

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)
) Chapter 11
NOVAN, INC., *et al.*,¹)
) Case No. 23-10937 (LSS)
Debtors.)
) (Jointly Administered)
)
) **Re: D.I. 16, 158**
)
_____)

**CERTIFICATION OF COUNSEL REGARDING REVISED ORDER (I)(A) APPROVING
BIDDING PROCEDURES FOR SALE OF SUBSTANTIALLY ALL OF DEBTORS'
ASSETS FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS, AND
ENCUMBRANCES AND DESIGNATING LIGAND PHARMACEUTICALS
AS A STALKING HORSE BIDDER, (B) SCHEDULING AN AUCTION AND
APPROVING THE FORM AND MANNER OF NOTICE THEREOF,
(C) APPROVING ASSUMPTION AND ASSIGNMENT PROCEDURES
AND (D) SCHEDULING A SALE HEARING AND APPROVING THE FORM AND
MANNER OF NOTICE THEREOF, AND (II) GRANTING RELATED RELIEF**

The undersigned counsel to the above-captioned debtors and debtors in possession
(the “Debtors”) hereby certifies as follows:

1. On July 17, 2023 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.
2. On the Petition Date, the Debtors filed the *Motion of the Debtors for Entry of Orders (I)(A) Approving Bidding Procedures for Sale of Substantially All of Debtors’ Assets Free and Clear of Liens, Claims, Interests, and Encumbrances and Designating Ligand Pharmaceuticals as a Stalking Horse Bidder, (B) Scheduling an Auction and Approving the Form and Manner of Notice Thereof, (C) Approving Assumption and Assignment Procedures and (D)*

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.



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Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof; (II)(A) Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances After the Auction and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) in the Alternative, Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances to Ligand Pharmaceuticals if Not Approved as the Stalking Horse Bidder (D.I. 16) (the "Motion"). Attached to the Motion as Exhibit A was a proposed form of order granting the relief requested in the Motion.

3. The Motion was originally scheduled to be heard at a hearing on August 4, 2023, at 1:00 p.m. (ET) (the "August 4th Hearing"). The Motion was noticed with an objection deadline of August 1, 2023, at 4:00 p.m. (ET) (the "Objection Deadline") for most parties in interest. The Official Committee of Unsecured Creditors (the "Committee") had an objection deadline at the Hearing.

4. After the August 4th Hearing, the Court rescheduled the hearing on the Motion for August 15, 2023, at 10:00 a.m. (ET) (the "Hearing"). In addition, the Court extended the Objection Deadline as to all parties until August 11, 2023, at 10:00 a.m. (ET) (the "Revised Objection Deadline").

5. Prior to the Revised Objection Deadline, Reedy Creek Investments LLC ("Reedy Creek"), the Office of the United States Trustee (the "U.S. Trustee"), and Mayne Pharma Group Limited ("Mayne Pharma," and together with the U.S. Trustee and Reedy Creek, the "Objecting Parties") each filed objections to the Motion [D.I. 98, 99, 100]. In addition, the Committee also provided informal comments to the Motion.

6. On August 14, 2023, the Debtors filed the *Notice of Filing of Revised Order (I)(A) Approving Bidding Procedures for Sale of Substantially all of the Debtors' Assets Free and*

Clear of Liens, Claims, Interests, and Encumbrances and Designating Ligand Pharmaceuticals as a Stalking Horse Bidder, (B) Scheduling and Auction and Approving the Form and Manner of Notice Thereof, (C) Approving Assumption and Assignment Procedures and (D) Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof, and (II) Granting Related Relief (the “Notice”) [D.I. 158]. Attached to the Notice as Exhibit A was a form of proposed order (the “Proposed Order”).

7. Prior to the Hearing, the Debtors were able to resolve the objections of the Objecting Parties except with regards to the U.S. Trustee.

8. At the Hearing, the Court heard argument from the U.S. Trustee regarding its objection. The Court ultimately granted the Motion, but revisions still needed to be made to the Proposed Order.

9. The Debtors have revised the Proposed Order (the “Revised Proposed Order”) to resolve all comments received. A copy of the Revised Proposed Order is attached hereto as **Exhibit A**.

10. For the convenience of the Court and all parties in interest, a redline comparing the Revised Proposed Order to the Proposed Order is attached hereto as **Exhibit B**.

11. The U.S. Trustee, counsel to the Committee and counsel to Ligand Pharmaceuticals, Inc. have all reviewed the Revised Proposed Order and consent to its entry.

[Remainder of page left intentionally blank]

Dated: August 15, 2023
Wilmington, Delaware

Respectfully submitted,

/s/ Daniel B. Butz

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*Proposed Counsel to the Debtors and Debtors
in Possession*

Exhibit A

Revised Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)
) Chapter 11
NOVAN, INC., *et al.*,¹)
) Case No. 23-10937 (LSS)
Debtors.)
) (Jointly Administered)
) **RE: D.I. 16**

**ORDER (I)(A) APPROVING BIDDING PROCEDURES FOR SALE OF
SUBSTANTIALLY ALL OF DEBTORS' ASSETS FREE AND CLEAR OF LIENS,
CLAIMS, INTERESTS, AND ENCUMBRANCES AND DESIGNATING LIGAND
PHARMACEUTICALS AS A STALKING HORSE BIDDER, (B) SCHEDULING AN
AUCTION AND APPROVING THE FORM AND MANNER OF NOTICE THEREOF,
(C) APPROVING ASSUMPTION AND ASSIGNMENT PROCEDURES AND (D)
SCHEDULING A SALE HEARING AND APPROVING THE FORM AND MANNER OF
NOTICE THEREOF, AND (II) GRANTING RELATED RELIEF**

Upon consideration of the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for the entry of an order: (i) approving bidding procedures, substantially in the form attached hereto as **Exhibit 1** (the “Bidding Procedures”), to be used in connection with one or more sales (each a “Sale”) of the Debtors’ development and commercialization rights to their research and development portfolio (the “R&D Assets”) and to the rights to commercialize the Debtors’ commercial portfolio (the “Commercial Assets,” and together with the R&D Assets, the “Assets,” as more fully defined in the Bidding Procedures) free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the Debtors to designate one or more affiliates of Ligand Pharmaceuticals, Incorporated or its designee (“Ligand”) as the Stalking Horse Bidder for all of the Assets in

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² Capitalized terms used but not defined herein shall have the meanings given them in the Bidding Procedures (as defined below), or to the extent not defined therein, the Motion or the Stalking Horse APA.

connection with considering the entry of the Bidding Procedures Order; (iii) scheduling one more auctions (each, an “Auction”), if necessary, and schedule one or more hearings to approve a sale of the Debtors’ Assets (a “Sale Hearing”); (iv) approving the form and manner of notice of the proposed Bidding Procedures, the Auction, and the Sale Hearing, substantially in the form attached hereto as **Exhibit 2** (the “Auction Notice”); (v) authorizing procedures governing the assumption and assignment of certain executory contracts and unexpired leases (the “Assumed Contracts”) in connection with any Sale (the “Assumption and Assignment Procedures”); (vi) approving the form and manner of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”) of (A) the Debtors’ calculation of the amount necessary to cure any default under the applicable Assumed Contract (the “Cure Amounts”); and (B) certain other information regarding the potential assumption and assignment of Assumed Contracts in connection with a Sale, substantially in the form attached hereto as **Exhibit 3** (the “Assumption and Assignment Notice”); and (vii) granting related relief; and due and proper notice of the Motion having been given; and it appearing that no other or further notice of the Motion is required; and it appearing that this Court has jurisdiction to consider the Motion in accordance with 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue of this proceeding and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having reviewed the Motion; and the Bidding Procedures Hearing (as defined herein) having been held; and this Court having found and determined that the relief set forth herein is in the best interests of the Debtors, their estates and creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion and at the Bidding Procedures Hearing, as

applicable, establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:³

A. This Court has jurisdiction to consider the Motion in accordance with 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order.

B. Venue of this proceeding and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

C. The statutory and legal predicates for the relief requested in the Motion and provided for herein are sections 105, 363, 365, 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2002-1 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

D. In the Motion and at the hearing on the relief set forth herein (the “Bidding Procedures Hearing”), the Debtors demonstrated that good and sufficient notice of the relief granted by this Bidding Procedures Order has been given and no further notice is required. A reasonable opportunity to object or be heard regarding the relief granted by this Bidding Procedures Order (including, without limitation, with respect to the Bidding Procedures) has been afforded to those parties entitled to notice pursuant to Bankruptcy Rule 2002 and all other interested parties.

³ The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

E. The Bidding Procedures attached hereto as **Exhibit 1** are fair, reasonable, and appropriate and are designed to maximize the value of the proceeds of Sale of the Debtors' Assets. The Bidding Procedures comply with the requirements of Local Rule 6004-1(c) and are reasonably designed to promote active bidding and participation in the Auction to ensure that the highest or otherwise best value is generated for the Assets.

F. The Assumption and Assignment Procedures are fair, reasonable, and appropriate and comply with the provisions of section 365 of the Bankruptcy Code and Bankruptcy Rule 6006.

G. The Debtors have articulated good and sufficient business reasons for the Court to approve (i) the Bidding Procedures, (ii) the form and manner of Auction Notice; (iii) designation of Ligand as the Stalking Horse Bidder, and the Debtors' entry into the Stalking Horse APA, subject to the procedures set forth herein and entry of the Sale Order; (iv) the form and manner of the Assumption and Assignment Notice; and (v) the Assumption and Assignment Procedures.

H. The Auction Notice, the Assumption and Assignment Notice, and the Notice of Winning Bidder, are appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the Auction, the Sale Hearing, the Bidding Procedures, the Assumption and Assignment Procedures, the Debtors' proposed Cure Amounts, any proposed assumption of an Assumed Contract in connection with a sale of the Assets, and all relevant and important dates and deadlines with respect to the foregoing, and no other or further notice of the Auction, the sale of the Assets, or the assumption and assignment of Assumed Contracts in connection therewith shall be required.

I. Good and sufficient notice of the relief sought in the Motion has been provided under the circumstances, and no other or further notice is required except as set forth in the

Bidding Procedures and the Assumption and Assignment Procedures. A reasonable opportunity to object and be heard regarding the relief granted herein has been afforded to all parties in interest.

J. Entry of this Order is in the best interests of the Debtors, their estates and creditors, and all other interested parties.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein. All objections to the relief granted in this Order that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled and denied on the merits with prejudice.

2. The Bidding Procedures attached hereto as **Exhibit 1** are hereby approved and are incorporated herein by reference. The failure to specifically include or reference any particular provision of the Bidding Procedures in this Order shall not diminish or otherwise impair the effectiveness of such procedures, it being this Court's intent that the Bidding Procedures are approved in their entirety, as if fully set forth in this Order. The Debtors are authorized to take all actions necessary or appropriate to implement the Bidding Procedures.

3. Ligand is designated as the Stalking Horse Bidder pursuant to the terms of the Stalking Horse APA. The Debtors' entry into the Stalking Horse APA is authorized and approved, and the Stalking Horse APA shall be subject to higher or better Qualified Bids in accordance with the terms and procedures of the Stalking Horse APA, this Bidding Procedures Order, and the Bidding Procedures. The Stalking Horse Bid's \$15 million aggregate Purchase Price (as defined in the Stalking Horse APA) for the Assets is allocated at (i) \$12 million for the R&D Assets and (ii) \$3 million for the Commercial Assets; provided, however, that the Stalking Horse Bidder shall not reallocate any of the initial \$3 million offered for the Commercial Assets

to the initial \$12 million offered for the R&D Assets or vice versa in any subsequent bid without the prior consent of the Debtors and the Committee, but for the avoidance of doubt, the Stalking Horse Bidder may increase the amounts offered for the R&D Assets and/or the Commercial Assets in any subsequent bid with incremental consideration above the aggregate \$15 million Purchase Price. The Stalking Horse Bidder, and the Stalking Horse Bid, shall be deemed a Qualified Bidder and Qualified Bid, respectively, under this Bidding Procedures Order and the Bidding Procedures.

4. Within three (3) business days after the entry of this Bidding Procedures Order, the Debtors shall to serve the Auction Notice, substantially in the form attached to this Bidding Procedures Order, on: (a) the U.S. Trustee; (b) counsel to the Stalking Horse Bidder; (c) counsel to the Official Committee of Unsecured Creditors (the “Creditors’ Committee”); (d) all parties known by the Debtors to assert a lien or encumbrance on any of the Assets; (e) all persons known or reasonably believed to have asserted an interest in or claim to any of the Assets; (f) all persons known or reasonably believed to have expressed an interest in acquiring all or a substantial portion of the Assets within the one (1) year prior to the Petition Date; (g) the Office of the United States Attorney for the District of Delaware; (h) the Office of the Attorney General in each state in which the Debtors have operated; (i) the Office of the Secretary of State in each state in which the Debtors have operated; (j) the Internal Revenue Service and all state and local taxing authorities in the states in which the Debtors have or may have any tax liability; (k) the Securities and Exchange Commission; (l) the Federal Trade Commission; (m) all of the Debtors’ other known creditors and equity security holders; and (n) all other parties that have filed a notice of appearance and demand for service of papers in these chapter 11 cases (the “Chapter 11 Cases”) as of the service date.

5. The Debtors shall post the Auction Notice and this Bidding Procedures Order on the Debtors' claims and noticing agent's website. Within seven (7) calendar days of the entry of this Bidding Procedures Order, the Debtors shall cause the Auction Notice to be published once in the national edition of USA Today or another nationally circulated newspaper, with any modifications necessary for ease of publication. Publication of the Auction Notice as described in this Bidding Procedures Order conforms to the requirements of Bankruptcy Rules 2002(l) and 9008 and is reasonably calculated to provide notice to any affected party, including, without limitation, any potential bidders, and afford the affected party the opportunity to exercise any rights affected by the Motion and the relief granted by this Bidding Procedures Order.

6. Except objections relating to the conduct of the Auction, the Auction results, the selection of any Winning Bid and/or Back-Up Bid, or the terms of any Sale to a Winning Bidder and/or Back-Up Bidder, which may be filed as part of a Winning Bid Objection (as defined below), all objections to the sale of the Assets (each, an "Initial Sale Objection"), including any objection to the sale of any Assets free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to a Winning Bidder and/or a Backup Bidder (as applicable), shall be (i) be in writing; (ii) state with specificity the grounds for such objection; (iii) comply with the Bankruptcy Rules and the Local Rules; (iv) be filed with the Court by no later than **August 28, 2023, at 4:00 p.m. (ET)** (the "Initial Sale Objection Deadline"); and (v) served on the Notice Parties (as such term is defined in the Bidding Procedures).

7. Subject to this Bidding Procedures Order and the Bidding Procedures, the Debtors, in the exercise of their reasonable business judgment and in a manner consistent with their fiduciary duties and applicable law, shall have the right, in consultation with the Notice Parties, to: (a) determine which bidders qualify as Qualified Bidders (except that the Stalking

Horse Bidder shall be deemed a Qualified Bidder, and the Stalking Horse APA a Qualified Bid, as set forth herein), and which bids qualify as Qualified Bids; (b) make final determinations as to whether the Debtors will conduct an Auction; (c) select Baseline Bid(s); (d) determine the amount of each minimum overbid; (e) determine which Qualified Bid is the highest or otherwise best bid for the Assets, and therefore the Winning Bid, and which Qualified Bid is the next highest and next best bid after the Winning Bid for the Assets, and therefore the Back-Up Bid; (f) reject any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of this Bidding Procedures Order or any other applicable order of the Court, the Bidding Procedures, the Bankruptcy Code, or other applicable law; or (iii) contrary to the best interests of the Debtors and their estates; and (g) adjourn or cancel the Auction or the Sale Hearing solely in accordance with the Bidding Procedures; provided, however, that under no circumstance may a bid for the R&D Assets, other than the Stalking Horse Bid, qualify as a Qualified Bidder if it does not provide for the unaltered assumption and assignment of the Development Funding and Royalties Agreement, dated as of May 4, 2019 (as amended from time to time), to which the Stalking Horse Bidder and Novan, Inc. are parties (the “Royalty Agreement”).

8. Subject to this Bidding Procedures Order and the Bidding Procedures, Debtors shall have the right, in their reasonable discretion and in consultation with the Notice Parties, to withhold or limit access to any due diligence information that the Debtors determine is business-sensitive or otherwise not appropriate for disclosure to a Qualified Bidder. Pursuant to the Bidding Procedures, and notwithstanding any prepetition limitations, including, without limitation, any non-disclosure, confidentiality, or similar provisions relating to any due diligence information, the Debtors and their estates shall be authorized to provide due diligence information to Qualified Bidders, *provided* that such Qualified Bidders have delivered an

executed confidentiality agreement in form and substance acceptable to the Debtors. The Debtors and their estates are not responsible for, and shall have no liability with respect to, any information obtained by, or provided to, any Qualified Bidders in connection with the Bidding Procedures or the Sale. A bidder that is bidding solely on the Commercial Assets will not be required to assume the Royalty Agreement to be deemed a Qualified Bidder.

9. Except as otherwise provided in the Bidding Procedures, this Bidding Procedures Order, and without prejudice to the rights of the DIP Lender under the DIP Facility (as approved by the DIP Order⁴) or the Stalking Horse Bidder under the Stalking Horse APA, the Debtors, in the exercise of their reasonable business judgment and in a manner consistent with their fiduciary duties and applicable law, in consultation with the Notice Parties, shall have the right to modify the Bidding Procedures, including to (a) extend, modify, adjourn, or waive dates, deadlines or other terms and conditions set forth herein or in the Bidding Procedures; (b) adopt new rules and procedures for conducting the bidding and Auction process so long as any such modifications are reasonably disclosed to Qualified Bidders; and (c) promote competitive bidding for and maximizing the value of the Assets; provided, however, that under no circumstance may (i) any of the forgoing potential modifications and/or additional rules and procedures be materially inconsistent with the existing terms of this Bidding Procedures Order and the Bidding Procedures without the consent of Ligand and the Creditors' Committee; and (ii) a bid for the R&D Assets, other than the Stalking Horse Bid, qualify as a Qualified Bidder if it does not provide for the unaltered assumption and assignment of the Royalty Agreement.

⁴ “DIP Order” means as of any date of determination (i) that certain *Interim Order (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief* that was entered by the Bankruptcy Court on July 21, 2023 [Dkt. No. 54] (the “Interim Order”) or (ii) the Final Order (as defined in the Interim Order), whichever such Order is then in effect.

10. The Stalking Horse Bidder shall be considered a Qualified Bidder for the Assets, and the Stalking Horse Bid shall be considered a Qualified Bid without regard to any of the requirements or conditions set forth in the Bidding Procedures and without any other or further action by the Stalking Horse Bidder. As part of its Stalking Horse Bid, Ligand shall be entitled to pay the Purchase Price under the Stalking Horse APA, and fund Overbids during the Auction if there is competitive bidding, with (i) an offset, on a dollar-for-dollar basis, against the Debtors' Obligations (as defined in the DIP Facility) under the DIP Facility as approved by the DIP Order; and/or (ii) cash. The Stalking Horse Protections forth in the Motion have been waived by Ligand as the Stalking Horse Bidder.

11. A Qualified Bidder, other than a Stalking Horse Bidder, that desires to make a bid shall deliver an electronic copy of its bid in both PDF and MS-WORD format so as to be received via email on or before **August 28, 2023, at 5:00 p.m. (ET)** (the "Bid Deadline"), by: (a) the Debtors' proposed investment banker, Raymond James & Associates (Attn: Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); (b) proposed counsel to the Debtors, Morris, Nichols, Arsht & Tunnell LLP; and (c) proposed counsel to the Creditors' Committee, Goodwin Procter, LLP, The New York Times Building, 620 Eighth Avenue, New York, New York 10018 (Attn: Howard Steel (hsteel@goodwinlaw.com) and Barry Bazian (bbazian@goodwinlaw.com)). The Debtors may extend the Bid Deadline without further order of the Court pursuant to the terms of Paragraph 9 herein and the Bidding Procedures. Any party that does not submit a bid by the Bid Deadline will not be allowed to (i) submit any offer after the Bid Deadline or (ii) participate in the Auction.

12. Within one (1) business day after receipt thereof, the Debtors will deliver copies of all bids from Qualifying Bidders to the Notice Parties. The Debtors, in consultation with the Notice Parties, shall make a determination regarding whether a timely submitted bid from a Qualified Bidder is a Qualified Bid. No later than one (1) business day prior to the Auction, the Debtors shall: (a) notify all Qualified Bidders whether their bids have been determined to be a Qualified Bid; and (b) determine, in consultation with the Notice Parties, which of the Qualified Bids, at such time, is the highest or otherwise best bid for purposes of constituting the opening bid of the Auction (a “Baseline Bid” and the Qualifying Bidder submitting such Baseline Bid, a “Baseline Bidder”), and shall promptly notify all Qualified Bidders with Qualified Bids of the Baseline Bid.

13. If the Debtors do not receive a Qualified Bid other than a Stalking Horse Bid, the Stalking Horse Bid shall be deemed the Winning Bid for the Assets, and the Debtors shall request at the Sale Hearing that the Court approve such Winning Bid and the transactions contemplated thereunder for the Assets.

14. The Auction Procedures are hereby approved. If the Debtors timely receive one or more Qualified Bids for the Assets, then the Debtors shall conduct one or more auctions (each, an “Auction”) commencing on **August 31, 2023, at 10:00 a.m. (ET)**, at the offices of Raymond James & Associates, Inc., 320 Park Avenue, Floor 12, New York, New York 10022, or virtually via telephone or video conference pursuant to information to be timely provided by the Debtors to the Auction Participants. If held, the Auction proceedings shall be transcribed or video recorded.

15. Following the Auction, the Debtors will determine, in consultation with the Notice Parties, which Qualified Bid is the highest or otherwise best bid for the Assets, in whole

or in part, which will be determined by considering, among other things, the following non-binding factors: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by each bidder; (b) the extent to which such modifications are likely to delay closing of the Sale and the cost to the Debtors and their estates of such modifications or delay; (c) the total consideration to be received by the Debtors and their estates; (d) the transaction structure and execution risk, including, without limitation, conditions to, timing of and certainty of closing, termination provisions, availability of financing and financial wherewithal to meet all commitments, and required governmental or other approval; (e) the net benefit to the Debtors' estates; and (f) any other factors the Debtors may reasonably deem relevant.

16. On or before one (1) business day after the selection of any Winning Bid(s), the Debtors shall file a notice with the Court (the "Notice of Winning Bid") that sets forth: (i) the identity of the Winning Bidder(s) and any Back-Up Bidder; (ii) the amount of the Winning Bid and any Back-Up Bid; (iii) a summary of the Assets subject to the Winning Bid; and (iv) whether the Winning Bidder or the Back-Up Bidder have any connections to the Debtors other than those arising from their respective bids.

