 million, respectively. We recognized a net loss of \$42.7 million and \$22.9 million for the six months ended June 30, 2018 and 2017, respectively.

#### *Research and Development Expense*

For the six months ended June 30, 2018 and 2017, research and development expense was \$10.0 million and \$10.5 million, respectively. At June 30, 2018, we owed Advent BioServices and Cognate Israel \$2.0 million for unpaid invoices.

The following table summarizes expenses incurred to related parties during the six months ended June 30, 2018 and 2017 (amount in thousands):

	<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Cognate BioServices, Inc. (no longer related party in Q2 2018)	\$ 873	\$ 2,878
Cognate BioServices GmbH	66	765
Cognate Israel	98	689
Advent BioServices	3,666	856
<b>Total</b>	<b>\$ 4,703</b>	<b>\$ 5,188</b>

#### *General and Administrative Expense*

General and administrative expense were \$17.5 million and \$6.3 million for the six months ended June 31, 2018 and 2017, respectively. The increase compared with 2017 was primarily due to stock-based compensation from issuance of stock options to our officers and directors. We recorded approximately \$10.7 million of stock-based compensation under general and administrative during the six months ended June 30, 2018.

#### *Legal Expenses*

Legal costs were \$2.1 million and \$5.9 million for the six months ended June 31, 2018 and 2017, respectively. The decrease in 2018 was primarily due to a decrease in litigation matters in 2018 compared with 2017.

#### *Change in fair value of derivatives*

During the six months ended June 30, 2018 we recognized a non-cash loss of \$5.1 million as compared to a non-cash gain of approximately \$7.9 million for the six months ended June 30, 2017.

The non-cash loss during the six months ended June 30, 2018 was primarily due to the increase in stock price and number of warrants outstanding as of June 30, 2018 compared with December 31, 2017. As of June 30, 2018, there were approximately 369 million warrants outstanding compared to 320 million warrants as of December 31, 2017.

#### *Interest Expense*

During the six months ended June 30, 2018 and 2017, we recorded interest expense of \$6.6 million and \$2.5 million, respectively. Interest expense increased in 2018 as compared to 2017 primarily due to the increase from amortization on debt discount. Although no repayment of Ms. Powers' Notes have been made, we recorded approximately \$4.2 million of debt amortization cost on Ms. Powers' \$5.4 million convertible notes.

## Liquidity and Capital Resources

We have experienced recurring losses from operations since inception. During the six months ended June 30, 2018, net cash outflows from operations were \$16.4 million for the Company's ongoing programs as well as preparations (as resources permit) for new clinical programs and for manufacturing capacity in Europe.

Our condensed consolidated financial statements indicate there is substantial doubt about our ability to continue as a going concern as we are dependent on our ability to obtain short term financing and ultimately to generate sufficient cash flow to meet our obligations on a timely basis, as well as successfully obtain financing on favorable terms to fund our long-term plans. We can give no assurance that our plans and efforts to achieve the above steps will be successful.

At June 30, 2018, current assets totaled \$2.4 million, compared to \$1.4 million at December 31, 2017. Current assets less current liabilities produced a working capital deficit in the amount of \$96.1 million and \$86.3 million at June 30, 2018 and December 31, 2017, respectively.

We engaged a third-party specialist to conduct certain surveys of the condition of the property in the U.K. ("UK Facility") which included, among other things, a preliminary analysis of potential environmental remediation exposures. We determined, based on information contained in the specialists' report, that we would be required to estimate the fair value of an unconditional obligation to remediate specific ground contamination at an estimated fair value of approximately \$6.2 million. We computed our preliminary estimate of the fair value of this obligation using a probability approach that measures likelihood of the following two potential outcomes: (i) a higher probability (>95%) requirement of erecting a protective barrier around the affected area at an estimated cost of approximately \$4.6 million, or (ii) lower probability (<5%) requirement of having to excavate the affected area at an estimated cost of approximately \$33.4 million. Our estimate is preliminary and therefore subject to change as further studies are conducted, and as additional facts come to our attention. Environmental remediation obligations are complex and technical. Accordingly, it is at least reasonably possible that any changes in our estimates could materially differ from management's preliminary estimates.