17. The Sale Hearing shall be held in this Court on **September 11, 2023 at 10:00 a.m. (ET)**, unless otherwise determined by this Court. Subject to the terms and conditions of the DIP Facility (as approved by the DIP Order) and the Stalking Horse APA, the Sale Hearing may be adjourned by the Debtors, in consultation with the Notice Parties and the Winning Bidder(s), from time to time without further notice to creditors or other parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing, or by filing a hearing agenda or notice on the docket of the Chapter 11 Cases.

18. Following service of the Notice of Winning Bid, parties may file an objection solely with respect to the conduct of the Auction, the Auction results, the selection of the Winning Bid and/or Back-Up Bid, or the terms of any Sale to the Winning Bidder or the Back-Up Bidder (each, a “Winning Bid Objection”). Any Winning Bid Objection shall be (i) be in writing; (ii) state with specificity the grounds for such objection; (iii) comply with the Bankruptcy Rules and the Local Rules; (iv) be filed with the Court by no later than **September 6, 2023, at 4:00 p.m. (ET)** (the “Winning Bid Objection Deadline”); and (v) served on the Notice Parties. The Debtors and any other entity shall have until **one (1) business day prior to the Sale Hearing, at 12:00 p.m. (ET)**, to file and serve a reply to any Initial Sale Objection or Winning Bid Objection. Any party who fails to file and serve a timely Initial Sale Objection or Winning Bid Objection in accordance with the terms of this Bidding Procedures Order shall be forever barred from asserting, at the Sale Hearing or thereafter, any Initial Sale Objection or Winning Bid Objection including any such objection to the relief requested in the Motion or to the consummation or performance of the sale of the Assets, including the transfer of Assets to the applicable Winning Bidder free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code, and shall be deemed to consent to such sale for purposes of section 363(f) of the Bankruptcy Code.

19. The Auction Notice, substantially in the form attached hereto as **Exhibit 2**, is approved, and no other or further notice of the proposed Sale of Assets, the Auction, the Sale Hearing, the Initial Sale Objection Deadline, or the Winning Bid Objection Deadline shall be required if the Debtors serve the Auction Notice in the manner provided in the Bidding Procedures and this Bidding Procedures Order.

20. The following assumption and assignment procedures (the “Assumption and Assignment Procedures”) are hereby approved:

1. On July 25, 2023, the Debtors filed and served the Initial Assumption and Assignment Notice, in the form attached hereto as **Exhibit 4**, via overnight delivery, on any counterparty (a “Counterparty”) to the Debtors’ universe of executory contracts and unexpired leases that may be designated Assumed Contracts. This notice included: (a) notice that such Counterparty’s contract may be subject to assumption and assignment in the Sale and thus designed an Assumed Contract; (b) the Cure Amount if any, that the Debtors believe is required to be paid to the Counterparty under section 365(b)(1)(A) and (B) of the Bankruptcy Code for such Assumed Contract; and (c) the Adequate Assurance Information of the Stalking Horse Bidder. The inclusion of any executory contract or unexpired commercial real property lease on the Initial Assumption and Assignment Notice shall not constitute an admission that a particular contract is an executory contract or unexpired lease or require or guarantee that such contract will be an Assumed Contract.
2. On or before one (1) business day after the selection of a Winning Bid or a Back-Up Bid, the Debtors shall file with this Court and serve the Additional Assumption and Assignment Notice, substantially in the form attached hereto as **Exhibit 3**, via overnight delivery, on any Counterparty to the Debtors’ universe of executory contracts and unexpired leases that may be designated as an Assumed Contract that the relevant Winning Bidder or Back-Up Bidder desires to assume as part of its Winning Bid ***that was not already listed on the Initial Assumption and Assignment Notice***. This notice shall include: (a) notice that such Counterparty’s contract may be subject to assumption and assignment in the Sale and thus designed an Assumed Contract as part of the relevant Winning Bid; (b) the cure amount if any, that the Debtors believe is required to be paid to the Counterparty under section 365(b)(1)(A) and (B) of the Bankruptcy Code for such Assumed Contract (each, a “Cure Amount”) in the event such Assumed Contract is assumed and assigned by the Debtors; and (c) the Adequate Assurance Information of the relevant Winning Bidder and Back-Up Bidder. The inclusion of any executory contract or unexpired commercial real property lease on the Additional Assumption and Assignment Notice shall not constitute an admission that a particular contract is an executory contract or unexpired lease or require or guarantee that such contract will be an Assumed Contract.
3. ***Objections to the Initial Assumption and Assignment Notice served in accordance with subparagraph 1 hereof were due on August 8, 2023, unless such deadline was extended by the Debtors.*** If a Counterparty objected to (a) the proposed assumption and assignment of its Assumed Contract set forth in the Initial Assumption and Assignment Notice

(including, without limitation, on the basis (i) that the Stalking Horse Bidder cannot provide adequate assurance of future performance; (ii) of the transfer of any related rights or benefits thereunder; or (iii) that Counterparty consent is allegedly required for the assumption, assignment, and transfer of the Assumed Contract), or (b) the Cure Amount set forth in the Initial Assumption and Assignment Notice, the Counterparty was required to file with the Court and serve on the Notice Parties a written objection (an “Initial Contract Objection”) **on or before August 8, 2023 at 4:00 p.m. (ET)** (the “Initial Contract Objection Deadline”).

4. Objections to the Additional Assumption and Assignment Notice to be served in accordance with subparagraph 2 hereof (an “Additional Contract Objection,” and collectively with an Initial Contract Objection, a “Contact Objection”) shall: (i) be in writing; (ii) state with specificity the grounds for such objection (including, without limitation, on the basis (a) that the Stalking Horse Bidder cannot provide adequate assurance of future performance; (b) of the transfer of any related rights or benefits thereunder; (c) that Counterparty consent is allegedly required for the assumption, assignment, and transfer of the Assumed Contract; or (d) the Cure Amount set forth in the Additional Assumption and Assignment Notice); (iii) comply with the Bankruptcy Rules and the Local Rules; (iv) be filed with the Court **on or before September 6, 2023, at 4:00 p.m. (ET)** (the “Additional Contract Objection Deadline,” and collectively with the Initial Contract Objection Deadline, the “Contact Objection Deadline”); and (v) served on the Notice Parties.
5. With respect to any Contract Objection that is (or was) timely received, the Debtors, the Stalking Horse Bidder or relevant Winning Bidder, and the objecting Counterparty shall first confer in a good faith attempt to resolve the Contract Objection without Court intervention. If the parties are unable to consensually resolve the Contract Objection, the Debtors may request a hearing for the Court to resolve the Contract Objection. In the event a Contract Objection is resolved in a manner unfavorably, the Debtors may withdraw (or the Winning Bidder may cause the Debtor to withdraw) their request to assume and assign such Assumed Contract as part of any Winning Bid. A Contract Objection may be resolved after the closing date of the applicable Sale, subject to the terms of the asset purchase agreement approved in connection with the Sale.
6. If no Contract Objection is timely received with respect to an Assumed Contract: (a) the Counterparty to such Assumed Contract shall be deemed to have consented to the assumption by the Debtors and assignment or transfer (including the transfer of any related rights and benefits thereunder) to the Stalking Horse Bidder or Winning Bidder, as applicable, of the Assumed Contract, and be forever barred and estopped from asserting or claiming against the Debtors or the Stalking Horse Bidder or the Winning Bidder, as applicable, that any additional defaults

exist or that conditions to assumption, assignment, and transfer must be satisfied under the Assumed Contract (including, without limitation, with respect to adequate assurance of future performance by the Stalking Horse Bidder or Winning Bidder, as applicable), or that any related right or benefit under such Contract cannot and will not be available to the Stalking Horse Bidder or the Winning Bidder, as applicable; (b) any and all defaults under the Assumed Contract and any and all pecuniary losses related thereto shall be deemed cured and compensated pursuant to section 365(b)(1)(A) and (B) of the Bankruptcy Code upon payment of the applicable Cure Amount; and (c) the Cure Amount for such Assumed Contract shall be controlling, notwithstanding anything to the contrary in such Assumed Contract, or any other related document, and the Counterparty shall be deemed to have consented to the Cure Amount and shall be forever barred from asserting any other claims related to such Assumed Contract against the Debtors and their estates or the Stalking Horse Bidder or Winning Bidder, as applicable, or the property of any of them, that existed prior to the entry of the Sale Order.

7. The Debtors' decision to assume and assign any Assumed Contract to the Stalking Horse Bidder or a Winning Bidder, as applicable, is subject to this Court's approval and the closing of the Sale. Accordingly, absent this Court's approval and the closing of such Sale, the Assumed Contracts shall not be deemed assumed or assumed and assigned and shall in all respects be subject to further administration by the Debtors and their estates under the Bankruptcy Code in connection with the Chapter 11 Cases.

21. The Debtors shall use reasonable best efforts to timely implement the above Assumption and Assignment Procedures and shall not otherwise hinder or delay the assumption and assignment of executory contracts and/or unexpired leases that the Stalking Horse Bidder or such other Qualified Bidder, as applicable, designate as Assumed Contracts as part of the Stalking Horse Bid or Qualified Bid, respectively.

22. The Stalking Horse Bidder shall designate under the Stalking Horse APA as Assumed Contracts and/or as Assumed Liabilities (as such term is defined in the Stalking Horse APA) the following unexpired real property leases, executory contracts and/or other obligations of the Debtors: (i) the Royalty Agreement; (ii) that certain *Royalty and Milestone Payments Purchase Agreement*, dated as of April 29, 2019 (the "Reedy Creek Royalty Agreement") by and

between Novan, Inc. and Reedy Creek Investments LLC, (“Reedy Creek”); provided, however, Stalking Horse Bidder’s assumption of Debtor Novan’s obligations under the Reedy Creek Royalty Agreement shall be subject to the royalty rate and other economics to which Reedy Creek is entitled under the Reedy Creek Royalty Agreement not being improved in connection with such assumption or the Stalking Horse Bidder’s (or its designee’s) post-assumption actions with respect to the R&D Assets and/or the Royalty Agreement, as it may be amended from time to time; provided further, however, that the Royalty Agreement shall be deemed an approved agreement pursuant to any provision of the Reedy Creek Royalty Agreement, including, without limitation, Section 3.7 (to the extent applicable) therein; and (iii) such other contracts of the Debtors related solely to the R&D Assets to be designated on one or more schedules to the Stalking Horse APA in the Stalking Horse Bidder’s sole and absolute discretion (clauses (i)-(iii) collectively, the “Stalking Horse APA Assumed Contracts”). The Debtors are responsible for the payment of all cure costs (up to the full \$15 million amount of the DIP Facility) at the Debtor Novan entity in connection with the Debtors’ assumption and assignment of the Stalking Horse APA Assumed Contracts to the Stalking Horse Bidder; provided, however, that in the event the Stalking Horse Bidder, and the Stalking Horse APA, is (i) the Winning Bidder and the Winning Bid, respectively, for the Sale of the R&D Assets in accordance with the Bidding Procedures, then Ligand’s prepetition liquidated claim in the amount of the \$1 million on account of an outstanding milestone payment under the Royalty Agreement (the “Ligand Milestone Payment”) shall be deemed an allowed general unsecured claim against the Debtor Novan estate; and (ii) not the Winning Bidder and the Winning Bid, respectively, for the R&D Assets in accordance with the Bidding Procedures, then the Royalty Agreement must be assumed by the Winning Bidder for the R&D Assets as set forth in this Bidding Procedures Order and the Bidding

Procedures and the Ligand Milestone Payment shall be paid in full (in cash) by the Debtors to Ligand on or before the closing of the Sale of the R&D Assets to such Winning Bidder.

23. In the event that a Winning Bidder fails to close a Sale on or before **September 26, 2023**, or such date as may be extended by the Debtors in consultation with the Notice Parties, and a Back-Up Bidder has been previously identified, the Debtors shall file a notice (the “Back-Up Bid Auction Notice”) and serve such Back-Up Bid Auction Notice on the U.S. Trustee, the Notice Parties, and those parties who filed a request to receive notice under Bankruptcy Rule 2002. Three (3) business days following the filing of any Back-Up Bid Auction Notice, the Back-Up Bid subject to such Back-Up Bid Auction Notice will be deemed to be the Winning Bid, the Back-Up Bidder will be deemed to be the Winning Bidder, and the Debtors shall be authorized, but not directed, to close the Sale to the Back-Up Bidder subject to the terms of the Back-Up Bid without the need for further order of the Court and without the need for further notice to any interested parties.

24. Any consultation rights provided to the Notice Parties pursuant to the Bidding Procedures shall not limit the Debtors’ discretion in any way and shall not include the right to veto any decision made by the Debtors in the exercise of their business judgment. In the event that a member of a Creditors’ Committee submits a bid that is a Qualified Bid, any obligation of the Debtors to consult with the bidding party, or their legal counsel, established under the Bidding Procedures will be waived without further action; provided, however, that the bidding party will have the same rights as any other Qualified Bidder under the Bidding Procedures. Any failure to specifically identify consultation rights in any section of these Bidding Procedures shall not limit or otherwise impair the rights of the Notice Parties to consult with the Debtors. In the event that the Notice Parties disagree with matters for which the Debtors are required to

consult with the Notice Parties, then the Notice Party shall have the right to seek relief from the Court on an expedited basis to resolve the dispute.

25. Effective as of the date of entry of this Bidding Procedures Order, each of the Debtors and each of their estates, on its own behalf and on behalf of its and their respective predecessors, successors, heirs, and past, present and future subsidiaries and assigns, hereby absolutely, unconditionally and irrevocably releases and forever discharges and acquits Ligand and its subsidiaries, affiliates, officers, directors, managers, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives and other professionals and the respective successors and assigns thereof (solely in their capacities as such) (collectively, the “Released Parties”), from any and all liability to the Debtors (and their successors and assigns) and from any and all claims, counterclaims, demands, defenses, offsets, debts, accounts, contracts, liabilities, actions and causes of action of any kind, nature and description, whether matured or unmatured, known or unknown, asserted or unasserted, foreseen or unforeseen, accrued or unaccrued, suspected or unsuspected, liquidated or unliquidated, pending or threatened, arising in law or equity, in contract or tort, that the Debtors at any time had, now have or may have, or that their predecessors, successors or assigns at any time had or hereafter may have against any of the Released Parties for or by reason of any act, omission, matter, or cause arising at any time on or prior to the date of entry of this Bidding Procedures Order; provided, however, that the release set forth above shall not release (i) any claims against or liabilities of a Released Party that a court of competent jurisdiction determines has resulted from such Released Party’s bad faith, fraud, gross negligence, collusion or willful misconduct; (ii) the Committee’s rights to assert a Challenge during the Challenge Period (as such terms are defined in the DIP Order) pursuant to the terms and conditions of the DIP Order; (iii) Ligand

from honoring its obligations to the Debtors under the DIP Facility (as approved by the DIP Order), Stalking Horse APA, this Bidding Procedures Order and the Bidding Procedures.

26. In the event the Stalking Horse Bidder is the Winning Bidder for the R&D Assets, or if the Stalking Horse Bidder is not the Winning Bidder for the R&D Assets but the Royalty Agreement has been assumed by the Winning Bidder for the R&D Assets, and the DIP Obligations (as defined in the DIP Order) are satisfied in full by the Debtors under the DIP Facility (as approved by the DIP Order), then Ligand—in its capacity as the Winning Bidder, the DIP Lender (as defined in the DIP Order), and counterparty to the Royalty Agreement—shall release the Debtors and their estates of all prepetition claims and causes of action pursuant to a mutually agreeable release to be provided in the Sale Order or such other order as agreed by Ligand and the Debtors (in each case subject to Bankruptcy Court approval); provided, however, that the forgoing release shall not release the Ligand Milestone Payment, which shall be treated in accordance with paragraph 22 of this Bidding Procedures Order.

27. The Debtors and the Creditors' Committee acknowledge and agree that they will work to develop one or more chapter 11 plans of liquidation for these Chapter 11 Cases (collectively, the "Chapter 11 Plan") that will incorporate one or more liquidating grantor trusts (as appropriate) formed for the benefit of the Debtors' general unsecured creditors on the effective date of such plans (collectively, the "Liquidating Trust"). The Debtors and the Creditors' Committee agree that the Liquidating Trust, pursuant to a mutually agreeable form of liquidating grantor trust agreement, shall receive assets of the Debtors under the Chapter 11 Plan comprised of (i) Causes of Action⁵ owned by Debtor EPI except for Purchased Avoidance

⁵ "**Causes of Action**" means, collectively, any claims, causes of action, demands, actions, suits, obligations, liabilities, cross-claims, counterclaims, defenses, offsets, or setoffs of any kind or character whatsoever, in each case whether known or unknown, contingent or noncontingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, under statute, in contract,

Actions (as such term is defined in the Stalking Horse APA); (ii) the proceeds of all directors' and officers' liability insurance policies of the Debtors, including any tail insurance policies and rights of the directors and officers thereunder for coverage (i.e., advance of expenses and liability coverage with respect to claims made against such offices and directors); (iii) (a) an amount equal to the accounts receivable owed to or collected by Debtor EPI Health on and after the Petition Date on behalf of prepetition amounts owed; and (b) all proceeds received by the Debtors pursuant to that certain *Motion to Approve Compromise under Rule 9019 // Debtors Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) and Fed. R. Bankr. P. 9019 Approving Settlement with CSNK Working Capital Finance Corp. d/b/a Bay View Funding* [D.I. 81], in each case of clause (iii)(a) and (b), solely upon the timely satisfaction of each of the Milestones as defined and set forth in paragraph 20 of the Interim Order or the Final Order approving the DIP Facility, as applicable; (iv) \$450,000 in cash to be paid by the Debtors, which represents the now-waived Stalking Horse Protections of the Stalking Horse Bidder consisting of a 3% break-up fee on account of the \$15 million Purchase Price (as defined in the Stalking Horse APA) under the Stalking Horse APA; (v) such other amounts as agreed by the Debtors and the Creditors' Committee, or as determined by the Bankruptcy Court; provided, however, that the cash elements of the foregoing may be first used to fund the allowed fees and expenses incurred by the professionals retained by the Debtors' estates for the Chapter 11 Plan to become effective. Subject to the terms of the Bidding Procedures Order, including satisfaction of certain Milestones as set forth herein, Ligand acknowledges and agrees that it will not take any position to oppose any acts or omissions with the funding of the Litigation Trust as provided in clauses (i) through (iv) of this Paragraph 27.

in tort, in law, or in equity, or pursuant to any other theory of law, federal or state, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise.

28. Ligand and Ligand's counsel shall only be a Notice Party in the Bidding Procedures if Ligand is no longer the Stalking Horse Bidder or is no longer participating in the Auction as a bidder.

29. The Debtors and the Creditors' Committee each acknowledge and agree that the Chapter 11 Plan (or any other chapter 11 plan) shall provide for the release and exculpation of each of the Ligand "Released Parties" (as defined in Paragraph 25 herein) to the fullest extent available under applicable law by (i) the Debtors and their estates, and the Creditors' Committee; and (ii) all parties receiving any distributions from the Debtors and/or their estates under such Chapter 11 Plan (or any other chapter 11 plan), with the form of such releases and exculpation subject to Ligand's agreement and consent.

30. In the event that there is a conflict between this Bidding Procedures Order or the Bidding Procedures, on the one hand, and the Motion or a Qualified Bidder's Proposed APA, on the other hand, this Bidding Procedures Order and the Bidding Procedures shall control and govern. If there is a conflict between this Bidding Procedures Order and the Bidding Procedures, this Bidding Procedures Order shall control and govern. If there is a conflict between this Bidding Procedures Order or the Bidding Procedures, on the one hand, and any notice served in connection with the Motion or this Bidding Procedures Order, on the other hand, this Bidding Procedures Order and the Bidding Procedures shall control and govern.

31. Prior to mailing any of the notices approved hereby, the Debtors may fill in, or cause to be filled in, any missing dates and other information, correct any typographical errors, conform the provisions thereof to the provisions of this Bidding Procedures Order, and make such other, non-material changes as the Debtors deem necessary or appropriate.

32. Nothing in this Bidding Procedures Order, or any of the Exhibits hereto, shall prevent the Debtors from exercising their fiduciary duties in consummating or otherwise pursuing alternative transactions.

33. Nothing in paragraphs 27 and 29 herein shall be, or be deemed to be, a settlement under Bankruptcy Rule 9019 or a ruling with respect to the terms of any agreement between the parties or of any chapter 11 plan that may be proposed in these cases; provided, however, that those paragraphs contain binding agreements of the parties as set forth therein.

34. This Bidding Procedures Order shall be effective immediately upon entry, and any stay of orders provided for in Bankruptcy Rules 6004(h) or 6006(d) or any other provision of the Bankruptcy Code, the Bankruptcy Rules or the Local Rules is expressly waived. The Debtors are not subject to any stay in the implementation, enforcement or realization of the relief granted in this Bidding Procedures Order, and may, in their sole discretion and without further delay, take any action and perform any act authorized or approved under this Bidding Procedures Order.

35. The requirements set forth in Local Rules 6004-1, 9006-1, and 9013-1 are hereby satisfied or waived.

36. This Court shall retain exclusive jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Bidding Procedures Order.

Exhibit 1

Bidding Procedures

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
NOVAN, INC., <i>et al.</i> , ¹)	
	)	Case No. 23-10937 (LSS)
Debtors.)	
	)	(Jointly Administered)
)	

BIDDING PROCEDURES

On July 17, 2023, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”). The Debtors are maintaining their business and managing their property as debtors in possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code.

On July 16, 2023, the Debtors entered into an asset purchase agreement (as amended from time to time, the “Stalking Horse APA”) with Ligand Pharmaceuticals, Incorporated (“Ligand” or the “Stalking Horse Bidder”) pursuant to which Ligand proposes to, among other things, purchase, acquire, and take assignment and delivery of the Assets (as defined below) under the Stalking Horse APA (the “Stalking Horse Bid”). The Stalking Horse Bidder, or an affiliate thereof, has provided the Debtors with postpetition financing as the DIP Lender (the “DIP Facility”), pursuant to the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender, (III) Scheduling Final Hearing, and (IV) Granting Related Relief* [D.I. 15] (“DIP Financing Motion”). On July 21, 2023, the Bankruptcy Court entered that certain *Interim Order (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief* that was entered by the Bankruptcy Court on July 21, 2023 [D.I. 54], which approved the DIP Financing Motion on an interim basis.

On August 15, 2023, the United States Bankruptcy Court for the District of Delaware (the “Court”) entered an order [D.I. [●]] (the “Bidding Procedures Order”), granting certain relief requested in the related motion [D.I. 16] (the “Bidding Procedures Motion”),² including authorizing the Debtors to solicit bids in accordance with the bidding procedures set forth herein (collectively, the “Bidding Procedures”) to be employed by the Debtors in connection with a proposed sale (the “Sale”) of substantially all of the Debtors’ assets (the “Assets”), free and clear

¹ The Debtors in these chapter 11 cases, along with the last four digits of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² Capitalized terms used but not yet defined herein shall have the meaning ascribed to such terms in the Bidding Procedures Motion, the Bidding Procedures Order, or the DIP Financing Motion, as applicable.

of all liens (as defined in section 101(37) of the Bankruptcy Code), encumbrances, claims (as defined in section 101(5) of the Bankruptcy Code), charges, mortgages, deeds of trust, options, pledges, security interests or similar interests, title defects, hypothecations, easements, rights of way, rights of use, encroachments, judgments, rights of setoff, conditional sale or other title retention agreements and other similar impositions, imperfections or defects of title or restrictions on transfer or use other than any assumed liabilities or permitted liens referenced in a Winning Bid (as defined below).

These Bidding Procedures set forth the process by which the Debtors are authorized to conduct the Sale of the Assets described more specifically below.

ANY PARTY INTERESTED IN BIDDING ON THE ASSETS SHOULD CONTACT:

Raymond James & Associates, Inc.
Geoffrey Richards
Simon Wein
Telephone: (212) 885-1885
(516) 426-8030
Email: geoffrey.richards@raymondjames.com
simon.wein@raymondjames.com

or Morris, Nichols, Arsht & Tunnell LLP
Derek C. Abbott (No. 3376)
1201 Market Street, 16th Floor
Wilmington, Delaware 19801
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
Email: dabbott@morrisnichols.com

Proposed Counsel for the Debtors

Proposed Investment Banker for the Debtors

Summary of Key Dates Established by Bidding Procedures

DATE	DEADLINE/EVENT
July 25, 2023	Deadline to serve the Initial Assumption and Assignment Notice
August 8, 2023	Deadline to file Initial Contract Objections and Objections to the Private Sale Order
August 15, 2023	Bidding Procedures Hearing
Three (3) business days after entry of the Bidding Procedures Order	Deadline to serve Notice of Auction
On or before August 28, 2023 (no later than 42 days after the Petition Date)	Deadline for the submission of Qualified Bids (i.e., the Bid Deadline)
August 28, 2023, at 4:00 p.m. (ET)	Deadline to file Initial Sale Objections
One (1) business day prior to the Auction	Deadline for Debtors to designate Qualified Bid(s) and Baseline Bid(s)

August 31, 2023 (no later than 45 days after the Petition Date)	Auction
As soon as practicable and not later than one (1) business day after cancellation or completion of the Auction	Deadline to file and serve Notice of Winning Bid(s)
One (1) business day after selection of Winning Bid	Deadline to file and serve an Additional Assumption and Assignment Notice (if applicable)
September 6, 2023 at 4:00 p.m.	Deadline to file Winning Bid Objection or Additional Contract Objections
One (1) business day prior to the Sale Hearing	Deadline to file reply to any Initial Sale Objection or Winning Bid Objection
September 11, 2023 at 10:00 a.m. (ET) (No later than 56 days after the Petition Date)	Sale Hearing and Entry of Sale Order
On or before September 26, 2023 (no later than 71 days after the Petition Date)	Deadline for Winning Bidder(s) to close the transaction contemplated by its Winning Bid

1. Assets to Be Sold

The Debtors seek to sell to the Stalking Horse Bidder—subject to the highest and best Qualified Bids of one or more Qualified Bidders other than the Stalking Horse Bidder, subject to Court approval—substantially all of the tangible and intangible Assets of the Debtors as set forth in Section 2.1 of the Stalking Horse APA and the assumption of (i) the specific liabilities of the Debtors that the Stalking Horse Bidder has listed in Section 2.3 of the Stalking Horse APA, subject to the specific limits set forth therein (the “Assumed Liabilities”), and (ii) the Cure Amounts owing under the Assumed Contracts; provided, however, that the Assets will not include:

(i) any cash, cash equivalents, accounts receivable, or other assets the Stalking Horse Bidder has identified on one or more schedules to the Stalking Horse APA of excluded assets (the “Excluded Assets”) or any liabilities the Stalking Horse Bidder has listed on one or more schedules to the Stalking Horse APA of liabilities (the “Excluded Liabilities”),

(ii) any accounts payable or any debt or debt-like liabilities (with the understanding that, if there are any debt-like liabilities that cannot be retained by the Debtors, such as a capital lease or deferred revenue obligations, such liabilities will be assumed by the Stalking

Horse Bidder, but the cash payment to be made by the Stalking Horse Bidder at the closing will be reduced by the amount thereof); or

(iii) to the extent not already provided for in these sections 1(i) and 1(ii), Causes of Action³ owned by Debtor EPI except for Purchased Avoidance Actions (as such term is defined in the Stalking Horse APA); (ii) the proceeds of all directors' and officers' liability insurance policies of the Debtors, including any tail insurance policies and rights of the directors and officers thereunder for coverage (i.e., advance of expenses and liability coverage with respect to claims made against such offices and directors); and (iii) (a) an amount equal to the accounts receivable owed to or collected by Debtor EPI Health on and after the Petition Date on behalf of prepetition amounts owed; and (b) all proceeds received by the Debtors pursuant to that certain *Motion to Approve Compromise under Rule 9019 // Debtors Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) and Fed. R. Bankr. P. 9019 Approving Settlement with CSNK Working Capital Finance Corp. d/b/a Bay View Funding* [D.I. 81], in each case of clause (iii)(a) and (b), solely upon the timely satisfaction of each of the Milestones as defined and set forth in paragraph 20 of the Interim DIP Order or the Final DIP Order approving the DIP Facility, as applicable.

The Assets will be organized in the following two categories for the purpose of determining whether one or more Qualified Bidders have submitted one or more higher Qualified Bids for the Assets after taking into consideration the initial overbid, bid increments, and other requirements in these Bidding Procedures:

Commercial Assets, including, but not limited to, RHOFADÉ, MINOLIRA, and CLODERM, and all related patents and patent rights, other intellectual property, equipment, supplies and materials, regulatory authorizations (including new drug applications), files and records (including clinical and pre-clinical data), and know-how (the "Commercial Assets"); and

R&D Assets, including, but not limited to, Berdazimer gel, Molluscum Contagiosum, including and all related patents and patent rights, other intellectual property, equipment, supplies and materials, regulatory authorizations (including new drug applications), files and records (including clinical and pre-clinical data), and know-how, including the manufacturing assets and leases related to same, and all other Assets that are not included in Commercial Assets (the "R&D Assets").

The Debtors will treat a bid for the Commercial Assets without the R&D Assets as a Qualified Bid if such bid is for a purchase price of not less than \$8,000,000. Similarly, the Debtors will treat a bid for the R&D Assets as a Qualified Bid if the bid is for a purchase price of not less than \$13,100,000, which amount reflects the Stalking Horse Bid in the amount of \$12 million, the \$1 million Ligand Milestone Payment in connection with the Royalty Agreement (as defined below), and the Minimum

³ "Causes of Action" means, collectively, any claims, causes of action, demands, actions, suits, obligations, liabilities, cross-claims, counterclaims, defenses, offsets, or setoffs of any kind or character whatsoever, in each case whether known or unknown, contingent or noncontingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, under statute, in contract, in tort, in law, or in equity, or pursuant to any other theory of law, federal or state, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise.

Continuing Bid of \$100,000. Qualified Bids for the R&D Assets (either with or without the Commercial Assets) must assume the Royalty Agreement. For the avoidance of doubt, a Winning Bidder of just the Commercial Assets will not be required to assume the Royalty Agreement. For the further avoidance of doubt, the Debtors will ascribe value to the Stalking Horse Bidder's assumption of the Reedy Creek Royalty Agreement and will provide the amount of such value to all parties seeking to become Qualified Bidders.

The sale of the Assets is on an "as is, where is" and "with all faults" basis and without representations, warranties or guarantees, express, implied or statutory, written or oral, of any kind, nature or description, by the Debtors, its affiliates or their respective representatives, except to the extent set forth in the Stalking Horse APA or the purchase agreement of such other Winning Bidder (as defined below) and as approved by the Court. Except as otherwise provided in such approved purchase agreement, all of the Debtors' right, title and interest in and to each Asset to be acquired shall be sold free and clear of all liens, claims, interests and encumbrances (other than permitted liens), with such liens, claims, interests and encumbrances to attach to the proceeds of the Sale.

Any general objections to the Sale, including objections to the sale of any Assets free and clear of all liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to a Winning Bidder or a Back-Up Bidder (an "Initial Sale Objection"), shall be (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on the Notice Parties (as defined below) no later than August 28, 2023, at 4:00 p.m. (ET). For the avoidance of doubt, Initial Sale Objections do not include objections to the conduct at any Auction, the selection of a Winning Bid and/or Back-Up Bid, or the terms of any Sale to a Winning Bidder or the Back-Up Bidder, which need not be filed until after the filing of a Notice of Winning Bid (each term as defined below), or the assignment of any Assumed Contracts, which are governed by different objection deadlines set forth in the Bidding Procedures Order.

The Stalking Horse APA, which includes, among other things, a description of the Assets, customary representations, warranties, and covenants by and from the Debtors and Ligand, is posted in the Data Room (as defined below), and may also be obtained by Interested Parties upon request to the Debtors' advisors.

2. Participation Requirements

A person or entity (an "Interested Party") that wishes to conduct diligence about the Debtors may request access to the Debtors' confidential electronic data room concerning the Assets (the "Data Room"). To gain access to the Data Room, and thus be able to conduct due diligence on the Debtors and participate in the bidding process, an Interested Party must first become a "Qualified Bidder." To become a Qualified Bidder, an Interested Party must submit to the Debtors and their advisors:

- (a) a written disclosure of each entity that will be bidding or otherwise participating in connection with such bid (including each equity holder or other financial

backer of the Interested Party, including if such Interested Party is an entity formed for the purpose of consummating the proposed transactions to be set forth in a Proposed APA (as defined below) contemplated by such Interested Party), and the complete terms of any such participation. Under no circumstances shall any undisclosed principals, equity holders, or financial backers be associated with any Qualified Bid. Each Interested Party must also include the contact information for the specific person(s) and counsel whom the Debtors or their advisors should contact regarding such Qualified Bid;

- (b) a statement and other factual support demonstrating to the Debtors' satisfaction, in consultation with the Notice Parties, in the exercise of their reasonable business judgment that the Interested Party has a *bona fide* interest in purchasing some or all of the Assets;
- (c) preliminary proof by the Interested Party of its financial capacity to close the Interested Party's proposed transaction(s) to be set forth in a Proposed APA, which may include financial statements of, or verified financial commitments obtained by, the Interested Party (or, if the Interested Party is an entity formed for the purpose of acquiring the desired Assets, the party that will bear liability for a breach), the adequacy of which will be assessed by the Debtors in consultation with their advisors and the Notice Parties; and
- (d) an executed confidentiality agreement (to be delivered prior to the distribution of any confidential information by the Debtors to an Interested Party) in form and substance satisfactory to the Debtors (without limiting the foregoing, each confidentiality agreement executed by an Interested Party shall contain standard non-solicitation provisions) (each, a "Confidentiality Agreement");

An Interested Party that delivers the documents and information described above or that the Debtors determine, subject to the limitations in these Bidding Procedures, in consultation with the Notice Parties, is able to consummate the Sale, and whose Qualified Bid is received by the Debtors no later than the Bid Deadline (as defined below) is deemed qualified (a "Qualified Bidder").

For all purposes under these Bidding Procedures, the Stalking Horse Bidder will be considered a Qualified Bidder, and the Stalking Horse Bid shall be considered a Qualified Bid without regard to any of the requirements or conditions set forth herein and without any other or further action by the Stalking Horse Bidder.

3. Designation of the Stalking Horse Bidder

The Stalking Horse Bidder has waived its request for a break-up fee of 3% of its \$15 million Purchase Price. The Stalking Horse Bidder shall be considered a Qualified Bidder, and a Stalking Horse Bid shall be considered a Qualified Bid without regard to any of the requirements or conditions set forth in the Bidding Procedures and without any other or further action by the Stalking Horse Bidder.

No bidder or any other party shall be entitled to any termination or “break-up” fee, expense reimbursement, or any other bid protections in connection with the submission of a bid for any Assets, or for otherwise participating in the Auction or the sale process.

4. Notice Parties.

The term “Notice Parties” as used in these Bidding Procedures shall mean: (i) the Debtors; (ii) proposed counsel to the Debtors; (iii) Ligand, but only if Ligand is no longer the Stalking Horse Bidder or is otherwise no longer participating in the Auction; (iv) counsel to Ligand, but only if Ligand is no longer the Stalking Horse Bidder or is otherwise no longer participating in the Auction; and (v) proposed counsel to the official committee of unsecured creditors appointed in the Chapter 11 Cases (the “Creditors’ Committee”).

5. Bankruptcy Court Jurisdiction

Each Qualified Bidder and any other Interested Party that seeks to become a Qualified Bidder in accordance with Section 2 above, shall: (a) be deemed to have waived any right to a jury trial in connection with, and consented and submitted to the exclusive jurisdiction of the Court over, any actions or proceedings arising from or relating the Bidding Procedures, the Sale, the Auction, and the construction and enforcement of the contemplated transaction documents of such parties; (b) bring any such action or proceeding in the Court; and (c) be deemed to have consented to the Court entering a final judgment determining any such action or proceeding and that such final judgment in any such action or proceeding, including, without limitation, all appeals, shall be conclusive and may be enforced in other jurisdictions (including, without limitation, any foreign jurisdictions) by suit on the judgment or in any other manner provided by applicable law.

6. Due Diligence

The Debtors will provide, in consultation with the Notice Parties, a Qualified Bidder with reasonable access to the Data Room and any other additional information that the Debtors believe to be reasonable and appropriate under the circumstances. All additional due diligence requests shall be directed to: (a) the Debtors’ proposed investment banker, Raymond James & Associates (Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); (b) proposed counsel to the Debtors, Morris, Nichols, Arsht & Tunnell LLP, 1201 Market Street, 16th Floor, Wilmington, Delaware 19801 (Attn: Derek C. Abbott, Esq. (dabbott@morrisnichols.com); (c) the proposed counsel to the Creditors’ Committee, Goodwin Procter, LLP, The New York times Building, 620 Eighth Avenue, New York, New York 10018 (Attn: Howard Steel (hsteel@goodwinlaw.com) and Barry Bazian (bbazian@goodwinlaw.com)); and (d) proposed financial advisor to the Creditors’ Committee, Dundon Advisers LLP, proposed financial advisors to the Joshua Nahas, Ten Bank Street, Suite 1100, White Plains, New York 10606, (jn@dundon.com). The due diligence period shall extend through and include the Bid Deadline (as defined below). Additional due diligence will not be provided after the Bid Deadline, unless otherwise deemed reasonably appropriate by the Debtors in consultation with the Notice Parties. The Debtors reserve the right, in consultation with the Notice Parties, to withhold or limit access to any due diligence information that the Debtors determine is business-sensitive or otherwise not appropriate for disclosure to a Qualified Bidder.

Notwithstanding any prepetition limitations, including, without limitation, any non-disclosure, confidentiality, or similar provisions relating to any due diligence information, the Debtors and their estates shall be authorized, in consultation with the Notice Parties, to provide due diligence information to Qualified Bidders, *provided* that such Qualified Bidders have delivered an executed Confidentiality Agreement in form and substance acceptable to the Notice Parties. The Debtors and their estates and the Notice Parties are not responsible for, and shall have no liability with respect to, any information obtained by, or provided to, any Qualified Bidders in connection with the Bidding Procedures and the Sale.

Each Interested Party other than the Stalking Horse Bidder will comply with all reasonable requests for additional information and due diligence access by the Debtors or their advisors regarding such Interested Party and its contemplated transaction. If the Debtors, after consultation with the Notice Parties, determine at any time in their reasonable discretion that an Interested Party is not reasonably likely to be a Qualified Bidder, then the Debtors' obligation to provide due diligence information to such Interested Party will terminate, and all information provided by the Debtors prior to such time shall be returned to the Debtors in accordance with the terms of the applicable Confidentiality Agreement.

7. **Bid Requirements**

Other than in the case of a Stalking Horse Bid, which shall be considered a Qualified Bid, to be deemed a "Qualified Bid," a bid must be received from a Qualified Bidder on or the Bid Deadline and satisfies each of the following requirements (each, a "Bid Requirement"):

- (a) be in writing and received by the Notice Parties prior to the Bid Deadline;
- (b) fully discloses the identity of the Qualified Bidder (and to the extent that the Qualified Bidder is a newly formed acquisition entity or the like, the identity of the Qualified Bidder's parent company or sponsor), and provide the contact information of the specific person(s) whom the Debtors or their advisors should contact in the event that the Debtors have any questions or wish to discuss the bid submitted by the Qualified Bidder;
- (c) states that the applicable Qualified Bidder offers to (a) purchase, in cash, all of the Assets upon the same terms and conditions, and pursuant to the same form and substance of the Stalking Horse APA modified only by scope of purchased assets, purchase price, and identity of the purchaser, that the Debtors, in consultation with the Notice Parties, reasonably determine are higher than those set forth in the Stalking Horse APA (which determination with respect to the Commercial Assets and the R&D Assets may be made by considering bids submitted by more than one Qualified Bidder in combination); and (b) take assignment of all Assumed Contracts under Stalking Horse APA with details of the Qualified Bidder's proposal for the treatment of related Cure Amounts and the provision of adequate assurance of future performance to the counterparties to such Assumed Contracts; provided, however, that if the Stalking Horse Bidder withdraws from the bidding process, any bid made subsequent to such withdrawal will be considered a Qualified Bid only if the bid is submitted by a Qualified Bidder and if the Debtors

determine, in consultation with the Notice Parties, such bid complies with these Bidding Procedures as applicable; provided further, however, that under no circumstances may any bid of any bidder for the R&D Assets, other than the Stalking Horse Bid, be deemed a Qualified Bid if it does not provide for the unaltered assumption and assignment (the “Royalty Assumption”) to the bidder of that certain Development Funding and Royalties Agreement, dated as of May 4, 2019 (as amended from time to time), to which the Stalking Horse Bidder and Novan, Inc. are each a party (the “Royalty Agreement”) (for the avoidance of doubt, the Royalty Assumption is inapplicable to a Qualified Bid for just the Commercial Assets); provided further, however, that bids for both the R&D Assets and Commercial Assets must include an allocation of the proposed purchase price between such assets;

- (d) includes a signed writing stating that the Qualified Bidder’s offer is irrevocable until the selection of the Winning Bidder; provided, however, that if such bidder is selected as the Winning Bidder or the Back-Up Bidder, its offer shall remain irrevocable until the closing of the Sale to the Winning Bidder or the Back-Up Bidder;
- (e) does not contain any contingencies of any kind including, without limitation, contingencies related to financial, due diligence, or internal or shareholder approvals in connection with the submission of a Qualified Bid, and there is no condition precedent to the Qualified Bidder’s ability to enter into a definitive Sale agreement;
- (f) provides the date by which the Qualified Bidder intends to close the Sale; provided, however, that the proposed closing date is on or before September 25, 2023;
- (g) contains no due diligence or financing contingencies of any kind;
- (h) includes a duly authorized and executed copy of an asset purchase agreement, which includes the purchase price for the Assets, as allocated for each asset category and in the aggregate, expressed in U.S. Dollars that are greater the \$15 million Purchase Price for all of the Assets (or greater than the \$8 million Purchase Price for only the Commercial Assets or greater than the \$12 million Purchase Price for only the R&D Assets, as noted above, in the Stalking Horse APA, plus payment of the \$1 million Ligand Milestone Payment in connection with the R&D Assets), plus the Minimum Continuing Bid of \$100,000, together with all exhibits and schedules thereto, together with a blackline copy to show any modifications to the Stalking Horse APA (a “Proposed APA”);
- (i) includes a proposed sale order (each, a “Proposed Sale Order”) based on the Debtors’ proposed sale order, and a Qualified Bid must also include a blackline copy of the Proposed Sale Order to show any proposed modifications to the Debtors’ proposed sale order;

- (j) specifies the liabilities proposed to be paid or assumed by such Qualified Bid;
- (k) includes financial statements or other written evidence, including (if applicable) a firm, irrevocable commitment for financing, establishing the ability of the Qualified Bidder to consummate the proposed Sale and pay the purchase price in cash, such as will allow the Debtors, in consultation with the Notice Parties, to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction contemplated by the Proposed APA;
- (l) states or otherwise estimates the types of transition services, if any, the Qualified Bidder would require of and/or provide to the Debtors, including an estimate of the time any such transition services would be required of and/or provided to the Debtors, if the Qualified Bidder's bid were selected as the Winning Bid for the applicable Assets;
- (m) includes an acknowledgement and representation that the bidder: (a) has had an opportunity to conduct any and all required due diligence regarding the Assets prior to making its offer; (b) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid; (c) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Assets or the completeness of any information provided in connection therewith or with the Auction, except as expressly stated in the Proposed APA; and (d) is not entitled to any expense reimbursement, break-up fee, or similar type of bid-protections or payments in connection with its bid;
- (n) includes evidence, in form and substance reasonably satisfactory to the Debtors and the Notice Parties, of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Proposed APA;
- (o) is accompanied by a good faith deposit in the form of a wire transfer (to a bank account specified by the Debtors), or such other form acceptable to the Debtors, payable to the order of the Debtors (or such other party as the Debtors may determine) in an amount equal to 10% of the cash portion of the purchase price provided for in the bid (a "Deposit");
- (p) acknowledges in writing (a) that it has not engaged in any collusion with respect to any Qualified Bid, specifying that it did not agree with any other party, including, but not limited to, any other Interested Parties or interested third parties, to control price or exert undue influence over the process; and (b) agree not to engage in any such collusion or undue influence with respect to any Qualified Bids, the Auction, or the Sale process;
- (q) states that the Qualified Bidder consents to the jurisdiction of the Bankruptcy Court;

- (r) contains such financial and other information to allow the Debtors to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to close the transactions contemplated by the Proposed APA, including, without limitation, such financial and other information supporting the Qualified Bidder's ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code, including the Qualified Bidder's financial wherewithal and willingness to perform under any Assumed Contracts ("Adequate Assurance Information"). By submitting a Bid, the Qualified Bidders agree that the Debtors may disseminate their Adequate Assurance Information to the Creditors' Committee and, upon request, to Counterparties;
- (s) contains such other information as may be reasonably requested by the Debtors, in consultation with the Notice Parties;
- (t) sets forth (i) a statement or evidence that the Qualified Bidder has made or will make in a timely manner all necessary filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, if applicable, and pay the fees associated with such filings, and (ii) any regulatory and third-party approvals required for the Qualified Bidder to close the transactions contemplated by the Proposed APA, and the time period within which the Qualified Bidder expects to receive such regulatory and third-party approvals (and in the case that receipt of any such regulatory or third-party approval is expected to take more than five (5) days following execution and delivery of such Qualified Bidder's Proposed APA, those actions the bidder will take to ensure receipt of such approval(s) as promptly as possible); provided that a Qualified Bidder agrees that its legal counsel will coordinate in good faith with the Debtors' legal counsel to discuss and explain Qualified Bidder's regulatory analysis, strategy, and timeline for securing all such approvals as soon as reasonably practicable, and in no event later than the time period contemplated in the Proposed APA; provided, further that the offer contains a covenant to cooperate with the Debtors to provide pertinent factual information regarding the bidder's operations reasonably required to analyze issues arising with respect to any applicable antitrust laws and other applicable regulatory requirements;
- (u) provides for the Qualified Bidder to serve as the Back-Up Bidder (as defined below) if the Qualified Bidder's bid is the Back-Up Bid (as defined below), in accordance with the terms of the Proposed APA as submitted or modified at the Auction; and
- (v) provides that in the event of the Qualified Bidder's breach of, or failure to perform under, the Proposed APA, the Qualified Bidder shall forfeit its Deposit to the Debtors, and the Debtors shall be entitled to pursue all available legal and equitable remedies, including, without limitation, additional damages and/or specific performance.