## Contingent Contractual Payment

The following table summarizes our contractual obligations as of June 30, 2018 (amount in thousands):

	Payment Due by Period		
	Total	Less than 1 Year	1 to 2 Years
Short term convertible notes payable - related party (1)			
10% unsecured	\$ 5,578	\$ 5,578	\$ -
Short term notes payable (2)			
6% unsecured	1,473	1,473	-
8% unsecured	3,680	3,680	-
10% unsecured	153	153	-
12% unsecured	493	493	-
Short term notes payable - related parties (3)			
10% unsecured - (on demand)	448	448	-
12% unsecured - (on demand)	76	76	-
Long term convertible notes payable (4)			
12% secured convertible notes and interest	7,321	-	7,321
Long term notes payable (5)			
8% unsecured	3,226	-	3,226
Share-settled debt, at fair value (6)	2,872	2,872	-
Mortgage loan and interest (7)	11,764	11,764	-
Operating leases (8)	7,763	2,689	5,074
Purchase obligation (9)			
<b>Total</b>	<b>\$ 44,847</b>	<b>\$ 29,226</b>	<b>\$ 15,621</b>

(1) The obligations related to short term convertible notes to Linda Powers were approximately \$5.5 million as of June 30, 2018, which included contractual unpaid interest of \$0.1.

(2) The obligations related to short term notes were approximately \$5.8 million as of June 30, 2018, which included remaining contractual unpaid interest of \$0.4 million.

(3) The obligations related to short term notes to related parties were approximately \$0.5 million as of June 30, 2018, which included unpaid interest of \$0.2 million. The obligations included loans of \$50,000 from Cofer Black, a Company Director; \$125,000 from Jerry Jasinowski, a Company Director; \$125,000 from Robert Farmer, a Company Director; \$49,000 remaining balance owed to Leslie Goldman, an officer of the Company.

(4) The obligations related to long term convertible notes were approximately \$7.3 million as of June 30, 2018, which included unpaid interest of \$1.9 million. The convertible notes will be due in June 2020.

(5) The obligations related to long term notes were approximately \$3.2 million as of June 30, 2018, which included unpaid interest of \$0.3 million. The convertible notes will be due in June 2019.

(6) The obligations related to share settled debt were approximately \$2.9 million as of June 30, 2018, which included \$1.3 million accrued interest.

(7) The obligations related to the mortgage loan were approximately \$11.8 million as of June 30, 2018, which included \$1.1 million renewal fee and exit fee which will be due at end of the loan term, and \$0.4 million of remaining interest payments.

(8) The operating lease obligations during the next 2 years included \$243,000 and \$11,000 to our office in Maryland and Germany. We also assumed Cognate Bioservices, GmbH's lease agreement for the facility that was to manufacture DCVax®-L products in Germany, and we agreed to pay \$479,000 (400,000 Euros) settlement fee to the lessor in 2018. During the six months ended June 30, 2018, we have made full repayment. We also included approximately \$2.7 million and \$5.1 million of minimum lease payments in 2018 and 2019, respectively. Advent BioServices is the lessee for a facility where DCVax-L products are being manufactured in the U.K. Since we are not a direct party to this lease, Advent is charging us its share of the cost of this lease on a monthly basis and therefore we are including the minimum lease payments in this table.

(9) We have possible contingent obligations to pay certain fees to Cognate BioServices (in addition to any other remedies) if we shut down or suspend its DCVax-L program or DCVax-Direct program. These obligations are not reflected in the accompanying balance sheets. For a shut down or suspension of the DCVax-L program, the fees will be as follows:

- Prior to the last dose of the last patient enrolled in the Phase III trial for DCVax®-L or After the last dose of the last patient enrolled in the Phase III clinical trial for DCVax®-L but before any submission for product approval in any jurisdiction or after the submission of any application for market authorization but prior to receiving a marketing authorization approval: in any of these cases, the fee shall be \$3 million.
- At any time after receiving the equivalent of a marketing authorization for DCVax®-L in any jurisdiction, the fee shall be \$5 million.