A bid from a Qualified Bidder satisfying all of the above requirements, as determined by the Debtors, in consultation with the Notice Parties, shall constitute a Qualified Bid. The Debtors reserve the right to work with any Qualified Bidder in advance of the Auction to cure any deficiencies in a bid that is not initially deemed a Qualified Bid. As noted above, the Debtors, in consultation with the Notice Parties, may determine that separate bids for less than all of the Assets constitute a single Qualified Bid for all, substantially all, or any portion of the Assets; *provided* that such bids must satisfy the Bid Requirements. Each Qualified Bidder submitting a bid shall be deemed to: (a) acknowledge and represent that it is bound by all of the terms and conditions of the Bidding Procedures; and (b) have waived the right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code related in any way to the submission of its bid, the Bidding Procedures, and the Sale.

8. Stalking Horse Bidding

The Stalking Horse Bidder may increase its bid with cash or credit against obligations owed by the Debtors under the DIP Facility and/or under the Prepetition Credit Agreement. The Stalking Horse Bidder may pay the Purchase Price under the Stalking Horse APA, and fund Overbids during the Auction if there is competitive bidding, with (i) an offset, on a dollar-for-dollar basis, against the Debtors' Obligations (as defined in the DIP Facility) under the DIP Facility; and/or (ii) cash.

Notwithstanding anything to the contrary set forth in these Bidding Procedures, the Stalking Horse Bidder shall be deemed to be a Qualified Bidder and shall not be required to provide any due diligence materials (or any other materials), a Deposit, or satisfy any other Qualified Bidder requirements as a condition to its participation at the Auction and may participate in the Auction with respect to all or any portion of the Assets.

The Stalking Horse Bidder shall have the right to designate any person or entity in its sole and absolute discretion that shall take title to the Assets or a portion of the Assets.

9. Bid Deadline

A Qualified Bidder, other than a Stalking Horse Bidder, that desires to make a bid shall deliver an electronic copy of its bid in both PDF and MS-WORD format so as to be received via email on or before **August 28, 2023 at 5:00 p.m. (ET)** (the "**Bid Deadline**"), by (a) the Debtors' proposed investment banker, Raymond James & Associates (Attn: Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); (b) the Debtors' proposed counsel, Morris, Nichols, Arsht & Tunnell LLP; and (c) proposed counsel to the Creditors' Committee, Goodwin Procter, LLP, The New York Times Building, 620 Eighth Avenue, New York, New York 10018 (Attn: Howard Steel (hsteel@goodwinlaw.com) and Barry Bazian (bbazian@goodwinlaw.com)). The Debtors, in consultation with the Notice Parties, may extend the Bid Deadline without further order of the Court. **Any party that does not submit a bid by the Bid Deadline will not be allowed to (x) submit any offer after the Bid Deadline or (y) participate in the Auction.**

10. Evaluation of Qualified Bids

The Debtors will deliver, within one (1) business day after receipt thereof, copies of all bids from Qualifying Bidders to the Notice Parties. The Debtors, in consultation with the Notice Parties, shall make a determination regarding whether a timely submitted bid from a Qualified Bidder is a Qualified Bid.

A Qualified Bid, other than the Stalking Horse Bid, will be valued by the Debtors, in consultation with the Consultation Parties, based upon several factors including, without limitation, (1) the amount of the Purchase Price provided by such bid, (2) the nature of the consideration provided by such bid, including, with respect to the R&D Assets, whether the Qualified Bid assumes the Reedy Creek Royalty Agreement, (3) the risks and timing associated with consummating such bid, (4) any proposed revisions to the Stalking Horse APA and/or the Debtors' form of proposed Sale Order, (5) whether any Qualified Bid contains a sufficient cash component to ensure that the Debtors' estates is not rendered administratively insolvent, and (6) any other factors deemed relevant by the Debtors, in consultation with the Notice Parties.

Notwithstanding the foregoing, the only way a Qualified Bid (other than of the Stalking Horse Bid) can be determined to be higher or otherwise better than the value of the Stalking Horse Bid before the commencement of competitive bidding, it must be (a) equal to or higher than the \$15 million Purchase Price in the Stalking Horse APA plus the Minimum Continuing Bid of \$100,000, and provide for the assumption and assignment of the Royalty Agreement if for all of the Assets, (b) equal to or higher than a \$12 million Purchase Price and provide for the assumption and assignment of the Royalty Agreement (including payment of the \$1 million Ligand Milestone Payment) if for only the R&D Assets, or (c) equal to or higher than an \$8 million Purchase Price if for only the Commercial Assets.

No later than one (1) business day prior to the Auction, the Debtors shall: (i) notify all Qualified Bidders whether their bids have been determined to be a Qualified Bid; and (ii) determine, in consultation with the Notice Parties, which of the Qualified Bids for the Assets for which a Qualified Bid has been submitted, at such time, is the highest or otherwise best bid for purposes of constituting the opening bid(s) for the applicable Assets at the Auction (each, a "Baseline Bid," and the Qualifying Bidder submitting such Baseline Bid, a "Baseline Bidder"), and promptly notify all Qualified Bidders with Qualified Bids of the Baseline Bids.

11. No Qualified Bids

If the Debtors do not receive any Qualified Bids other than the Stalking Horse Bid, the Debtors will not conduct the Auction for the Assets, will file with the Court within twenty-four hours after the Bid Deadline, a notice indicating that the Auction for the Assets has been canceled. In such event, the Stalking Horse Bidder will be deemed the Winning Bidder, the Stalking Horse APA will be the Winning Bid, and the Debtors will as expeditiously as possible seek final Court approval of the sale of the Assets to the Stalking Horse Bidder as contemplated by the Stalking Horse APA.

12. Auction

If the Debtors receive one or more Qualified Bids, the Debtors will conduct the Auction, which shall take place at **10:00 a.m. prevailing Eastern Time on August 31, 2023**, or such other date and time (with the consent of Ligand and the Creditors' Committee) as shall be timely communicated to all entities entitled to attend the Auction. The Auction, which shall be recorded or transcribed, shall run in accordance with the following procedures (the "Auction Procedures"):

- (a) the Auction shall commence, after consulting with the Notice Parties, at the offices of Raymond James & Associates, Inc., 320 Park Avenue, Floor 12, New York, New York 10022, or virtually via telephone or video conference pursuant to information to be timely provided by the Debtors to the Auction Participants (as defined below). The Debtors shall file notice of any change in the date, time, or location of the Auction.
- (b) only Qualified Bidders with Qualified Bids, including the Stalking Horse Bidder (collectively, the "Auction Bidders", and each, an "Auction Bidder") shall be entitled to make any subsequent bids at the Auction;
- (c) the Auction Bidders shall appear at the Auction, or through a duly authorized representative;
- (d) only (i) the Debtors, (ii) the Auction Bidders, (iii) the Notice Parties, (iv) any other creditor of the Debtors who desires to attend the Auction and provides no less than three (3) days' advance written notice, together with the advisors to each of the foregoing parties, may attend the Auction (collectively, the "Auction Participants"). Each Auction Participant shall provide counsel for the Debtors written notice of their intent to attend the Auction no later than 5:00 p.m. (ET), three (3) days prior to the Auction, to proposed counsel for the Debtors, Morris Nichols, Arsht & Tunnell LLP; provided, however, that in the event an Auction Bidder elects not to attend the Auction, such Auction Bidder's Qualified Bid shall nevertheless remain fully enforceable against such Auction Bidder until the selection of the Winning Bidder and Back-Up Bidder at the conclusion of the Auction; provided further, however, that if such bidder is selected as the Winning Bidder or the Back-Up Bidder, its offer shall remain irrevocable until the closing of the Sale to the Winning Bidder or the Back-Up Bidder. Prior to the time scheduled for the commencement of the Auction (as provided in these Bidding Procedures), the Debtors may provide to all Auction Bidders (including the Stalking Horse Bidder) copies of each Qualified Bid and identify to them the Qualified Bid that the Debtors believe, after consultation with the Notice Parties, is the Baseline Bid;
- (e) the Debtors and their advisors shall direct and preside over the Auction, which shall be transcribed;

- (f) prior to start of the Auction, each Auction Bidder shall confirm that it has not engaged in any collusion, within the meaning of Section 363(n) of the Bankruptcy Code, with respect to the Bidding Procedures, the Auction, or the Sale;
- (g) bidding at the Auction will begin with the Baseline Bid and continue in bidding increments (each, a “Subsequent Bid”) providing a value to the Debtors’ estates of at least \$100,000 in additional cash (the “Minimum Continuing Bid”), or such other amount determined by the Debtors in consultation with the Notice Parties, above the prior bid or collection of bids (each, an “Overbid”); provided, however, that the such cash requirement for Overbids shall not apply to Stalking Horse Bidder, which may fund Overbids via offsets against the Debtors’ obligations under the DIP Facility as provided in Paragraph 8 above. After each round of bidding, the Debtors, after consultation with the Notice Parties, shall announce the bid (and the value of such bid) that they believe to be the highest or otherwise bid (each, the “Leading Bid”);
- (h) Any Overbid made from time to time by a Qualified Bidder must remain open and binding on the Qualified Bidder until and unless (i) the Debtors accept a bid submitted by another Qualified Bidder during the Auction as an Overbid and (ii) such prior Overbid is not selected as the Back-Up Bid. To the extent not previously provided (which will be determined by the Debtors in consultation with the Notice Parties), a Qualified Bidder submitting an Overbid must submit at the Debtors’ request (in consultation with the Notice Parties), as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors in consultation with the Notice Parties) demonstrating such Qualified Bidder’s ability to close the transaction at the purchase price contemplated by such Overbid;
- (i) a round of bidding will conclude after each participating Qualified Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid from the previous round, which must include the Overbid;
- (j) except as specifically set forth herein, for the purpose of evaluating the value of the Purchase Price provided by each Subsequent Bid (including any Subsequent Bid by the Stalking Horse Bidder), the Debtors may give effect to any additional liabilities to be assumed by a Qualified Bidder, and any additional costs which may be imposed on the Debtors;
- (k) the Auction may include individual negotiations with any of the Auction Bidders, but all bids shall be made on the record;
- (l) all material terms of the bid that is deemed to be the highest or otherwise best bid for each round of bidding shall be fully disclosed to the Auction Bidders, and the Debtors shall use reasonable efforts to clarify any questions that the Auction Bidders may have regarding the Debtors’ announcement of the then-current highest or otherwise best bid;

- (m) Subject to Paragraph 18 herein, the Debtors and their advisors, in consultation with the Notice Parties, may employ and announce at the Auction additional or amended procedural rules that are reasonable under the circumstances for conducting the Auction, *provided* that such potential additional modifications and/or procedural rules (i) are not materially inconsistent with existing terms and conditions of the Bidding Procedures Order and these Bidding Procedures, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or any order of the Court entered in connection with the Chapter 11 Cases; and (ii) are disclosed to the Auction Bidders;
- (n) the Auction Bidders shall (i) be deemed to have waived any right to a jury trial in connection with, and consented and submitted to the exclusive jurisdiction of the Court over, any actions or proceedings arising from or relating the Bidding Procedures, the Sale, the Auction, and the construction and enforcement of the contemplated transaction documents of the Auction Bidders, (ii) bring any such action or proceeding in the Court, and (iii) be deemed to have consented to the Court entering a final judgment determining any such action or proceeding and that such final judgment in any such action or proceeding, including, without limitation, all appeals, shall be conclusive and may be enforced in other jurisdictions (including any foreign jurisdictions) by suit on the judgment or in any other manner provided by applicable law;
- (o) a “Winning Bid” shall: (i) if the Auction for the Assets is cancelled because only the Stalking Horse Bid is submitted on or before the Bid Deadline, be the Stalking Horse Bid; or (ii) if the Auction is conducted, be the Qualified Bid(s) that the Debtors determine at the conclusion of the Auction, in consultation with the Notice Parties, and subject to Court approval, is or are the offer or offers for the relevant Assets that is or are the highest or otherwise best from among the Qualified Bids submitted at the Auction. In the case of (ii), in making this decision, the Debtors shall consider, in consultation with the Notice Parties, the amount of the purchase price, the assumption of liabilities (including, with respect to the R&D Assets, whether the Winning Bid assumes the Reedy Creek Royalty Agreement), the transaction structure, and execution risk, including, without limitation, the likelihood of the bidder’s ability to close a transaction and the timing thereof, the number, type, and nature of any changes to the Stalking Horse APA submitted with the Winning Bid, as applicable, requested by each bidder, the total consideration to the Debtors’ estates, and any other factors the Debtors may deem relevant. The bidder submitting the Winning Bid shall become the “Winning Bidder,” and shall have such rights and responsibilities of the purchaser as set forth in such Winning Bid, with all modifications made at the Auction. The Debtors may, in their business judgment and in consultation with the Notice Parties, designate the Back-Up Bid (and the corresponding Back-Up Bidder) to purchase the applicable Assets in the event that the applicable Winning Bidder does not close the Sale;
- (p) The Qualified Bidder(s) with the next highest or otherwise best Qualified Bid or collection of Qualified Bids (each, a “Back-Up Bid”), as determined by the

Debtors in consultation with the Notice Parties will be required to serve as a back-up bidder (each, a “Back-Up Bidder”) and keep its bid open and irrevocable until the earlier to occur of (i) sixty (60) days after the Sale Hearing and (ii) closing on the Winning Bid with the Winning Bidder. The Stalking Horse Bidder shall not be required to serve as the Back-Up Bidder unless the Stalking Horse Bidder submits a Subsequent Bid at the Auction;

- (q) within one (1) business day of the selection of any Winning Bid(s), the Debtors shall file a notice with the Court (a “Notice of Winning Bid”) that sets forth: (i) the identity of the Winning Bidder(s) and any Back-Up Bidder; (ii) the amount of the Winning Bid and any Back-Up Bid; (iii) a summary of the Assets subject to the Winning Bid; and (iv) whether the Winning Bidder or the Back-Up Bidder have any connections to the Debtors other than those arising from their respective bids;
- (r) in the event a Winning Bid or Back-Up Bid requires the assumption and assignment of any Assumed Contracts, then the Debtors shall comply with the Assumption and Assignment Procedures (as defined below);
- (s) within one (1) business day of the close of the Auction, any Winning Bidder and any Back-Up Bidder, except if the Winning Bidder or Back-Up Bidder is the Stalking Horse Bidder, shall supplement their respective Deposit, if necessary, such that the Deposit shall be equal to an amount that is ten (10%) percent of the purchase price set forth in the applicable Winning Bid and Back-Up Bid; and
- (t) prior to the Sale Hearing, any Winning Bidder shall complete and execute all agreements, contracts, instruments and other documents evidencing and containing the terms and conditions upon which the Winning Bid was made.

EACH QUALIFIED BID THAT IS NOT A WINNING BID OR BACK-UP BID SHALL BE DEEMED WITHDRAWN AND TERMINATED AT THE CONCLUSION OF THE SALE HEARING.

13. Sale Hearing and Winning Bid Objections

The Debtors will seek entry of an order from the Court at a hearing (the “Sale Hearing”) to begin on **September 11, 2023 at 10:00 a.m. (ET)** to approve and authorize the Sale to the Winning Bidder (the “Sale Order”) and approval of the Back-Up Bid. Subject to the terms of the DIP Facility, the Stalking Horse APA, the Bidding Procedures Order and these Bidding Procedures, the Debtors reserve the right to change the date and/or time of the Sale Hearing (or any other dates related to the Sale) to achieve the maximum value for the Purchased Assets.

Any objection relating solely to the conduct of the Auction, the Auction results, the selection of any Winning Bid or Back-Up Bid, or the terms of any Sale to a Winning Bidder or a Back-Up Bidder (each, a “Winning Bid Objection”), must be (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on the Notice Parties on or before September 6, 2023, at 4:00 p.m. (ET).

Any party who fails to file and serve a timely Initial Sale Objection or Winning Bid Objection shall be forever barred from asserting, at the Sale Hearing or thereafter, any Initial Sale Objection or Winning Bid Objection, including any such objection to the Bidding Procedures or to the consummation or performance of the sale of the Assets, including the transfer of Assets to the applicable Winning Bidder free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code, and shall be deemed to consent to such sale for purposes of section 363(f) of the Bankruptcy Code.

14. Back-Up Bidder

Notwithstanding any of the foregoing, in the event that a Winning Bidder fails to close a Sale on or before September 26, 2023, or such date as may be extended by the Debtors in consultation with the Notice Parties, and a Back-Up Bidder has been previously identified, the Debtors shall file a notice (the “Back-Up Bid Auction Notice”) and serve such Back-Up Bid Auction Notice on the U.S. Trustee, the Notice Parties, any Counterparties to Assumed Contracts subject to the Back-Up Bid, and those parties who filed a request to receive notice under Bankruptcy Rule 2002. Three (3) business days following the filing of any Back-Up Bid Auction Notice, the Back-Up Bid subject to such Back-Up Bid Auction Notice will be deemed to be the Winning Bid, the Back-Up Bidder will be deemed to be the Winning Bidder, and the Debtors shall be authorized, but not directed, to close the Sale to the Back-Up Bidder subject to the terms of the Back-Up Bid without the need for further order of the Court and without the need for further notice to any other parties.

15. Assumption and Assignment Procedures

In the event a Winning Bid or Back-Up Bid provides for the assumption and assignment of Assumed Contracts, the Debtors shall follow following assumption and assignment procedures (the “Assumption and Assignment Procedures”) set forth in paragraph 20 of the Bidding Procedures Order.

16. Return of Deposits

All Deposits not used as part of the consummation of a Sale or not retained by the Debtors as part of damages shall be returned to each bidder not selected as a Winning Bidder no later than five (5) business days following the closing of the Sale. The Deposit of a Winning Bidder shall be applied to the purchase price for the Sale. If the Winning Bidder for a Sale fails to consummate the Sale because of a breach or failure to perform on the part of such bidder, then, subject to the terms of the Proposed APA, the Debtors and their estates shall be entitled to retain the Deposit of the Winning Bidder as part of the damages resulting to the Debtors and their estates for such breach or failure to perform. For the avoidance of doubt, the Debtors’ retention of a Deposit shall not constitute a waiver of any of the Debtors’ legal or equitable rights relating to a Winning Bidder’s breach or failure to perform, and all such rights and remedies are preserved.

17. Consultation Rights

Any consultation rights provided to the Notice Parties by these Bidding Procedures shall not limit the Debtors' discretion in any way and shall not include the right to veto any decision made by the Debtors in the exercise of their business judgment. In the event that a member of the Creditors' Committee submits a bid that is a Qualified Bid, any obligation of the Debtors to consult with the bidding party, or their legal counsel, established under these Bidding Procedures will be waived without further action; *provided* that the bidding party will have the same rights as any other Qualified Bidder set forth herein.

Any failure to specifically identify consultation rights in any section of these Bidding Procedures shall not limit or otherwise impair the rights of the Notice Parties to consult with the Debtors. In the event that the Notice Parties disagree with matters for which the Debtors are required to consult with the Notice Parties, then the Notice Party shall have the right to seek relief from the Court on an expedited basis to resolve the dispute.

18. Reservation of Rights

Without prejudice to the rights of the DIP Lender under the DIP Facility or the rights of the Stalking Horse Bidder under the Stalking Horse APA, and except as otherwise provided in these Bidding Procedures, the Bidding Procedures Order or the Debtors' proposed form of Sale Order, the Debtors further reserve the right as they may reasonably determine to be in the best interest of their estates (in consultation with the Notice Parties), to: (a) determine which bidders are Qualified Bidders; (b) determine which bids are Qualified Bids; (c) determine which Qualified Bid is the highest and best proposal and which is the next highest and best proposal; (d) reject any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of these Bidding Procedures or the requirements of the Bankruptcy Code or (iii) contrary to the best interests of the Debtors and their estates; (e) impose additional terms and conditions with respect to all potential bidders other than the Stalking Horse Bidder; (f) modify these Bidding Procedures and/or implement additional procedural rules that the Debtors determine will better promote the goals of the bidding process; and (g) continue or cancel the Auction and/or Sale Hearing in open court without further notice or by filing a notice on the docket; provided, however, that none of the forgoing potential modifications and/or procedural rules shall be materially inconsistent with the existing terms of these Bidding Procedures and the Bidding Procedures Order without the consent of Ligand and the Creditors' Committee.

Exhibit 2

Form of Auction Notice

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)
) Chapter 11
NOVAN, INC., *et al.*,¹)
) Case No. 23-10937 (LSS)
Debtors.)
) (Jointly Administered)
)
_____)

**NOTICE OF SALE, BIDDING PROCEDURES, AUCTION,
SALE HEARING, AND OTHER DEADLINES RELATED HERETO**

PLEASE TAKE NOTICE OF THE FOLLOWING:

On July 17, 2023, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 cases (the “Chapter 11 Cases”), filed with the United States Bankruptcy Court for the District of Delaware (the “Court”) a motion [D.I. 16] (the “Bidding Procedures Motion”),² seeking entry of (a) an order (the “Bidding Procedures Order”): (i) approving bidding procedures (the “Bidding Procedures”) to be used in connection with one or more sales (each a “Sale”) of the Debtors’ assets (the “Assets”) free and clear of all liens, claims, interests, and encumbrances, (ii) authorizing the Debtors to designate Ligand Pharmaceuticals, Incorporated (“Ligand”) as the Stalking Horse Bidder for all of the Assets in connection with considering the entry of the Bidding Procedures Order, (iii) scheduling an auction of the Assets (the “Auction”); (iv) approving the form and manner of service of this Notice of Sale; (v) approving procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, “Assumed Contracts”) in connection with any Sale; (vi) approving the form and manner of service of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”) of the proposed assumption and assignment of such Counterparty’s Assumed Contract; (vii) scheduling a final hearing to consider approval of the proposed Sale(s) (the “Sale Hearing”); and (vi) granting related relief; and (b) one or more orders (each, a “Sale Order”) (i) authorizing a Sale of the Assets free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the approved Sale; and (iii) granting related relief.

On August 15, 2023, 2023, the Court entered the Bidding Procedures Order [D.I. [●]].

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² Capitalized terms used but not defined herein shall have the respective meanings given to them in the Motion or the Bidding Procedures, as applicable. Any summary of the Bidding Procedures or the Bidding Procedures Order (or any provision thereof) contained herein is qualified in its entirety by the actual terms and conditions thereof. To the extent that there is any inconsistency between any summary in this Notice of Sale and the terms and conditions of either of the Bidding Procedures or the Bidding Procedures Order, the actual terms and conditions in those documents shall control.

ASSETS FOR SALE

The Debtors intend to sell all, substantially all, or a portion of the Assets.

Any Qualified Bidder may submit a bid for the R&D Assets, the Commercial Assets, or all of the Assets, subject to the conditions set forth in the Bidding Procedures. The ability to undertake and consummate a Sale shall be subject to competitive bidding, as set forth herein and in the Bidding Procedures Order, and approval by the Court.

Any party interested in submitting a bid for any of the Debtors' Assets should contact (a) the Debtors' proposed investment banker, Raymond James & Associates (Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); and (b) the Debtors' proposed counsel, Morris, Nichols, Arsht & Tunnell LLP.

KEY DATES AND DEADLINES

A. Bid Deadline

Any Qualified Bidder that intends to participate in the Auction must submit a Qualified Bid in accordance with Section 8 of the Bidding Procedures, on or before **August 28, 2023, at 5:00 p.m. (ET)** (the "Bid Deadline").

B. Auction

If the Debtors timely receive one or more Qualified Bids other than the Stalking Horse Bid for any Assets, then the Debtors shall conduct one or more Auctions. If the Debtors do not receive more than one Qualified Bid other than the Stalking Horse Bid, the Debtors shall cancel the Auction(s) for the Assets, deem the Stalking Horse Bid as the Winning Bid for the Assets, and shall request at the Sale Hearing that the Court approve the Stalking Horse Bid and the transactions contemplated thereunder for the Assets.

The Auction, if required, will commence on **August 31, 2023, at 10:00 a.m. (ET)**, at the offices of proposed investment banker for the Debtors, Raymond James & Associates, Inc., 320 Park Avenue, Floor 12, New York, New York 10022, or virtually via telephone or video conference pursuant to information to be timely provided by the Debtors to the Auction Participants (as defined below). If the Debtors conduct the Auction virtually, the Debtors will provide instructions setting forth how to attend the Auction to the Auction Participants via electronic mail. The Debtors will provide notice (via electronic mail or otherwise) of any change in the date, time, or location of any Auction to the relevant Qualified Bidders, and will cause publication of such change to occur on the website of the Debtors' claims and noticing agent, Kurtzman Carson Consultants LLC.

Within one (1) business day of the selection of any Winning Bid(s), the Debtors shall file a Notice of Winning Bid with the Court that sets forth: (i) the identity of the Winning Bidder(s) and any Back-Up Bidder; (ii) the amount of the Winning Bid and any Back-Up Bid; (iii) a summary of the Assets subject to the Winning Bid; and (iv) whether the Winning Bidder or the Back-Up Bidder have any connections to the Debtors other than those arising from their respective bids.

C. Sale Objection Deadlines

- i. Initial Sale Objection Deadline. Objections to a Sale of the Assets, including any general objections to the Sale and objections to the Sale of any Assets free and clear of all liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to the Stalking Horse Bidder, a Winning Bidder or a Back-Up Bidder, must (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on (i) the Debtors; (ii) proposed counsel to the Debtors; (iii) counsel to Ligand; and (iv) proposed counsel the Creditors' Committee (the "Objection Notice Parties") **on or before August 28, 2023, at 4:00 p.m. (ET).**
- ii. Winning Bid Objection Deadline. Any objection relating solely to the conduct of the Auction, the Auction results, the selection of any Winning Bid or Back-Up Bid, or the terms of any Sale to a Winning Bidder or a Back-Up Bidder, which could not have been raised by the Initial Sale Objection Deadline, must (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on the Objection Notice Parties on or before **September 6, 2023, at 4:00 p.m. (ET).**

D. Sale Hearing

The Sale Hearing shall take place on **September 11, 2023, at 10:00 a.m. (ET)**, before The Honorable Laurie Selber Silverstein, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, located at 824 N. Market Street, Wilmington, Delaware 19801.

RESERVATION OF RIGHTS TO MODIFY BIDDING PROCEDURES

In accordance with and subject to the Bidding Procedures and the Bidding Procedures Order, and without prejudice to the rights of the DIP Lender under the DIP Facility or the Stalking Horse Bidder under the Stalking Horse APA, the Debtors, in the exercise of their reasonable business judgment and in a manner consistent with their fiduciary duties and applicable law, in consultation with the Notice Parties, shall have the right to modify the Bidding Procedures, including to (a) extend, modify, adjourn, or waive dates, deadlines or other terms and conditions set forth herein or in the Bidding Procedures; (b) adopt new rules and procedures for conducting the bidding and Auction process so long as any such modifications are reasonably disclosed to Qualified Bidders; and (c) promote competitive bidding for and maximizing the value of the Assets; provided, however, that under no circumstance (i) shall any of the forgoing potential modifications and/or procedural rules be materially inconsistent with the existing terms of the Bidding Procedures Order or the Bidding Procedures without the consent of the Creditors' Committee and Ligand; or (ii) may a bid for the R&D Assets, other than the Stalking Horse Bid,

qualify as a Qualified Bidder if it does not provide for the unaltered assumption and assignment of the Royalty Agreement.

ADDITIONAL INFORMATION

Copies of the Bidding Procedures Motion, the Bidding Procedures, the Bidding Procedures Order, and all other documents filed with the Court may be obtained free of charge by visiting the Kurtzman Carson Consultants LLC Website, or can be requested by calling Kurtzman Carson Consultants LLC at: [] (Domestic) or [] (International).

FAILURE TO ABIDE BY THE BIDDING PROCEDURES, THE BIDDING PROCEDURES ORDER, OR ANY OTHER APPLICABLE ORDER OF THE COURT ENTERED IN THESE CHAPTER 11 CASES MAY RESULT IN THE REJECTION OF YOUR BID AND YOUR DISQUALIFICATION FROM PARTICIPATING IN THE BIDDING FOR AND AUCTION OF ANY OF THE ASSETS.

THE FAILURE OF ANY PERSON OR ENTITY TO TIMELY FILE AND SERVE AN OBJECTION IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER, INCLUDING THE FAILURE TO FILE ANY SUCH OBJECTION BY THE APPLICABLE OBJECTION DEADLINE, SHALL FOREVER BAR SUCH PERSON OR ENTITY FROM ASSERTING, AT THE SALE HEARING OR THEREAFTER, ANY SUCH OBJECTION TO THE RELIEF REQUESTED IN THE MOTION, THE CONSUMMATION OF ANY APPLICABLE SALE, INCLUDING THE SALE OF ANY ASSETS TO A WINNING BIDDER FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES, PURSUANT TO SECTION 363(f) OF THE BANKRUPTCY CODE OR THE TERMS OF ANY STALKING HORSE AGREEMENT OR OTHER ASSET PURCHASE AGREEMENT EXECUTED BY THE DEBTORS.

Dated:
Wilmington, Delaware

Respectfully submitted,

/s/ DRAFT

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

Derek C. Abbott (No. 3376)

Daniel B. Butz (No. 4227)

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sjones@morrisnichols.com

*Proposed Counsel to the Debtors and
Debtors in Possession*

Exhibit 3

Form of Additional Assumption and Assignment Notice

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
NOVAN, INC., <i>et al.</i> , ¹)	
	)	Ca Case No. 23-10937 (LSS)
Debtors.)	
	)	(Jointly Administered)
	)	Objection Deadline: _____, 2023

**NOTICE OF POSSIBLE ASSUMPTION AND ASSIGNMENT OF
CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

PLEASE TAKE NOTICE that, on July 17, 2023 (the “Petition Date”), the above-captioned debtors and debtors in possession (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”), commencing these chapter 11 cases (the “Chapter 11 Cases”).

PLEASE TAKE FURTHER NOTICE that, on July 17, 2023, the Debtors filed a motion [D.I. 16] (the “Bidding Procedures Motion”) seeking entry of (a) an order (the “Bidding Procedures Order”), (i) approving bidding procedures (the “Bidding Procedures”) to be used in connection with one or more sales (each a “Sale”) of the Debtors’ assets (the “Assets”) free and clear of all liens, claims, interests, and encumbrances, (ii) authorizing the Debtors to designate one or more affiliates of Ligand Pharmaceuticals, Incorporated or its designee (“Ligand”) as the Stalking Horse Bidder for all of the Assets in connection with considering the entry of the Bidding Procedures Order, (iii) scheduling an auction of the Assets (the “Auction”); (iv) approving the form and manner of service of this Notice of Sale; (v) approving procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, “Assumed Contracts”) in connection with any Sale; (vi) approving the form and manner of service of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”) of the proposed assumption and assignment of such Counterparty’s Assumed Contract; (vii) scheduling a final hearing to consider approval of the proposed Sale(s) (the “Sale Hearing”); and (vi) granting related relief; and (b) one or more orders (each, a “Sale Order”) (i) authorizing a Sale of the Assets free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the approved Sale; and (iii) granting related relief; and (b) one or more orders of the Court (collectively, the “Sale Orders”):² (i) authorizing the sale of the Debtors’ Assets free and clear of all liens, claims, interests, and encumbrances, except as provided in the Sale Order; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² A copy of the proposed form of Sale Order(s) will be filed in advance of the Sale Hearing.

the Sale(s); and (iii) granting related relief; or (c) in the event the Bankruptcy Court does not enter the Bidding Procedures Order or the DIP Order on or before 25 calendar days after the Petition Date, a Sale Order, in the form attached hereto as Exhibit B (the “Private Sale Order”) (i) authorizing the sale to Ligand of the Debtors’ Assets free and clear of all liens, claims, interests, and encumbrances in accordance with the Stalking Horse Agreement (as defined below) attached to the Private Sale Order as Exhibit 1; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the Sale; and (iii) granting related relief.

PLEASE TAKE FURTHER NOTICE that, on August 15, 2023, the Court entered the Bidding Procedures Order [D.I. [●]], approving, among other things, the Bidding Procedures, which establish key dates and times relating to the Sale and the Auction. All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures in their entirety.

PLEASE TAKE FURTHER NOTICE that, upon the closing of the Sale, including a potential Sale to Ligand pursuant to the proposed Private Sale Order, the Debtors intend to assume and assign to such purchaser (the “Purchaser”) certain executory contracts and unexpired leases (the “Assumed Contracts”). A schedule listing the contracts and leases that may potentially be assumed and assigned as part of the Sale is attached hereto as **Exhibit 1** (the “Contracts Schedule”) and may also be viewed free of charge on the Debtors’ case information website, located at [https://\[●\]](https://[●]), or can be requested by calling the Debtors’ claims and noticing agent, Kurtzman Carson Consultants LLC.

PLEASE TAKE FURTHER NOTICE that Cure Amounts, if any, for the assumption and assignment of such contracts and leases are also set forth on the Contracts Schedule. Each Cure Amount listed on the Contracts Schedule represents all liabilities of any nature of the Debtors arising under a contract or lease prior to the closing of the Sale or other applicable effective date of the assumption and assignment of such contract or lease, whether known or unknown, whether due or to become due, whether accrued, absolute, contingent or otherwise, so long as such liabilities arise out of or relate to events occurring prior to the closing of the Sale or other applicable effective date of the assumption and assignment of such contract or lease.

YOU ARE RECEIVING THIS NOTICE BECAUSE YOU HAVE BEEN IDENTIFIED AS A COUNTERPARTY TO A CONTRACT OR LEASE THAT MAY BE ASSUMED AND ASSIGNED AS PART OF THE SALE. *The presence of a contract or lease listed on Exhibit 1 attached hereto does not constitute an admission that such contract or lease is an executory contract or unexpired lease or that such contract or lease will be assumed and assigned as part of the Sale. The Debtors reserve all their rights, claims and causes of action with respect to the contracts and leases listed on Exhibit 1 attached hereto.*

Filing Objections

Pursuant to the Assumption and Assignment Procedures, objections to the proposed assumption and assignment of a contract or lease on any basis (other than objections related solely to adequate assurance of future performance by a Winning Bidder other than the

Stalking Horse Bidder, if any), including, without limitation, on the basis (i) of adequate assurance of the Stalking Horse Bidder's future ability to perform; (ii) of the transfer of any related rights or benefits thereunder; (iii) that consent is allegedly required from any Counterparty for the assumption, assignment, and transfer of the Assumed Contract; (iv) relating to Cure Amounts, must (1)(a) be in writing; (b) state the basis for such objection; and (c) if such objection is to the Cure Amount, state with specificity what Cure Amount the counterparty believes is required (in all cases, with appropriate documentation in support thereof) and (2) be filed with the Court and served no later than **[•], 2023 at 4:00 p.m. (ET)** on the following parties (collectively, the "Objection Notice Parties"): (a) counsel to the Debtors: [•]; (b) counsel to Ligand [•]; (c) counsel to the Creditors' Committee, [•]; (d) the Office of the U.S. Trustee for Region 3, 844 King Street, Suite 2207, Wilmington, Delaware 19801, Attn: [•]; [and (e) any Winning Bidders.]

If not the Stalking Horse Bidder, the Debtors shall file a notice identifying the Winning Bidder(s) and Backup Bidder(s) (if selected) (the "Notice of Winning Bidder") and shall serve the Notice of Winning Bidder on each counterparty to a potential Assumed Contract as soon as reasonably practicable after closing the Auction, if any. Each counterparty to a potential Assumed Contract will then have an opportunity to object to the identity of the Winning Bidder(s) (other than the Stalking Horse Bidder, if any) or adequate assurance of future performance with respect to such counterparty's contract or lease provided by the Winning Bidder(s), which must (i) be in writing, (ii) comply with the Bankruptcy Code, Bankruptcy Rules and Local Rules, (iii) state, with specificity, the legal and factual bases thereof, (iv) be filed with the Court by **[•], 2023 at 4:00 p.m. (ET)** (the "Adequate Assurance Objection Deadline"), and (v) be served on the Objection Notice Parties.

The Court will hear and determine any objections to the assumption and assignment of the Assumed Contracts to the Purchaser at the Sale Hearing or at a later hearing, as determined by the Debtors. The Sale Hearing to consider the proposed Sale shall be held before the Honorable [•] on [•] (**prevailing Eastern Time**), or such other date as determined by the Court, at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, [•] Floor, Courtroom No. [•], Wilmington, Delaware 19801.

Consequences of Failing to Timely Assert an Objection

UNLESS YOU FILE AN OBJECTION TO THE CURE AMOUNT AND/OR THE ASSUMPTION OR ASSIGNMENT OF YOUR CONTRACT OR LEASE IN ACCORDANCE WITH THE INSTRUCTIONS AND DEADLINES SET FORTH HEREIN, YOU SHALL BE (A) BARRED FROM OBJECTING TO THE CURE AMOUNT SET FORTH ON EXHIBIT 1, (B) ESTOPPED FROM ASSERTING OR CLAIMING ANY CURE AMOUNT AGAINST THE DEBTORS, THE STALKING HORSE BIDDER, IF ANY, OR OTHERWISE WINNING BIDDER(S) THAT IS GREATER THAN THE CURE AMOUNT SET FORTH ON EXHIBIT 1 AND (C) DEEMED TO HAVE CONSENTED TO THE ASSUMPTION BY THE DEBTORS AND ASSIGNMENT OR TRANSFER (INCLUDING THE TRANSFER OF ANY RELATED RIGHTS AND BENEFITS THEREUNDER) TO THE STALKING HORSE BIDDER OR WINNING BIDDER, AS APPLICABLE, OF THE YOUR CONTRACT OR LEASE AND

THE ADEQUACY OF ASSURANCE OF FUTURE PERFORMANCE THEREUNDER, AND BE FOREVER BARRED AND ESTOPPED FROM ASSERTING OR CLAIMING AGAINST THE DEBTORS OR THE STALKING HORSE BIDDER OR THE WINNING BIDDER, AS APPLICABLE, THAT ANY ADDITIONAL DEFAULTS EXIST OR THAT CONDITIONS TO ASSUMPTION, ASSIGNMENT, AND TRANSFER MUST BE SATISFIED UNDER YOUR CONTRACT OR LEASE (INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO ADEQUATE ASSURANCE OF FUTURE PERFORMANCE BY THE STALKING HORSE BIDDER OR WINNING BIDDER, AS APPLICABLE), OR THAT ANY RELATED RIGHT OR BENEFIT UNDER SUCH CONTRACT OR LEASE CANNOT AND WILL NOT BE AVAILABLE TO THE STALKING HORSE BIDDER OR THE WINNING BIDDER, AS APPLICABLE.

Obtaining Additional Information

Copies of the Bidding Procedures Motion, the Bidding Procedures, the Bidding Procedures Order, the Stalking Horse Agreement, if any, and all other documents filed with the Court, are available free of charge on the Debtors' case information website, located at [https://\[•\]](https://[•]), or can be requested by calling the Debtors' claims and noticing agent, [•].

Adequate assurance of future performance information for the Stalking Horse Bidder is available by contacting counsel to Ligand.

Dated:
Wilmington, Delaware

Respectfully submitted,

/s/ DRAFT

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*Proposed Counsel to the Debtors and
Debtors in Possession*

Exhibit 4

Initial Assumption and Assignment Notice (as Filed on July 25, 2023)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)
) Chapter 11
NOVAN, INC., *et al.*,¹)
) Case No. 23-10937 (LSS)
Debtors.) (Jointly Administered)
)
) **Objection Deadline: Aug. 8, 2023 at 4:00 p.m. (ET)**
)

**INITIAL NOTICE OF POSSIBLE ASSUMPTION AND ASSIGNMENT OF
CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

PLEASE TAKE NOTICE that, on July 17, 2023 (the “Petition Date”), the above-captioned debtors and debtors in possession (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”), commencing these chapter 11 cases (the “Chapter 11 Cases”).

PLEASE TAKE FURTHER NOTICE that, on July 17, 2023, the Debtors filed a motion [D.I. 16] (the “Bidding Procedures Motion”) seeking entry of (a) an order (the “Bidding Procedures Order”): (i) approving bidding procedures to be used in connection with one or more sales (each a “Sale”) of the Debtors’ development and commercialization rights to their research and development portfolio (the “R&D Assets”) and to the rights to commercialize the Debtors’ commercial portfolio (the “Commercial Assets” and together with the R&D Assets, the “Assets,” as more fully defined in the Bidding Procedures) free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the Debtors to designate one or more affiliates of Ligand Pharmaceuticals, Incorporated or its designee (“Ligand”) as the Stalking Horse Bidder² for all of the Assets in connection with considering the entry of the Bidding Procedures Order; (iii) scheduling one or more auctions (each, an “Auction”), if necessary, and schedule one or more hearings to approve a sale of the Debtors’ Assets (a “Sale Hearing”); (iv) approving the form and manner of notice of the proposed Bidding Procedures, the Auction, and the Sale Hearing, substantially in the form attached to the Bidding Procedures Order as Exhibit 2 (the “Auction Notice”); (v) authorizing procedures governing the assumption and assignment of certain executory contracts and unexpired leases (the “Assumed Contracts”) in connection with any Sale (the “Assumption and Assignment Procedures”); (vi) approving the form and manner of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”), of (A) the Debtors’ calculation of the amount necessary to cure any default under the applicable Assumed Contract (the “Cure Amounts”); and (B) certain other information regarding the potential assumption and assignment of Assumed Contracts in connection with a Sale,

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² Capitalized terms used but not otherwise defined herein shall have the means ascribed to them in the Bidding Procedures Motion.

substantially in the form attached to the Bidding Procedures Order as Exhibit 3 (the “Assumption and Assignment Notice”); and (vii) granting related relief; and (b) one or more orders of the Court (collectively, the “Sale Orders”): (i) authorizing the sale of the Debtors’ Assets free and clear of all liens, claims, interests, and encumbrances, except as provided in the Sale Order; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the Sale(s); and (iii) granting related relief; or (c) in the event the Bidding Procedures Order or the DIP Order are not entered by the Court on or before 35 days after the Petition Date, a Sale Order (the “Private Sale Order”) (i) authorizing the sale to Ligand of the Debtors’ Assets free and clear of all liens, claims, interests, and encumbrances in accordance with the Stalking Horse Agreement; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the Sale; and (iii) granting related relief.

PLEASE TAKE FURTHER NOTICE that, at the hearing on first day relief held on July 19, 2023, the Court scheduled the Bidding Procedures Motion for a hearing on **August 4, 2023 at 1:00 p.m. (ET)**.

PLEASE TAKE FURTHER NOTICE that, (a) if the Court does not enter the Bidding Procedures Order at the hearing held on **August 4, 2023 at 1:00 p.m. (ET)**, the Debtors may sell the Assets to Ligand pursuant to the Private Sale Order **on or before August 16, 2023**; and (b) if the Court enters the Bidding Procedures Order at the hearing, the Debtors will seek one or more Sale Orders selling the Assets to a Winning Bidder **on or before September 8, 2023**; in each such instance, the Assumed Contracts may be included in such sales. A schedule listing the contracts and leases that may potentially be assumed and assigned as part of the sales is attached hereto as **Exhibit 1** (the “Contracts Schedule”) and may also be viewed free of charge on the Debtors’ case information website, located at <https://www.kccllc.net/Novan>, or can be requested by calling the Debtors’ claims and noticing agent, Kurtzman Carson Consultants LLC at (888) 251-2954 (U.S./Canada) or (310) 751-2614 (International).

PLEASE TAKE FURTHER NOTICE that Cure Amounts, if any, for the assumption and assignment of such contracts and leases are also set forth on the Contracts Schedule. Each Cure Amount listed on the Contracts Schedule represents all liabilities of any nature of the Debtors arising under a contract or lease prior to the closing of the Sale or other applicable effective date of the assumption and assignment of such contract or lease, whether known or unknown, whether due or to become due, whether accrued, absolute, contingent or otherwise, so long as such liabilities arise out of or relate to events occurring prior to the closing of the Sale or other applicable effective date of the assumption and assignment of such contract or lease.

YOU ARE RECEIVING THIS NOTICE BECAUSE YOU HAVE BEEN IDENTIFIED AS A COUNTERPARTY TO A CONTRACT OR LEASE THAT MAY BE ASSUMED AND ASSIGNED AS PART OF A SALE. *The presence of a contract or lease listed on Exhibit 1 attached hereto does not constitute an admission that such contract or lease is an executory contract or unexpired lease or that such contract or lease will be assumed and assigned as part of a Sale. The Debtors reserve all their rights, claims and causes of action with respect to the contracts and leases listed on Exhibit 1 attached hereto.*

Filing Objections

Pursuant to the proposed Assumption and Assignment Procedures, objections to the proposed assumption and assignment of a contract or lease on any basis (other than objections related solely to adequate assurance of future performance by a Successful Bidder other than the Stalking Horse Bidder, if any), including, without limitation, on the basis (i) of adequate assurance of the Stalking Horse Bidder's future ability to perform; (ii) of the transfer of any related rights or benefits thereunder; (iii) that consent is allegedly required from any Counterparty for the assumption, assignment, and transfer of the Assumed Contract; (iv) relating to Cure Amounts, must (1)(a) be in writing; (b) state the basis for such objection; and (c) if such objection is to the Cure Amount, state with specificity what Cure Amount the counterparty believes is required (in all cases, with appropriate documentation in support thereof) and (2) be filed with the Court and served no later than **August 8, 2023 at 4:00 p.m. (ET)** on the following parties (collectively, the "Objection Notice Parties"): (a) proposed counsel to the Debtors, Morris, Nichols, Arsht & Tunnell LLP, 1201 Market Street, 16th Floor, Wilmington, Delaware 19801 (Attn: Derek C. Abbott, Esq. (dabbott@morrisnichols.com)); (b) the Office of the United States Trustee, J. Caleb Boggs Federal Building, 844 King St., Lockbox 35, Wilmington, DE 19801 (Attn: Linda J. Casey, Esq. (linda.casey@usdoj.gov)); (c) counsel to Ligand, Morgan Lewis and Bockius LLP, 101 Park Ave. New York, NY 10174 (Attn: Craig A. Wolfe, Esq. (craig.wolfe@morganlewis.com), Jason A. Alderson (Jason.alderon@morganlewis.com), and David K. Shim (David.shim@morganlewis.com)); and (d) counsel to any statutory committee appointed in these Chapter 11 Cases.