For a shut down or suspension of the DCVax-Direct program, the fees will be as follows:

- Prior to the last dose of the last patient enrolled in the Phase I trial for DCVax®-Direct, the fee shall be \$1.5 million.
- After the last dose of the last patient enrolled in the Phase I clinical trial for DCVax®-Direct but before the initiation of a Phase III trial the fee shall be \$2.0 million.
- After initiation of a phase III trial but before submission of an application for market authorization in any jurisdiction or after the submission of an application for market authorization but prior to receiving a market authorization approval: in each of these cases, the fee shall be \$3.0 million.
- At any time after receiving the equivalent of a marketing authorization for DCVax®-Direct in any jurisdiction the fee shall be \$5.0 million.

As of June 30, 2018, there were not any shut-down or suspension fees triggered.

While our DCVax programs are ongoing, we are required to pay certain fees for dedicated production suites or capacity reserved exclusively for DCVax production, and pay for a certain minimum number of patients, whether or not we fully utilize the dedicated capacity and number of patients. We have disputed certain amounts, and we are in the process of discussing the amounts with Cognate..

### ***Operating Activities***

During the six months ended June 30, 2018 and 2017, net cash outflows from operations were \$16.4 million and \$16.0 million, respectively..



### ***Investing Activities***

During the six months ended June 30, 2017, we received \$220,000 cash refund from certain vendors regarding UK facility leasehold improvement.

### ***Financing Activities***

We received approximately \$8.1 million and \$7.6 million cash proceeds from issuance of preferred stock, common stock and warrants in a public offering during the six months ended June 30, 2018 and 2017, respectively.

We received approximately \$2.1 million cash proceeds from the exercise of warrants during the six months ended June 30, 2018.

We received approximately \$9.1 million and \$8.3 million cash proceeds from issuance of multiple debt to third parties and related parties during the six months ended June 30, 2018 and 2017, respectively.

We made an aggregate debt payment of \$3.0 million and \$4.1 million during the six months ended June 30, 2018 and 2017, respectively.

Our financial statements indicate there is substantial doubt about our ability to continue as a going concern as we are dependent on our ability to obtain ongoing financing and ultimately to generate sufficient cash flow to meet our obligations on a timely basis. We can give no assurance that our plans and efforts to achieve the above steps will be successful.

Other factors affecting our ongoing funding requirements include the number of staff we employ, the number of sites and number of patients still active in our Phase III brain cancer trial, the costs of further product and process development work relating to our DCVax products, the costs of preparations for Phase II trials, the costs of expansion of manufacturing, and unanticipated developments. The extent of resources available to us will determine which programs can move forward and at what pace.

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

Since our inception, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

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

Market risk represents the risk of loss that may result from the change in value of financial instruments due to fluctuations in its market price. Market risk is inherent in all financial instruments. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is directly related to derivatives, debt and equity linked instruments related to our financing activities.

Our assets and liabilities are overwhelmingly denominated in U.S. dollars. We do not use foreign currency contracts or other derivative instruments to manage changes in currency rates. We do not now, nor do we plan to, use derivative financial instruments for speculative or trading purposes. However, these circumstances might change.

The primary quantifiable market risk associated with our financial instruments is sensitivity to changes in interest rates. Interest rate risk represents the potential loss from adverse changes in market interest rates. We use an interest rate sensitivity simulation to assess our interest rate risk exposure. For purposes of presenting the possible earnings effect of a hypothetical, adverse change in interest rates over the 12-month period from our reporting date, we assume that all interest rate sensitive financial instruments will be impacted by a hypothetical, immediate 100 basis point increase in interest rates as of the beginning of the period. The sensitivity is based upon the hypothetical assumption that all relevant types of interest rates that affect our results would increase instantaneously, simultaneously and to the same degree. We do not believe that our cash and equivalents have significant risk of default or illiquidity.

The sensitivity analyses of the interest rate sensitive financial instruments are hypothetical and should be used with caution. Changes in fair value based on a 1% or 2% variation in an estimate generally cannot be extrapolated because the relationship of the change in the estimate to the change in fair value may not be linear. Also, the effect of a variation in a particular estimate on the fair value of financial instruments is calculated independent of changes in any other estimate; in practice, changes in one factor may result in changes in another factor, which might magnify or counteract the sensitivities. In addition, the sensitivity analyses do not consider any action that we may take to mitigate the impact of any adverse changes in the key estimates.

Based on our analysis, as of June 30, 2018, the effect of a 100+/- basis point change in interest rates on the value of our financial instruments and the resultant effect on our net loss are considered immaterial.