Consequences of Failing to Timely Assert an Objection

UNLESS YOU FILE AN OBJECTION TO THE CURE AMOUNT AND/OR THE ASSUMPTION OR ASSIGNMENT OF YOUR CONTRACT OR LEASE IN ACCORDANCE WITH THE INSTRUCTIONS AND DEADLINES SET FORTH HEREIN, YOU SHALL BE (A) BARRED FROM OBJECTING TO THE CURE AMOUNT SET FORTH ON EXHIBIT 1, (B) ESTOPPED FROM ASSERTING OR CLAIMING ANY CURE AMOUNT AGAINST THE DEBTORS, THE STALKING HORSE BIDDER, IF ANY, OR OTHERWISE SUCCESSFUL BIDDER(S) THAT IS GREATER THAN THE CURE AMOUNT SET FORTH ON EXHIBIT 1 AND (C) DEEMED TO HAVE CONSENTED TO THE ASSUMPTION BY THE DEBTORS AND ASSIGNMENT OR TRANSFER (INCLUDING THE TRANSFER OF ANY RELATED RIGHTS AND BENEFITS THEREUNDER) TO THE STALKING HORSE BIDDER OR SUCCESSFUL BIDDER, AS APPLICABLE, OF THE YOUR CONTRACT OR LEASE AND THE ADEQUACY OF ASSURANCE OF FUTURE PERFORMANCE THEREUNDER, AND BE FOREVER BARRED AND ESTOPPED FROM ASSERTING OR CLAIMING AGAINST THE DEBTORS OR THE STALKING HORSE BIDDER OR THE SUCCESSFUL BIDDER, AS APPLICABLE, THAT ANY ADDITIONAL DEFAULTS EXIST OR THAT CONDITIONS TO ASSUMPTION, ASSIGNMENT, AND TRANSFER MUST BE SATISFIED UNDER YOUR CONTRACT OR LEASE (INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO ADEQUATE ASSURANCE OF FUTURE PERFORMANCE BY THE STALKING HORSE BIDDER OR WINNING BIDDER, AS APPLICABLE), OR THAT ANY RELATED RIGHT OR

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Adequate assurance of future performance information for the Stalking Horse Bidder is available by contacting counsel to Ligand.

Dated: July 25, 2023
Wilmington, Delaware

Respectfully submitted,

/s/ Daniel B. Butz

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*Proposed Counsel to the Debtors and
Debtors in Possession*

EXHIBIT 1
Contracts Schedule

Exhibit 1: Contract Schedule

ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
1	[Written in French]-Onxeo S.A., fka BioAlliance Pharma S.A.	EPI Health, LLC	Sitavig MAH Transfer from Onxeo to Vectans 26.12.2017	12/26/2017	—
2	A Menarini Industrie Farmaceutiche Riunite Srl	Novan, Inc.	Menarini_Mutual NDA_FE_11Apr2022	4/11/2022	—
3	AARON STANNARD	Novan, Inc.	Stannard_AM_Mutual NDA_FE_29Jul2021	7/29/2021	—
4	Aatman Shah	Novan, Inc.	Aatman Shah_MCSA_FE	3/14/2023	—
5	Accentuate Staffing Inc.	Novan, Inc.	Accentuate Staffing_SOW Katie Thorson_FE_14Oct2019	10/3/2019	—
6	Aclaris Therapeutics, Inc.	EPI Health, LLC	Asset Purchase Agreement by and between Aclaris Therapeutics, Inc. and EPI Health, LLC	10/10/2019	1,129,502
7	Aclaris Therapeutics, Inc. & Allergan Sales, LLC	EPI Health, LLC	Asset Purchase Agreement by and between Aclaris Therapeutics, Inc. and Allergan Sales, LLC	10/15/2018	124,671
8	Aclaris Therapeutics, Inc. & Allergan Sales, LLC	EPI Health, LLC	Seller Disclosures to the Asset Purchase Agreement between Aclaris Therapeutics, Inc. and Allergan Sales LLC	10/15/2018	—
9	Aclaris Therapeutics, Inc. & Allergan Sales, LLC	EPI Health, LLC	Transition Services Agreement between Aclaris Therapeutics, Inc. and Allergan Sales, LLC	11/30/2018	—
10	Aclaris Therapeutics, Inc. & Allergan Sales, LLC	EPI Health, LLC	First Amendment of Transition Services Agreement by and between Aclaris Therapeutics, Inc. and Allergan Sales LLC	5/23/2019	—
11	Aclaris Therapeutics, Inc. & PPD Development	EPI Health, LLC	Notice of Termination by Aclaris Therapeutics	1/27/2020	—
12	Acousti Engineering Company	Novan, Inc.	Acousti Engineering_Service Order_FE_25Jul2019	7/8/2019	—
13	Actalent Services, LLC	Novan, Inc.	Actalent_SOW_QA Manager_FE_16Feb2023	2/16/2023	—
14	Actalent Services, LLC	Novan, Inc.	Actalent Scientific_Services Agreement_FE_11Oct2021	10/5/2021	—
15	Actalent Services, LLC	Novan, Inc.	Actalent_Exhibit A_Steven Jones_FE_14Apr2022	4/14/2022	—
16	Actalent Services, LLC	Novan, Inc.	Actalent Services_MSA_FE_17Nov2021	11/17/2021	81,560
17	Adelaide Hebert	Novan, Inc.	Hebert_Adelaide_CSA_FE_1Feb2023	2/1/2023	—
18	Adelaide Hebert	Novan, Inc.	Adelaide Hebert, Md_MCSA_FE	2/24/2023	—
19	Advanced Dermatology & Dermatologic Surgery, Inc.	Novan, Inc.	Kory_Mark_AdBoard Agreement_Fall Clinical_FE_12Oct2022	10/22/2022	—
20	Advanced Process Solutions, Inc	Novan, Inc.	APS_AIA B104_FE_10Mar2021	11/16/2020	—
21	Advanced Process Solutions, Inc	Novan, Inc.	APS_P21.1315 Pilot P&ID Development_FE_20Jul2021	6/11/2021	—
22	Advanced Process Solutions, Inc	Novan, Inc.	Advanced Process Solutions_Proposal_FE_12Mar2021	3/12/2021	—
23	Advanced Recruiting Partners, LLC	Novan, Inc.	Advanced Recruiting Partners_Rate Agreement_FE_22Mar2023	3/7/2023	10,133
24	Advanced Recruiting Partners, LLC	Novan, Inc.	Advanced Recruiting Partners_DH Agreement_FE_11Jun2021	6/11/2021	—
25	Advanced Recruiting Partners, LLC	Novan, Inc.	Advanced Recruiting Partners_Fee Agreement_FE_7Mar2023	3/7/2023	—
26	Advanced Recruiting Partners, LLC	Novan, Inc.	Advanced Recruiting Partners_SA_FE_18Feb2019	2/18/2019	—
27	Advanced Recruiting Partners, LLC	Novan, Inc.	ARP_Gantner_Patricia_Rate Agreement_FE_29Aug2019	8/29/2019	—
28	Advances in Cosmetic and Medical Dermatology	Novan, Inc.	Derm Summit Sponsorship_Sponsorship Agreement_30Sept2019	9/30/2019	—
29	Advarra Consulting, Inc.	Novan, Inc.	Advarra Consulting_MSA_FE_3May2019	4/22/2019	—
30	Advarra Consulting, Inc.	Novan, Inc.	Advarra_MSA_FE_6Nov2019	9/12/2019	—
31	Advarra Consulting, Inc.	Novan, Inc.	Advarra_SOW1_FE_5Jun2019	5/21/2019	—
32	Ahmed Hawash	Novan, Inc.	Ahmed Hawash_MCSA_FE	3/14/2023	—
33	Ahuva Cices	Novan, Inc.	Ahuva Cices_MCSA_FE	3/14/2023	—
34	Airgas USA, L.L.C.	Novan, Inc.	Airgas_Am1 Reinstatement_Mutual NDA_FE_3Aug2021	8/3/2021	9,008
35	Airgas USA, L.L.C.	Novan, Inc.	Airgas_Rider_FE_3Mar2022	2/1/2022	—
36	AIT Bioscience	Novan, Inc.	AITB_5414_Method Development and Validation for the Quantitation of hMAP3 in K2EDTA Dog Plasma_FE_21Jan2021	3/31/2021	—
37	AIT Bioscience	Novan, Inc.	AITB_CO1_storage hMAP3 Mouse Plasma_PE_26Aug2021	8/19/2021	—
38	AIT Bioscience	Novan, Inc.	AITB_CO1 0174-2332_FE_11Apr2019	4/12/2019	—
39	AIT Bioscience	Novan, Inc.	AITB_CO1_2018 Guidance Method Update for hMAP3 in K2EDTA Human Plasma_FE_16Sept2019	9/11/2019	—
40	AIT Bioscience	Novan, Inc.	AITB_CO3_Nitrate Method Validation Expansion_FE_16Aug2019	8/15/2019	—
41	AIT Bioscience	Novan, Inc.	AITB_SOW hMAP3 and Nitrate in Rat Plasma_FE_21Jun2019	6/7/2019	—
42	AIT Bioscience	Novan, Inc.	AITB_SOW_hMAP3 and Nitrate in Human Plasma_FE_6Aug2019	7/31/2019	—

Exhibit 1: Contract Schedule

ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
43	AIT Bioscience	Novan, Inc.	AITB_SOW_hMAP3 and Nitrate in Minipig Plasma_FE_28May2019	5/22/2019	—
44	AIT Bioscience	Novan, Inc.	AITB_SOW_hMAP3 and Nitrate in Mouse Plasma_FE_6Aug2019	7/30/2019	—
45	AIT Bioscience	Novan, Inc.	AITB_SOW_Method Update Mouse hMAP3 and Mouse Rat Minipig and Human Nitrate_FE_31May2019	5/22/2019	—
46	AIT Bioscience	Novan, Inc.	AITB_SOW_Method Update_FE_28May2019	5/22/2019	—
47	Alcami Corporation	Novan, Inc.	Alcami Corporation_Mutual NDA_FE_21Jun2021	6/18/2021	—
48	Allegro Biopharma Associates, LLC	Novan, Inc.	Allegro Biopharma_CSA_FE_2Jun2023	6/2/2023	17,355
49	Allergan, Inc. & Erythema Acquisition, Inc. & Viecept Therapeutics, Inc. & Neal Walker	EPI Health, LLC	Agreement and Plan of Merger by and among Allergan, Inc., Erythema Acquisition, Inc., Viecept Therapeutics, Inc., and Neal Walker	7/18/2011	—
50	Allied World Insurance Company	Novan, Inc.	Allied World Assurance Co., US, Inc.	7/21/2020	—
51	Almac Group Limited	Novan, Inc.	Almac Group Limited	12/14/2020	—
52	Almirall S.A.	Novan, Inc.	Almirall_Mutual NDA_FE_6Jul2022	6/7/2022	—
53	Alphanumeric Systems, Inc.	Novan, Inc.	Alphanumeric Systems_Quote TP002578_FE_21Mar2022	3/18/2022	—
54	Alta Vetta Pharmaceutical Consulting, LLC	Novan, Inc.	Alta Vetta_Mutual NDA_FE_28Jul2021	7/23/2021	—
55	Alta Vetta Pharmaceutical Consulting, LLC	Novan, Inc.	Alta Vetta_CSA_FE_23Aug2021	8/13/2021	—
56	Altadore Investments, LLC	Novan, Inc.	Altadore_Mutual NDA_FE_19Jan2022	1/19/2021	—
57	Altasciences Preclinical Seattle, LLC	Novan, Inc.	Altasciences_Mutual NDA_FE_17May2023	5/17/2023	—
58	Amerisource Funding, Inc.	Novan, Inc.	Amerisource_NDA_FE_29Sept2022	9/29/2022	—
59	AMPAC Fine Chemicals LLC	Novan, Inc.	AMPAC_Mutual NDA_FE_11Aug2022	8/11/2022	—
60	AMPAC Fine Chemicals LLC	Novan, Inc.	AMPAC_MTA_FE_2Sept2022	9/2/2022	—
61	AmWINS	Novan, Inc.	Amwins_Mutual NDA_FE_16Aug2021	8/16/2021	—
62	Amy Huang	Novan, Inc.	Amy Huang_MCSA_FE	3/14/2023	—
63	Anthony T Cacek	Novan, Inc.	Cacek_Tim_SOW1_FE_8Jul2021	6/30/2021	—
64	Aon Consulting, Inc.	Novan, Inc.	Aon_SOW_1_FE_18Jan2022	1/5/2022	—
65	Aon Consulting, Inc.	Novan, Inc.	Aon_Services Agreement_FE_18Jan2022	1/18/2022	—
66	Aon Consulting, Inc.	Novan, Inc.	Aon Consulting_SOW_FE_3Feb2023	1/20/2023	—
67	APCER Life Sciences, Inc.	Novan, Inc.	APCER Life Sciences_Mutual NDA_FE_25Jun2021	6/22/2021	—
68	Applied Technical Services	Novan, Inc.	Applied Technical Services_Mutual NDA_FE_19Jan2022	1/19/2022	—
69	Apps Associates	EPI Health, LLC	MSA & SOW	TBD	—
70	Apps Associates LLC	Novan, Inc.	Apps Associates_MSA_FE_15May2022	5/15/2022	—
71	AptarGroup, Inc.	Novan, Inc.	Aptar_Shine Advisor_3-way NDA_FE_8Feb2022	2/8/2022	—
72	Argo Group US, Inc.	Novan, Inc.	Argo_Mutual NDA_FE_16Aug2021	8/12/2021	—
73	ARL Bio Pharma, Inc.	Novan, Inc.	ARL Bio Pharma_Mutual NDA_FE_10Feb2023	2/10/2023	—
74	Armstrong Relocation Co, Inc - Raleigh	Novan, Inc.	Armstrong Commercial Services_Proposal_FE_9Mar2021	2/8/2021	20,933
75	Arthur J. Gallagher Broker & Risk Management Services, LLC	Novan, Inc.	AJ Gallagher_Broker Letter_FE_10Aug2022	8/10/2022	—
76	Ascent Health Services	EPI Health, LLC	Fourth Amendment to the Amended and Restated Rebate Program Agreement by and between Ascent Health	1/1/2014	2,325,835
77	Ascent Health Services	EPI Health, LLC	Amended and Restated Rebate Program Agreement by and between Ascent Health Services LLC	1/1/2022	—
78	Ascent Health Services	EPI Health, LLC	Fourth Amendment to the Rebate Program Agreement by and between Ascent Health Services LLC	7/1/2021	—
79	Ascent Health Services	EPI Health, LLC	Third Amendment to the Rebate Program Agreement by and between Ascent Health Services LLC	5/1/2021	—
80	Ascent Health Services	EPI Health, LLC	Rebate Program Agreement by and between Ascent Health Services LLC and EPI Health	1/1/2020	—
81	Ashfield Market Access, LLC	EPI Health, LLC	MSA/SOWs	TBD	90,113
82	Astrix Technology, LLC	Novan, Inc.	Astrix_Direct Hire Agreement_FE_24Feb2021	2/24/2021	—
83	Austin Chemical Company, Inc.	Novan, Inc.	Austin Chemicals_Mutual NDA_FE_23Aug2021	7/1/2021	15,000
84	AVIR Pharma Inc.	Novan, Inc.	Avir Pharma_Mutual NDA_FE_27Jul2022	7/27/2022	—
85	Avista Pharma Solutions	Novan, Inc.	Avista_SOW19_FE_1Oct2019	8/22/2019	—
86	Avista Pharma Solutions	Novan, Inc.	Avista_SOW22_FE_28Oct2019	10/16/2019	—
87	Avista Pharma Solutions	Novan, Inc.	Avista Pharma_MSA Am3 Reinstatement_FE_29Oct2021	4/22/2021	—
88	Avista Pharma Solutions	Novan, Inc.	CONTRACT	2/27/2023	—
89	Avista Pharma Solutions	Novan, Inc.	Avista_Cambrex_SOW28_FE_27Feb2023	2/27/2023	—
90	Avomeen LLC	Novan, Inc.	Avomeen_Proposal 21-90325_FE_9Nov2021	10/13/2021	—
91	Avomeen LLC	Novan, Inc.	Avomeen_MSA Am2 Rein_FE_10Dec2021	9/8/2021	—
92	Avomeen LLC	Novan, Inc.	Avomeen_Proposal 19-72313_FE_1Oct2019	10/1/2019	—
93	AXIS Insurance Company	Novan, Inc.	Axis Insurance_One Way NDA_FE_16Aug2021	8/1/2021	—

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ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
94	AZTherapies, Inc.	Novan, Inc.	AZTherapies_Mutual NDA_FE_22Jan2020	1/22/2020	–
95	Azzur Group, LLC	Novan, Inc.	Azzur Group_Mutual NDA_FE_23Feb2023	2/23/2023	–
96	Bank of America, N.A.	Novan, Inc.	Bank of America_NDA_FE_26Sept2022	9/26/2022	–
97	Barnette Consulting, L.L.C.	Novan, Inc.	Barnette_Deborah_SOW1_FE_31Jul2019	7/18/2019	–
98	Barry Wehmiller Design Group	Novan, Inc.	Barry Wehmiller Design_Mutual NDA_FE_19Oct2021	10/19/2021	66,560
99	Barry Wehmiller Design Group	Novan, Inc.	Barry Wehmiller Design Group_MSA_FE_15Feb2023	2/15/2023	–
100	Barry Wehmiller Design Group	Novan, Inc.	Barry Wehmiller Design Group_SOW1_FE_15Feb2023	2/15/2023	–
101	Bay View Funding	Novan, Inc.	BVF_NDA_FE_27Sept2022	9/27/2022	–
102	Bayer Healthcare LLC	EPI Health, LLC	OTC Switch License Agreement between EPI Health, LLC and Bayer Healthcare LLC	2/21/2020	–
103	Bayron Cleaning Services LLC	Novan, Inc.	Bayron Cleaning Services_MSA_FE_3Mar2022	2/17/2022	9,500
104	Bayron Cleaning Services LLC	Novan, Inc.	Bayron Cleaning Services_SOW 1_FE_11Apr2022	3/7/2022	–
105	Bayron Cleaning Services LLC	Novan, Inc.	Bayron Cleaning Services_SOW2_FE_25Aug2022	8/25/2022	–
106	BCI Management and Communications, LLC	EPI Health, LLC	MSA	TBD	–
107	Beach Point Capital Management LP	Novan, Inc.	Beach Point_Mutual NDA_FE_6Jul2023	7/6/2023	–
108	Bio Business Consultants	Novan, Inc.	Bio Business Consultants_Mutual NDA_FE_31Jul2020	7/31/2020	–
109	BioAgilytix Labs LLC	Novan, Inc.	BioAgilytix_Mutual NDA_draft_14Oct2021	10/14/2021	–
110	BioAlliance Pharma, S.A. & Innocutis Holdings, LLC	EPI Health, LLC	License and Commercialization Agreement between BioAlliance Pharma SA and Innocutis Holdings LLC	3/17/2014	–
111	BioAlliance Pharma, S.A. & Innocutis Holdings, LLC	EPI Health, LLC	Supply Agreement between BioAlliance Pharma SA and Innocutis Holdings LLC,	3/17/2014	–
112	BioPharmaPotentials LLC	Novan, Inc.	BioPharmaPotentials_Mutual NDA_FE_30Jul2020	7/29/2020	–
113	BMD Scientific, LLC	Novan, Inc.	BMD Scientific_Recruiter Fee Agreement_FE_2Feb2022	2/2/2022	–
114	BOCSCI Inc.	Novan, Inc.	BocSci_Mutual NDA_FE_7Jun2023	6/7/2023	–
115	Boni Elewski Hoover	Novan, Inc.	Boni Elewski Hoover_MCSA_FE	3/14/2023	–
116	Boston Analytical, Inc.	Novan, Inc.	Boston Analytical	11/14/2022	–
117	Botanix Pharmaceuticals Ltd.	Novan, Inc.	Botanix_Mutual NDA_FE_29Nov2022	12/2/2022	–
118	Brady Trane Service, Inc.	Novan, Inc.	Brady Trane Service_Service Agreement_FE_3Mar2022	4/1/2022	17,820
119	Brand Institute, Inc.	Novan, Inc.	Brand Institute_Brand Name Testing Proposal_FE_27Aug2019	8/27/2019	–
120	Brand Institute, Inc.	Novan, Inc.	Brand Institute_Refreshed Research SB206_FE_25Jan2023	1/25/2023	–
121	Brickell Biotech Inc.	Novan, Inc.	Brickell Biotech_Mutual NDA_FE_7Jul2021	7/7/2021	–
122	BridgeBio Pharma, Inc.	Novan, Inc.	BridgeBio_Mutual NDA_FE_6Apr2022	4/6/2022	–
123	Budget Blinds of Durham	Novan, Inc.	Budget Blinds_WO_FE_7May2021	5/7/2021	–
124	Business Ready Solutions, LLC	Novan, Inc.	Business Ready Solutions	12/14/2022	3,646
125	Business Ready Solutions, LLC	Novan, Inc.	Business Ready Solutions_Order Form_FE_1May2023	5/1/2023	–
126	Caerus Marketing Group, LLC	Novan, Inc.	CMG_StudyKIK_MSA_FE_1Mar2019	2/20/2019	–
127	Caerus Marketing Group, LLC	Novan, Inc.	CMG_StudyKIK_SOW301_FE_12Apr2019	4/15/2019	–
128	Caerus Marketing Group, LLC	Novan, Inc.	CMG_StudyKIK_SOW302_FE_12Apr2019	4/15/2019	–
129	CallTower, Inc.	Novan, Inc.	CallTower_Proposal_FE_1Mar2021	2/26/2021	–
130	Canfield Scientific, Inc.	Novan, Inc.	Canfield Scientific_WO 4_FE_	7/6/2020	–
131	Canfield Scientific, Inc.	Novan, Inc.	Canfield_WOAm_FE_3Nov2020	11/3/2020	–
132	Canopius Underwriting Agency, Inc. dba Canopius Insurance Services	Novan, Inc.	Canopius_Mutual NDA_FE_22Jul2020	7/22/2020	–
133	Cantor Fitzgerald & Co.	Novan, Inc.	Cantor_NDA_FE_22Mar2021	3/22/2021	–
134	CaremarkPCS Health LLC	EPI Health, LLC	Rebate Agreement by and between CaremarkPCS Health LLC and EPI Health	1/1/2020	5,073,421
135	CaremarkPCS Health LLC	EPI Health, LLC	First Amendment to the Rebate Agreement by and between CaremarkPCS Health, LLC and EPI Health	2/1/2020	–
136	CaremarkPCS Health LLC	EPI Health, LLC	Second Amendment to the Rebate Agreement by and between CaremarkPCS Health, LLC and EPI Health	1/1/2021	–
137	CaremarkPCS Health LLC	EPI Health, LLC	Third Amendment to the Rebate Agreement by and between CaremarkPCS Health, LLC and EPI Health	4/1/2021	–
138	CaremarkPCS Health LLC	EPI Health, LLC	Fourth Amendment to the Rebate Agreement by and between CaremarkPCS Health, LLC and EPI Health	1/1/2022	–
139	Carolina Livery	Novan, Inc.	Carolina Livery_Service Agreement_Christmas Party_FE_29Oct2019	11/6/2019	–
140	Catalent CTS (Kansas City), LLC	Novan, Inc.	CTS_Mutual NDA_FE_19Jan2022	1/19/2022	–
141	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_QTE-9144450_Extractables Characterization of Aluminum Tube and Cap_FE_25SEP2019	9/18/2019	22,004
142	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_QAR_QTE-9190786_FE_18Jun2021	6/15/2020	–
143	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_SOW 9208973_FE_30Aug2022	8/30/2022	–
144	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_QTE-9219576_FE_27Sept2022	9/27/2022	–