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

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

Certain of our Company's finance and accounting functions are performed by an external firm on a contract services basis. This firm specializes in providing finance and accounting functions for biotech companies, and the founders and senior managers are highly experienced former partners of national accounting firms. Further, the Company is engaged with a second external firm: one that specializes in Sarbanes-Oxley matters and helping public companies improve their controls and procedures. Together with these two external firms, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on the evaluation of our disclosure controls and procedures, our principal executive, financial and accounting officer concluded that during the period covered by this report, our Company's processes for internally reporting material information in a systematic manner to allow for timely filing of material information were not effective, due to inherent limitations from being a small company, and the three material weaknesses described in our December 31, 2017 Form 10-K remain as of the filing of this Form 10-Q. We continue to implement the enhanced procedures and controls developed during 2016 and 2017, and we continue to work together with the two external firms to further strengthen our disclosure controls and procedures, and further mitigate the remaining weaknesses.

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

We continue to make further improvements to our internal controls over financial reporting, in addition to the improvements developed in 2016 and 2017. These enhanced procedures did not result in identifying any related party transactions other than the ones already known and disclosed. We will continue to take steps to improve our internal control system and to address the remaining deficiencies, but the timing of such steps is uncertain and our ability to retain or attract qualified individuals to undertake these functions is also uncertain. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II - Other Information**

### **Item 1. Legal Proceedings**

#### *U.S. Securities and Exchange Commission*

As previously reported, the Company has received a number of formal information requests (subpoenas) from the SEC regarding several broad topics that have been previously disclosed, including the Company's membership on Nasdaq and delisting, related party matters, the Company's programs, internal controls, the Company's Special Litigation Committee, disclosures and the publication of interim clinical trial data. Testimony of certain officers and third parties has been taken as well. The Company has been cooperating with the SEC investigation. As hoped, the investigation is winding to a conclusion. After investigation of a broad array of issues over the past two-plus years, the SEC Staff has informed us preliminarily that they have concerns in regard to two issues, relating to the Company's internal controls over financial reporting and the adequacy of certain disclosures made in the past. We have previously disclosed material weaknesses in our internal controls. As for disclosures, we believe our disclosures complied with applicable law. Despite our belief that the Staff should close the investigation, there can be no assurance that the Staff will not recommend some action involving the Company and/or individuals. Given the stage of the process, the Company is unable to provide a current assessment of the potential outcome or potential liability, if any.

#### *Chardan Capital Markets v. Northwest Biotherapeutics, Inc.*

On June 22, 2017, Chardan Capital Markets, LLC filed a lawsuit against the Company in the United District Court for the Southern District of New York, captioned Chardan Capital Markets v. Northwest Biotherapeutics, Inc., 1:17-cv-04727-PKC. Chardan alleges that it provided capital placement agent services to the Company in December 2016 under a contract and that it has not been fully compensated for those services. Chardan further alleges that it provided additional services to the Company in March 2017 in anticipation of entering into a contract and that it received no compensation. The operative complaint asserts claims sounding in unjust enrichment, quantum meruit, and breach of contract, and seeks recovery in the amount of \$496,000, plus interest and attorneys' fees and costs. The Company filed a motion to dismiss the complaint on December 1, 2017; Chardan filed its opposition brief on January 19, 2018; and the Company filed its reply brief on February 26, 2018. On August 6, 2018, the Court granted the Company's motion to dismiss the case in its entirety and entered a Judgment dismissing Chardan's Amended Complaint in its entirety.

### **Item 1A. Risk Factors**

See risk factors described in our most recent Annual Report on Form 10-K.

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

None.

**Item 3. Defaults Upon Senior Securities**

Not Applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

[31.1](#) [Certification of President \(Principal Executive Officer and Principal Financial and Accounting Officer\), Pursuant to Exchange Act Rules 13a-14\(a\) and 15d-14\(a\), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\\*](#)

[32.1](#) [Certification of President, Chief Executive Officer and Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\\*\\*](#)

101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.

\* Filed herewith

\*\* Furnished herewith

## **SIGNATURES**

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

NORTHWEST BIOTHERAPEUTICS, INC

Dated: August 14, 2018

By: /s/ Linda F. Powers

Name: Linda F. Powers

Title: President and Chief Executive Officer  
Principal Executive Officer  
Principal Financial and Accounting Officer