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145	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_Quote_Microscopy_FE_23Sept2022	8/25/2022	—
146	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_SOW 9174845_FE_18May2022	5/16/2022	—
147	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_SOW 9194167_FE_17May2022	5/3/2022	—
148	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_QAR2_QTE-9174844_Additional Analysis of GLP Test Article_FE_26Aug2021	12/15/2020	—
149	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_Quotation 9174844_FE_15Dec2020	12/15/2020	—
150	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_QTE-9202127v2_FE_10Dec2021	11/24/2021	—
151	Catalent Pharma Solutions - RTP	Novan, Inc.	Catalent_Quotation 9145101_FE_7Sept2021	9/2/2021	—
152	Catapult Employers Association, Inc.	Novan, Inc.	Catapult_Recruiting Agreement_FE_22Sept2021	9/15/2021	—
153	Catherine Motosko	Novan, Inc.	Catherine Motosko_MCSA_FE	3/14/2023	—
154	CCL Label Inc.	Novan, Inc.	CCL Label_Mutual NDA_FE_2Sept2021	9/2/2021	—
155	Certara USA, Inc.	Novan, Inc.	Certara_WO1 Toxicology_FE_30May2023	5/30/2023	9,118
156	Certara USA, Inc.	Novan, Inc.	Certara_MSA_FE_25Apr2023	4/25/2023	—
157	Charles River	Novan, Inc.	Charles River Labs_SOW Am1_00293507_Cardiovascular Radiotelemetry Minipigs_FE_27Sept2019	9/16/2019	1,080
158	Charles River	Novan, Inc.	Charles River Labs_SOW Am1_00293508_CNS Rats_FE_27Sept2019	9/25/2019	—
159	Charles River	Novan, Inc.	Charles River Labs_SOW Am1_00293509_Respiratory Rats_FE_27Sept2019	9/25/2019	—
160	Charles River	Novan, Inc.	Charles River Labs_SOW_Am1_Gastrointestinal Mouse_FE_2Aug2019.	7/29/2019	—
161	Charles River	Novan, Inc.	Charles River Labs_SOW_Gastrointestinal study in Mice_FE_11Jul2019	7/9/2019	—
162	Charles River	Novan, Inc.	Charles River_Novan Safety Pharm and hERG Studies SOW_FE_18Jul2019	7/9/2019	—
163	Charles River	Novan, Inc.	Charles River_SOW_Am 1_Minipigs_FE_8Aug2019	8/6/2019	—
164	Charles River	Novan, Inc.	Charles River_SOW_Am 1_Rats_FE_8Aug2019	8/6/2019	—
165	Charles River	Novan, Inc.	Charles River_SOW_OPP-136050 V4_FE_7May2019	5/6/2019	—
166	Charles River	Novan, Inc.	Charles River_SOW 2 Am_DSS Induced Colitis in Mice_FE_20Dec2019	12/19/2019	—
167	Charles River	Novan, Inc.	Charles River_Proposal 20302618_FE_17Mar2021	10/6/2021	—
168	Charles River	Novan, Inc.	Charles River Labs_SOW_ManualPatch GLP hERG_FE_11Jan2021	12/10/2020	—
169	Charles River	Novan, Inc.	Charles River Labs_Am SOW 2_00293509_FE_30Jun2020	6/30/2020	—
170	Charles River	Novan, Inc.	Charles River Labs_Am SOW 2_FE_30Jun2020	6/30/2020	—
171	Charles River	Novan, Inc.	Charles River_SOW Shipment_FE_18Apr2023	3/19/2020	—
172	Charles River	Novan, Inc.	Charles River_Storage of Study Materials 2022_FE_12Jul2022	4/14/2023	—
173	Charles River	Novan, Inc.	Charles River Lab_Mutual NDA_FE_12May2023	5/12/2023	—
174	Chemische Fabrik Karl Bucher GmbH	Novan, Inc.	Chemische Fabrik Karl Bucher_Mutual NDA_FE_1Jul2021	7/1/2021	—
175	Chesson Laboratory Associates, Inc.	EPI Health, LLC	First Amendment to Exclusive License Agreement by and between Chesson Laboratory Associates, Inc. and Innocutis Holdings, LLC	1/8/2014	—
176	Chesson Laboratory Associates, Inc.	EPI Health, LLC	Settlement Agreement and Fourth Amendment to License Agreement, by and between Chesson Laboratory Associates, Inc. and EPI Health, LLC (successor in interest to Cipher Pharmaceuticals US, LLC)	1/30/2019	—
177	Chesson Laboratory Associates, Inc.	EPI Health, LLC	Fifth Amendment to License Agreement by and between Chesson Laboratory Associates, Inc. and EPI Health	5/16/2019	—
178	Chesson Laboratory Associates, Inc.	EPI Health, LLC	First Amendment to Supply Agreement by and between Chesson Laboratory Associates, Inc. and EPI Health LLC	1/30/2019	—
179	Chesson Laboratory Associates, Inc.	EPI Health, LLC	Consent to Supply Agreement for Nuvail, dated November 28, 2017.	11/28/2017	—
180	Chesson Laboratory Associates, Inc. & Cipher Pharmaceuticals US LLC	EPI Health, LLC	Third Amendment to Exclusive License Agreement by and between Chesson Laboratory Associates, Inc. and Innocutis Holdings, LLC	4/28/2017	—
181	Chesson Laboratory Associates, Inc. & Innocutis Holdings, LLC	EPI Health, LLC	Exclusive License Agreement by and between Chesson Laboratory Associates, Inc., and Innocutis Holdings	11/7/2011	—
182	Chesson Laboratory Associates, Inc. & Innocutis Holdings, LLC	EPI Health, LLC	Second Amendment to Exclusive License Agreement by and between Chesson Laboratory Associates, Inc. and Innocutis Holdings, LLC	10/23/2014	—

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183	Chesson Laboratory Associates, Inc. & Innocutis Holdings, LLC	EPI Health, LLC	Supply Agreement (for Nuvail) by and between Chesson Laboratory Associates, Inc., and Innocutis Holdings LLC	10/15/2014	–
184	Chesson Laboratory Associates, Inc. & Innocutis Holdings, LLC	EPI Health, LLC	Supplier Quality Agreement by and between Chesson Laboratory Associates, Inc. and Innocutis Holdings	10/15/2014	–
185	Christopher G. Bunick	Novan, Inc.	Christopher Gerard Bunick_MCSA_FE	3/14/2023	–
186	Christy Jeffries Crump	Novan, Inc.	Crump_Christy Jeffries_Confidentiality-Assignment Inventions_FE_23Apr2019	5/1/2019	–
187	Chubb Bermuda Insurance Ltd.	Novan, Inc.	Chubb Bermuda Insurance Ltd.	8/16/2021	–
188	Cilatus BioPharma AG	Novan, Inc.	Cilatus_SOW6_FE_2Aug2021	7/30/2021	13,540
189	Cilatus BioPharma AG	Novan, Inc.	Cilatus_MCSA_Am2_FE_10Aug2021	8/1/2021	–
190	Cipher Pharmaceuticals US LLC & Onxeo S.A.	EPI Health, LLC	Amendment No. 1 to each of the License and Commercialization Agreement and Supply Agreement	4/27/2017	–
191	Civil Consultants, Inc.	Novan, Inc.	Civil Consultants_Mutual NDA_FE_18Dec2021	12/18/2020	–
192	Clarkston-Potomac Group, Inc.	Novan, Inc.	Clarkston Consulting_Mutual NDA_FE_9Mar2022	3/9/2022	410,050
193	Clarkston-Potomac Group, Inc.	Novan, Inc.	Clarkston_SOW 22-02_FE_18Oct2022	10/10/2022	–
194	Clarkston-Potomac Group, Inc.	Novan, Inc.	Clarkston Consulting_MSA_FE_14Apr2022	4/5/2022	–
195	CliftonLarsonAllen LLP	Novan, Inc.	CliftonLarsonAllen_SOW2_FE_22Jan2019	1/21/2019	–
196	Clinfinity, LLC	Novan, Inc.	Clinfinity_SOW5_FE_24Sept2019	9/16/2019	–
197	Clinfinity, LLC	Novan, Inc.	Clinfinity_SOW 8_FE_15Nov2021	11/12/2021	–
198	Clinfinity, LLC	Novan, Inc.	Clinfinity_MSA Am1 Rein_FE_15Nov2021	11/12/2021	–
199	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_WO 22-126_FE_2Feb2022	2/2/2022	11,799
200	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_Work Order 20-272_FE_6Jul2020	7/7/2020	–
201	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_CO SOW8_NI-MC301_FE_27Jun2019	6/27/2019	–
202	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_CO SOW9_NI-MC302_FE_27Jun2019	6/27/2019	–
203	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_NI-MC101_WO 19-537_CO 1_FE_15Aug2019	8/14/2019	–
204	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_SOW8_MC301_FE_28Mar2019	4/1/2019	–
205	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_SOW9_MC302_FE_28Mar2019	4/1/2019	–
206	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_WO 19-531_AD201_FE_27Sept2019	9/27/2019	–
207	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_WO 19-537_MC101_FE_15Jul2019	7/9/2019	–
208	Clinical Supplies Management, Inc.	Novan, Inc.	CSM_WO 19-664_HF_FE_16Sep2019	9/13/2019	–
209	CluePoints Inc.	Novan, Inc.	Cluepoints_MSA_Amendment1_FE_11Mar2019	2/21/2019	–
210	CluePoints Inc.	Novan, Inc.	Cluepoints_SOW2_FE_15Apr2019	4/15/2019	–
211	CluePoints Inc.	Novan, Inc.	Cluepoints_SOW_MC304_FE_21Aug2020	8/18/2020	–
212	CluePoints Inc.	Novan, Inc.	Cluepoints_SOW 3_FE_28Jan2021	1/11/2021	–
213	CobbleStone Systems Corp	Novan, Inc.	Cobblestone_LicenseAgreement_FE_4Sept2019	9/4/2019	–
214	Cole Rakar	Novan, Inc.	CONSULTING SERVICES AGREEMENT	3/16/2022	–
215	Cole Rakar	Novan, Inc.	Rakar_Cole_CSA_FE_16Mar2022	3/16/2022	–
216	Commissioning Agents, Inc	Novan, Inc.	CAI_SOW 1_FE_15Nov2021	11/15/2021	95,610
217	Commissioning Agents, Inc	Novan, Inc.	Commissioning Agents_Mutual NDA_FE_4Feb2021	2/4/2021	–
218	Commissioning Agents, Inc	Novan, Inc.	Commissioning Agents_SOW2_FE_6Feb2023	2/6/2023	–
219	Commissioning Agents, Inc	Novan, Inc.	Commissioning Agents_MSA_FE_16Apr2021	4/12/2021	–
220	Competitive Innovation, LLC	Novan, Inc.	Competitive Innovation_CSA_FE_5Aug2022	8/5/2022	–
221	Concur Technologies, Inc.	Novan, Inc.	Concur_Assignment and Assumption_FE_2Jun2022	6/2/2022	–
222	Connie Yang	Novan, Inc.	Connie Yang_MCSA_FE	3/14/2023	–
223	Connie Yang	Novan, Inc.	Zachary Joseph Solomon_MCSA_FE	3/14/2023	–
224	Continental Casualty Company (CNA)	Novan, Inc.	Continental Casualty Company	7/20/2020	–
225	Contract Pharmaceuticals Limited Canada	Novan, Inc.	CPL_Mutual NDA_FE_15Jul2022	7/15/2022	–
226	Cooper International FZ LLC	Novan, Inc.	Cooper International_Mutual NDA_FE_1Sept2022	9/1/2022	–
227	CoverMyMeds LLC	Novan, Inc.	CoverMyMeds_Mutual NDA_FE_21Dec2022	12/21/2022	–
228	CREO, Inc.	Novan, Inc.	CREO_Mutual NDA_FE_10Dec2021	12/10/2021	–
229	CREO, Inc.	Novan, Inc.	CREO_SOW2_FE_17Mar2022	3/8/2022	–
230	Crown Equipment Corporation	Novan, Inc.	Short Term Rental Agreement	6/13/2022	–
231	CTI Holdings Inc.	Novan, Inc.	CTI_Mutual NDA_FE_24Apr2019	4/23/2019	–
232	CTI Holdings Inc.	Novan, Inc.	CTI_Proposal2_FE_27Jun2019	6/27/2019	–
233	CTI Holdings Inc.	Novan, Inc.	CTI_Proposal3_SB207_Protocol Synopsis and Regulatory Support_FE_18Sep2019	9/16/2019	–
234	Custom Gas Solutions L.L.C.	Novan, Inc.	Custom Gas Solutions_CSA_FE_24Aug2022	8/24/2022	–
235	CVS Caremark	EPI Health, LLC	The Rebate Agreement by and between CAREMARK PCS HEALTH, L.L.C and EPI HEALTH, LLC- January 1, 2020	1/1/2020	306,349
236	David King	Novan, Inc.	King_David_Mutual NDA_FE_2Aug2021	7/28/2021	–
237	Delta Project s.r.l.	Novan, Inc.	Delta Project_Huvepharma_NDA IP Assignment_FE_1Jul2021	7/1/2021	–
238	Dennis Amundson, MS DO	Novan, Inc.	Amundson_Dennis_Mutual NDA_FE_20Jan2022	1/20/2022	–
239	Dermalliance LLC	Novan, Inc.	Dermalliance Llc_MCSA_FE	3/14/2023	–
240	Dermatology Associates of Mid Ohio	Novan, Inc.	Dermatology Associates Of Mid Ohio_MCSA_FE	3/14/2023	–

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241	Dermatology Consulting Services, PLLC	EPI Health, LLC	Master Services Agreement by and between Dermatology Consulting Services, PLLC, and EPI Health, LLC	9/28/2021	–
242	Development Insights LLC	Novan, Inc.	Development Insights_Mutual NDA_FE_25Jun2021	6/24/2021	–
243	Doe & Ingalls	Novan, Inc.	Doe & Ingalls_Stocking Agreement_FE_26May2022	5/26/2022	119,284
244	Doe & Ingalls	Novan, Inc.	Doe and Ingalls_WSA_PE_12Aug2021	8/6/2021	–
245	Dottikon Exclusive Synthesis AG	Novan, Inc.	Dottikon_Quality Agreement_FE_15Jul2019	7/15/2019	–
246	Dottikon Exclusive Synthesis AG	Novan, Inc.	Dottikon_MSA_FE-final_19Jun2019	6/12/2019	–
247	Dottikon Exclusive Synthesis AG	Novan, Inc.	Dottikon_Project Order 1 CO1_FE_18Oct2019	10/2/2019	–
248	DPS Group, Inc.	Novan, Inc.	DPS Group, Inc._CO #1_FE_7Jul2020	7/7/2020	–
249	DPT	EPI Health, LLC	Revised Schedule A, dated January 9, 2019	1/9/2019	–
250	DPT	EPI Health, LLC	Revised Schddule A, dated November 14, 2019	11/14/2019	–
251	DPT & Dr. Reddy's	EPI Health, LLC	Manufacturing Agreement between DPT Laboratories, Ltd. And Dr. Reddy's Laboratories, Inc.	11/8/2007	275,770
252	DPT & Dr. Reddy's	EPI Health, LLC	First Amendmend to the Manufacturing Agreement dated May 28, 2008,	5/28/2008	–
253	DPT & Dr. Reddy's	EPI Health, LLC	Third Amendment to Manufacturing Agreement and Agreement Regarding Product Transfer, between Promius Pharma	7/26/2012	–
254	DPT & Dr. Reddy's	EPI Health, LLC	Foruth Amendment to Manufacturing Agreement and Agreement Regarding Product Transfer, between Promius Pharma	5/31/2013	–
255	DPT & Dr. Reddy's	EPI Health, LLC	FifthSecond Amendment to Manufacturing Agreement and Agreement Regarding Product Transfer, between Promius Pharma	6/24/2013	–
256	DPT & Promius Pharma	EPI Health, LLC	Second Amendment to Manufacturing Agreement and Agreement Regarding Product Transfer, between Promius Pharma	3/31/2011	–
257	DPT Laboratories	EPI Health, LLC	Revised Schedule A, dated November 15, 2021	11/15/2021	–
258	DPT Laboratories, LTD	Novan, Inc.	DPT_Sato_3 way NDA_FE_19Apr2023	4/19/2023	–
259	DPT Laboratories, Ltd.	EPI Health, LLC	Master Manufacturing and Supply Agreement, by and between Allergan Sales, LLC and DPT Laboratories,	8/16/2018	262,934
260	DPT Laboratories, Ltd.	EPI Health, LLC	Purchase Order - Original 4301432450, dated September 5, 2018	9/5/2018	–
261	DPT Laboratories, Ltd.	EPI Health, LLC	Notice of Assignment, dated November 30, 2018	11/30/2018	–
262	DPT Laboratories, Ltd.	EPI Health, LLC	RE: Contract Manufacturing and Supply Agreement dated August 16, 2018 between Allergan Sales LLC and DPT Laboratories	8/16/2018	–
263	DPT Laboratories, Ltd.	EPI Health, LLC	Quality Agreement on Contract Manufacturin by and between Aclaris Theraputics and DPT Laboratories Ltd.	11/30/2018	–
264	Dr Julie Harper	EPI Health, LLC	SOW	TBD	–
265	Dr. Marino Nebuloni	Novan, Inc.	Nebuloni_Marino_Huvepharma_NDA IP Assignment_FE_25May2021	5/25/2021	–
266	Dr. Reddy's	EPI Health, LLC	Asset Purchase and License Agreement by and between Dr. Reddy's Laboratories, Ltd. And EPI Health	8/20/2018	–
267	Dr. Reddy's	EPI Health, LLC	Assignment and Assumption Agreement between Dr. Reddy's Laboratories, Ltd. And EPI Health, LLC	8/20/2018	–
268	Dr. Reddy's	EPI Health, LLC	Bill of Sale, dated August 20, 2018	8/20/2018	–
269	Dr. Reddy's	EPI Health, LLC	Assignment of Domain Names by and between Dr. Reddy's Laboratories, Inc. and EPI Health, LLC	8/20/2018	–
270	Dr. Reddy's	EPI Health, LLC	Supply Agreement, by and between Dr. Reddy's Laboratories Ltd. and EPI Health, LLC	8/20/2018	–
271	Dr. Reddy's	EPI Health, LLC	Trademark Assignment Agreement by anad between Dr. Reddy's Laboratories, Ltd. And EPI Health, LLC	8/8/2018	–
272	Dr. Reddy's, Promius, EPI, and DPT	EPI Health, LLC	Assignment and Assumption Agreement with Novation, between Dr. Reddy's Laboratories, Inc., Promius Pharma LLC and DPT Laboratories Ltd.	11/1/2018	–
273	Dragonfly Agency	EPI Health, LLC	MSA	TBD	–
274	Dragonfly Agency Corporation	Novan, Inc.	Dragonfly Agency_MSA_FE_15Aug2022	8/15/2022	–
275	DSB Consulting LLC	Novan, Inc.	Dsb Consulting_MCSA_FE	3/14/2023	–
276	Duo Security, Inc.	Novan, Inc.	Duo Order Form_FE_4May2022	5/7/2022	–
277	East Tennessee Clinical Research, Inc.	Novan, Inc.	ETCR_Scullion_3-way Mutual NDA_FE_28Dec2020	12/28/2020	–
278	East Tennessee Clinical Research, Inc.	Novan, Inc.	ETCR_SOW1_FE_10Feb2021	2/10/2021	–
279	East Tennessee Clinical Research, Inc.	Novan, Inc.	ETCR_MSA_FE_29Jan2021	1/29/2021	–
280	East Tennessee Clinical Research, Inc.	Novan, Inc.	ETCR_SOW2_FE_6Apr2021	4/6/2021	–
281	Easysnap Technology S.r.l.	Novan, Inc.	Easysnap_Proposal_FE_24Oct2019	10/22/2019	799

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282	Easysnap Technology S.r.l.	Novan, Inc.	Easysnap_WO_FE_8Oct2020	10/2/2020	–
283	Easysnap Technology S.r.l.	Novan, Inc.	Easysnap_Am to Quote 19093.3_FE_9Sept2021	8/24/2021	–
284	Easysnap Technology S.r.l.	Novan, Inc.	Easysnap_Annex B to Quote 19093.3_FE_17May2022	4/27/2022	–
285	Edward Lain	Novan, Inc.	Ted Lain Md Consulting Llc_MCSA_FE	3/14/2023	–
286	EF Hutton, devision of Benchmark Investments, LLC	Novan, Inc.	EF Hutton_NDA_FE_11Apr2023	4/11/2023	–
287	Ei LLC	Novan, Inc.	Ei_Agreement BOS_FE_23Jan2019	1/22/2019	–
288	Elaine May	Novan, Inc.	May_Elaine_Mutual NDA_FE_29Jul2020	7/29/2020	–
289	Elixir	EPI Health, LLC	Commercial Rebate Agreement by and between Envision Pharmaceutical Services, LLC and Aclaris Therape	10/16/2019	–
290	Elixir	EPI Health, LLC	First Amendment to Commercial Rebate Agreement by and between Elixir Rx Solutions of Nevada, LLC fka	1/1/2022	–
291	Elizabeth Swanson LLC	Novan, Inc.	Elizabeth Swanson Llc_MCSA_FE	3/14/2023	–
292	Emisar Pharma Services, LLC	EPI Health, LLC	Rebate Agreement by and between Emisar Pharma Services LLC and EPI Health, LLC, effective August 1	8/1/2022	4,670,995
293	Emisar Pharma Services, LLC	EPI Health, LLC	Amendment to the Rebate Agreement by and between Emisar Pharma Services LLC and EPI Health, LLC	8/1/2022	–
294	EMTO GmbH	Novan, Inc.	Patheon_EMTO_3-way NDA_FE_1Dec2021	12/1/2021	–
295	Endurance Assurance Corporation a member of the Somp International group of companies	Novan, Inc.	Endurance Assurance_Sompo_One Way NDA_FE_16Aug2021	8/10/2021	–
296	ENG Solutions, Inc.	Novan, Inc.	ENG Solutions_AIA B104_FE_18Aug2022	6/1/2022	500
297	ENG Solutions, Inc.	Novan, Inc.	ENG Solutions_Mutual NDA_FE_22May2023	5/22/2023	–
298	Envoy, Inc.	Novan, Inc.	Envoy_Quote 16212-1_FE_15Feb2023	2/15/2023	–
299	EPI Health LLC	Novan, Inc.	EPI Health_NDA_FE_8Nov2021	11/8/2021	–
300	Eric Yang	Novan, Inc.	Eric Yang_MCSA_FE	3/14/2023	–
301	Ernst & Young US LLP	Novan, Inc.	Ernst and Young_SOW_FE_15Sept2022	9/1/2022	166,416
302	eStrat, LLC	Novan, Inc.	eStrat_NDA_FE	1/12/2023	–
303	Eurofarma Laboratorios S.A.	Novan, Inc.	Eurofarma Laboratorios_Mutual NDA_FE_8Jun2023	6/8/2023	–
304	Eurofins MWG Operon LLC	Novan, Inc.	Eurofins_Mutual NDA_FE_15May2019	5/7/2019	–
305	Evans General Contractors, LLC	Novan, Inc.	Evans General Contractors_Mutual NDA_FE_14Aug2020	8/14/2020	–
306	Evening Post Group, LLC	Novan, Inc.	Pending	TBD	1,000,000
307	Evergreen Healthcare Consulting LLC	Novan, Inc.	Evergreen Consulting, LLC Statement of Work #1	1/12/2023	1,950
308	Evergreen Healthcare Consulting LLC	Novan, Inc.	Evergreen HealthCare MSA	1/11/2023	–
309	Express Customs Clearance (USA), Inc	Novan, Inc.	Express Customs Clearance_Cont Customs Bond_FE_10Sept2021	9/10/2021	–
310	Express Scripts, Inc.	EPI Health, LLC	Preferred Savings Grid Rebate Program Agreement by and between Express Scripts, Inc. and EPI Health	4/1/2020	19,196
311	Express Scripts, Inc.	EPI Health, LLC	First Amendment to the Preferred Savings Grid Rebate Program Agreement by and between Express Scripts	4/1/2021	–
312	Express Scripts, Inc.	EPI Health, LLC	Second Amendment to the Preferred Savings Grid Rebate Program Agreement by and between Express Scripts	7/1/2021	–
313	Express Scripts, Inc.	EPI Health, LLC	Fourth Amendment to the Preferred Savings Grid Rebate Program Agreement by and between Express Scripts	7/1/2022	–
314	Express Scripts, Inc.	EPI Health, LLC	First Amendment to the Inflation Agreement by and between Express Scripts, Inc. and EPI Health, LLC	7/1/2021	–
315	Fauske & Associates, LLC	Novan, Inc.	Fauske_Westinghouse_CCN_FE_16Mar2022	3/16/2022	–
316	Fauske & Associates, LLC	Novan, Inc.	Fauske_SOW_1_FE_10Aug2020	8/10/2020	–
317	Fauske & Associates, LLC	Novan, Inc.	Fauske_SOW F21-0092_FE_28Apr2021	4/28/2021	–
318	FedEx	Novan, Inc.	FedEx_Pricing Agreement_FE_8Oct2019	8/5/2019	1
319	Felton Banks PLLC	Novan, Inc.	Felton Banks_Engagement Letter_FE_23Sept2019	9/12/2019	–
320	Felton Banks PLLC	Novan, Inc.	Michael Best_Transfer Letter_FE_8Oct2019	9/30/2019	–
321	Fern Lane Software, LLC	Novan, Inc.	Fern Lane Software_MSA_FE_11May2022	5/11/2022	–
322	Fern Lane Software, LLC	EPI Health, LLC	MSA	TBD	3,341
323	Fifth Third Bank, NA	Novan, Inc.	Fifth Third Bank_Mutual NDA_FE_1Jul2022	7/1/2022	–
324	Fingerpaint Marketing, Inc.	EPI Health, LLC	MSA	TBD	–
325	Flores & Associates	Novan, Inc.	Flores & Associates_SA_FE_27Sept2019	9/24/2019	–
326	Frankel Staffing Partners	Novan, Inc.	Frankel Staffing_Service Agreement_FE_11Oct2021	10/11/2021	–
327	Full Scale Solutions, Inc	Novan, Inc.	FullScale Solutions_Service Agreement_FE_18Oct2021	10/12/2021	–
328	G&M Health LLC	Novan, Inc.	G&M Health_Mutual NDA_FE_31Aug2022	8/31/2022	–
329	Galen Patient Recruitment, Inc.	Novan, Inc.	Galen Patient Recruitment_SOW 2 Am1_FE_17Dec2020	12/22/2020	–

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ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
330	Gannett Fleming Inc.	Novan, Inc.	Gannett Fleming_MSA_FE_4Apr2021	4/4/2021	1,472
331	Gannett Fleming Inc.	Novan, Inc.	Gannett Fleming_SOW1_FE_11May2021	5/11/2021	—
332	Glick Skin - GSI Clinical Research	Novan, Inc.	Glick Skin - Gsi Clinical Research_MCSA_FE	3/14/2023	—
333	Gold Skin Care Center	Novan, Inc.	Gold Skin Care Center_MCSA_FE	3/14/2023	—
334	Harrison Phu Nguyen	Novan, Inc.	Harrison Phu Nguyen_MCSA_FE	3/14/2023	—
335	HC Wainwright & Co.	Novan, Inc.	Novan_HCW_ATM Term Sheet_Executed_4Feb2019	2/4/2019	—
336	Heidi Graham	Novan, Inc.	Graham_Heidi_SOW5_FE_22Feb2022	2/22/2022	—
337	Heidi Graham	Novan, Inc.	Graham_Heidi_SOW4_FE_1Nov2021	11/1/2021	—
338	Heidi Graham	Novan, Inc.	Shine Advisor_SOW3_FE_4Feb2021	2/4/2021	—
339	Hercules Capital Inc.	Novan, Inc.	Hercules Capital_NDA Am1_FE_27Jul2021	7/27/2021	—
340	Hilary E. Baldwin, M.D.	Novan, Inc.	Hilary Baldwin_MCSA_FE	3/14/2023	—
341	HITT Contracting, Inc.	Novan, Inc.	HITT Contracting_Mutual NDA_FE_14Aug2020	8/14/2020	—
342	HLP Klearfold	Novan, Inc.	HLP Klearfold_Mutual NDA_FE_3May2022	4/27/2022	—
343	Horizon Video Productions, Inc.	Novan, Inc.	Horizon Productions_Proposal_FE_3Apr2019	4/3/2019	—
344	Horizon Video Productions, Inc.	Novan, Inc.	Horizon Productions_Proposal_MC101 Illustrations_FE_2Aug2019	8/1/2019	—
345	Hudson Insurance Group	Novan, Inc.	Hudson Financial Products_Mutual NDA_FE_20Jul2020	7/20/2020	—
346	Huvepharma Italia S.r.l.	Novan, Inc.	Huvepharma_Cilatus_3-way NDA_FE_5Oct2020	9/30/2020	—
347	Hydro Service & Supplies, Inc.	Novan, Inc.	Hydro_SA_FE_7Jan2022	1/7/2022	—
348	Hyman, Phelps & McNamara PC	Novan, Inc.	Hyman Phelps @ McNamara_Rep Letter_FE_1Aug2022	7/27/2022	3,845
349	Industrial Automated Systems, Inc.	Novan, Inc.	Industrial Automated Systems_MSA_FE_11Feb2022	2/11/2022	10,434
350	Industrial Automated Systems, Inc.	Novan, Inc.	Industrial Automated Systems_CO1 to Quote 22085_FE_12May2022	5/12/2022	—
351	Innovaderm Research Inc.	Novan, Inc.	Innovaderm_AD201 SUA_FE_16Sept2019	9/10/2019	—
352	Innovaderm Research Inc.	Novan, Inc.	Innovaderm_AD201 SUA_FE_16Sept2019	4/2/2020	—
353	Innovative Regulatory Consulting LLC	Novan, Inc.	Innovative Regulatory Consulting_CSA_FE_10Mar2021	3/10/2021	—
354	Innovative Regulatory Consulting LLC	Novan, Inc.	Innovative Regulatory Consulting_Mutual NDA_FE_8Mar2021	3/8/2021	—
355	Innoeva Technologies, LLC	Novan, Inc.	Innoeva Technologies_SOW2_FE_14Oct2019	9/1/2019	36,316
356	Innovenn, Inc.	Novan, Inc.	Innovenn_MSA-SOW_FE_21May2019	4/26/2019	—
357	Inovalon Insights, LLC	Novan, Inc.	Inovalon Insights_Mutual NDA_FE_26Oct2022	10/26/2022	—
358	Integrated Nonclinical Development Solutions, Inc.	Novan, Inc.	INDS_SOW2_SB206 NDA Prep_FE_13Jul2021	6/1/2021	—
359	International Process Plants	Novan, Inc.	International Process Plants	8/11/2020	—
360	Intertek Melbourne	Novan, Inc.	Intertek Melbourn_Mutual NDA_FE_24Jun2021	6/16/2021	—
361	Intertek Melbourne	Novan, Inc.	Intertek_SOW_2_Quote 7651_FE_18May2022	5/12/2022	—
362	Intertek Melbourne	Novan, Inc.	Intertek Melbourn_MSA_FE_30Sept2021	9/30/2021	—
363	Intertek Melbourne	Novan, Inc.	Intertek Melbourn_SOW1_FE_11Oct2021	9/30/2021	—
364	IQVIA Inc.	Novan, Inc.	IQVIA-Novella_MSA Am1_FE_10Apr2019	4/12/2019	5,055
365	IQVIA Inc.	EPI Health, LLC	Statement of Work by and between IQVIA Inc. and EPI Health, LLC	5/1/2023	171,471
366	IQVIA Inc.	EPI Health, LLC	Statement of Work by and between IQVIA Inc. and EPI Health, LLC	4/24/2020	—
367	J. Anderson Law PLLC	Novan, Inc.	J Anderson Law_Novan_Engagement Letter_16May2019_FE	5/16/2019	—
368	JAF Consulting, Inc.	Novan, Inc.	JAF Consulting_CO_FE_11Jul2019	7/9/2019	—
369	Jeffrey Sugarman	Novan, Inc.	Jeffrey Sugarman_MCSA_FE	2/24/2023	—
370	Jenkins, Wilson, Taylor & Hunt, P.A.	Novan, Inc.	Jenkins Wilson Taylor and Hunt_Representation Agreement_FE_24Jan2022	1/24/2022	—
371	John Browning, MD	Novan, Inc.	John Browning, Md_MCSA_FE	2/24/2023	—
372	John Paul Miller	Novan, Inc.	John Miller_MCSA_FE	3/14/2023	—
373	Jonathan Samuel Weiss	Novan, Inc.	Jonathan Samuel Weiss_MCSA_FE	3/14/2023	—
374	Joyce Kong	Novan, Inc.	Joyce Kong_MCSA_FE	3/14/2023	—
375	K2 HealthVentures Group LLC	Novan, Inc.	K2 HealthVentures_Mutual NDA_FE_6Oct2021	10/6/2021	—
376	KBI Biopharma Inc.	Novan, Inc.	KBI Biopharma_Mutual NDA_FE_8Dec2021	12/8/2021	—
377	Kerrie Powell Consulting LLC	Novan, Inc.	Kerrie Powell Consulting_Mutual NDA_FE_3Aug2020	7/31/2020	—
378	Kerrie Powell Consulting LLC	Novan, Inc.	Kerrie Powell Consulting_SOW2_FE_31Aug2020	8/27/2020	—
379	Kerrie Powell Consulting LLC	Novan, Inc.	Kerrie Powell Consulting_MSA_FE_17Aug2020	8/10/2020	—
380	Keystone Folding Box Co	Novan, Inc.	Keystone Box Folding_Mutual NDA_FE_15Feb2022	2/15/2022	—
381	Kinsale Holdings, Inc.	Novan, Inc.	Validant_MSA_FE_27Apr2021	4/27/2021	—
382	Kinsale Holdings, Inc.	Novan, Inc.	Validant_SOW1_FE_27Apr2021	4/27/2021	—
383	Klifovet AG	Novan, Inc.	Klifovet_Mutual NDA_FE_3Aug2020	8/3/2020	—
384	Knipper Health, Inc.	Novan, Inc.	KnipperRx_Mutual NDA_FE_13Dec2022	12/13/2022	—
385	KNOW Bio, LLC	EPI Health, LLC	UNC Sublicense Agreement, dated December 29, 2015, by and between Novan, Inc. and KNOW Bio,	12/29/2015	—
386	KNOW Bio, LLC	EPI Health, LLC	Novan Patent and Know-How License Agreement, dated December 29, 2015, by and between Novan,	12/29/2015	—

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ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
387	KnowBe4	Novan, Inc.	KnowBe4_Subscription Agreement_FE_4Oct2022	10/4/2022	–
388	Krieger AG	Novan, Inc.	Krieger_PlusMinus for WO220500_FE_19Feb2021	2/18/2021	–
389	Krieger AG	Novan, Inc.	Krieger_PlusMinus for WO220500_FE_19Feb2021	2/18/2021	–
390	Krieger AG	Novan, Inc.	Krieger_Change Order_FE_7May2021	2/19/2021	–
391	Kristin Torre	Novan, Inc.	Kristin Torre_MCSA_FE	3/14/2023	–
392	Kymanox Corporation	Novan, Inc.	Kymanox_SOW18_FE_25Aug2022	8/25/2022	–
393	Kymanox Corporation	Novan, Inc.	Kymanox_SOW14 Am1_FE_13Dec2021	12/13/2021	–
394	Kymanox Corporation	Novan, Inc.	Kymanox_MSA_FE_10May2021	5/10/2021	–
395	Labcorp Drug Development Inc.	Novan, Inc.	Labcorp_SSA Am1_Covid Protocol_FE_6Dec2021	12/7/2021	–
396	Labcorp Drug Development Inc.	Novan, Inc.	Labcorp_SSA_Covid Protocol_FE_20Sept2021	9/20/2021	–
397	Lane Kuntz (Malana Kuntz)	EPI Health, LLC	CSA	TBD	–
398	Lappenbusch Medical Writing Group LLC	Novan, Inc.	Lappenbusch Medical Writing_CSA Am1_FE_15Feb2019	2/14/2019	–
399	Lappenbusch Medical Writing Group LLC	Novan, Inc.	Lappenbusch Medical Writing_CSA Am2_FE_11Jul2019	4/30/2019	–
400	Law office of Kathleen Lynch, PLLC	Novan, Inc.	Lynch_Kathleen_Confidentiality-Assignment of Inventions_FE_12Feb2019	1/1/2019	14,511
401	Law office of Kathleen Lynch, PLLC	Novan, Inc.	Lynch_Kathleen_CSA_FE_12Feb2019	2/11/2019	–
402	Law office of Kathleen Lynch, PLLC	Novan, Inc.	Lynch_Kathleen_POA_FE_14Jan2021	1/1/2021	–
403	Lawrence F. Eichenfield	Novan, Inc.	Eichenfield_Lawrence_Termination Agreement_CSA_17Aug2020	8/1/2020	–
404	Lawrence J. Green MD	Novan, Inc.	ADVISOR AGREEMENT	10/1/2022	–
405	Lawrence J. Green MD	Novan, Inc.	Lawrence J Green Md Llc_MCSA_FE	3/14/2023	–
406	Legacy Pharma Inc.	Novan, Inc.	Legacy Pharma_Mutual NDA_FE_8Jun2023	6/8/2023	–
407	Level 3 Communications	Novan, Inc.	CenturyLink-Lumen_Service Order_FE_23Feb2021	2/23/2021	1,417
408	Life Storage Solutions, LLC	EPI Health, LLC	Master Rental Agreement	TBD	10,559
409	Ligan Pharmaceuticals, Incorporated	Novan, Inc.	Ligand_Development Funding and Royalties Agreement_FE_30May2019	5/4/2019	1,000,000
410	Ligan Pharmaceuticals, Incorporated	EPI Health, LLC	Development Funding and Royalties Agreement, dated May 4, 2019, by and between Novan, Inc. a	5/4/2019	–
411	Lincoln Harris	Novan, Inc.	Lincoln Harris_Lease Am2_FE_19Nov2021	1/18/2021	–
412	Lincoln Harris	Novan, Inc.	Lincoln Harris_Estoppel_FE_1Dec2021	12/1/2021	–
413	Lincoln Harris	Novan, Inc.	Lincoln Harris_Estoppel_FE_11Oct2022	10/11/2022	–
414	Linkoping University	Novan, Inc.	Linkoping University_Mutual NDA_FE_14Feb2022	2/14/2022	–
415	Linkoping University	Novan, Inc.	Linkoping University_Research and MTA_FE_1Aug2022	7/25/2022	–
416	Lisa Akintilo	Novan, Inc.	Lisa Akintilo_MCSA_FE	3/14/2023	–
417	Longfellow Real Estate Ventures LLC	Novan, Inc.	Longfellow_Tenant Estoppel Request_FE_23Jul2019	7/18/2019	–
418	Lovelace Biomedical (a division of Lovelace Respiratory Research Institute)	Novan, Inc.	Lovelace_MSA_FE_6Nov2020	11/5/2020	–
419	Lubrizol Advanced Materials, Inc.	Novan, Inc.	Lubrizol_Mutual NDA_FE_20Feb2023	2/20/2023	–
420	LYFE U.S. LLC	Novan, Inc.	Lyfe US_Mutual NDA_FE_17Feb2023	2/17/2023	–
421	MacLean Contract Services, Inc.	Novan, Inc.	MacLean Contract Services_CSA Termination_FE_16Jan2020	1/10/2020	–
422	Madryn Asset Management, LP	Novan, Inc.	Madryn Asset Management_NDA_FE_12Sept2022	9/12/2022	–
423	Mangan Inc.	Novan, Inc.	Mangan_Mutual NDA_FE_19Oct2021	10/19/2021	–
424	Manisha Jashbhai Loss	Novan, Inc.	Loss_Manisha_CSA Termination Agreement	1/8/2020	–
425	Manuel Valdebran, MD	Novan, Inc.	Valdebran_Manuel_Internship Agreement_FE_27Feb2023	2/27/2023	–
426	Markel Service, Incorporated	Novan, Inc.	Markel_One Way NDA_FE_16Aug2021	8/12/2021	–
427	Marnel Pharmaceuticals LLC	Novan, Inc.	Marnel_Mutual NDA_FE_9Nov2022	11/9/2022	–
428	MasterControl	Novan, Inc.	MasterControl_SaaS Agreement_FE_10Sept2019	9/10/2019	17,200
429	MasterControl	Novan, Inc.	Mastercontrol_Quote_FE_10Feb2023	2/10/2023	–
430	Matrix Engagement Group	EPI Health, LLC	MSA & SOW	TBD	–
431	MATRIX Engagement Group, LLC	Novan, Inc.	Matrix Engagement Group_MSA_FE_18Jan2023	1/18/2023	–
432	Mayne Pharma Commercial LLC	Novan, Inc.	Mayne Pharma Commercial_Mutual NDA_FE_1Jun2023	6/1/2023	–
433	MC2 Therapeutics Limited	EPI Health, LLC	Amended and Restated Promotion and Collaboration Agreement by and between MC2 Therapeutics	1/1/2022	654,052
434	MC2 Therapeutics Limited	EPI Health, LLC	Exhibit 1.74 to the Promotion and Collaboration Agreement by and between MC2 Therapeutics	8/12/2020	–
435	MC2 Therapeutics Limited	EPI Health, LLC	Exhibit 5.5 (SDEA) to the Promotion and Collaboration Agreement by and between MC2 Therapeutics	8/12/2020	–
436	MC2 Therapeutics Limited	EPI Health, LLC	Exhibit 8.1 to the Promotion and Collaboration Agreement by and between MC2 Therapeutics Limited	8/12/2020	–

Exhibit 1: Contract Schedule

ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
437	MC2 Therapeutics Limited	EPI Health, LLC	Exhibit 8.2 (Quality Agreement) to the Promotion and Collaboration Agreement by and between MC2 Therapeutics Limited	8/12/2020	–
438	McDonald York Building Company	Novan, Inc.	McDonald York_EWA2_FE_22Jan2021	1/22/2021	–
439	McDonald York Building Company	Novan, Inc.	McDonald York_AIA_FE_1Mar2021	3/1/2021	–
440	McDonald York Building Company	Novan, Inc.	McDonald York_EWA18b_FE_11May2021	5/11/2021	–
441	McDonald York Building Company	Novan, Inc.	McDonald York_EWA 7B_FE_1Mar2021	3/1/2021	–
442	McLio LLC	Novan, Inc.	McLio_Llc_MCSA_FE	2/24/2023	–
443	Medexus Pharmaceuticals Inc.	Novan, Inc.	Medexus_Mutual NDA_FE_12Apr2023	4/12/2023	–
444	Medicis + Affiliates & Dr. Reddy's	EPI Health, LLC	License and Settlement Agreement, by and between Medicis Pharmaceutical Corporation, on behalf of itself and affiliates	3/17/2017	–
445	Medmarc	Novan, Inc.	MedMarc_Mutual NDA_FE_2Mar2022	3/3/2022	–
446	Medomie Pharma Ltd	Novan, Inc.	Medomie Pharma_Mutual NDA_FE_15May2023	5/15/2023	–
447	MedPharm Ltd.	Novan, Inc.	MedPharm_SOW5_FE_13May2019	4/10/2019	–
448	MedPharm Ltd.	Novan, Inc.	MedPharm_SOW 5 Am1_FE_14Jul2020	7/14/2020	–
449	MedPharm Ltd.	Novan, Inc.	MedPharm_Bill of Sale_FE_20Aug2020	8/20/2020	–
450	MedPro	EPI Health, LLC	Change Order to SOW	TBD	–
451	MelGel Enterprises LLC	Novan, Inc.	Melgel Enterprises_Llc_MCSA_FE	3/14/2023	–
452	MELVIN WHITEHEAD	Novan, Inc.	Whitehead_Melvin_NDA_FE_21Oct2021	10/21/2021	–
453	Mercedes E Gonzalez MD PA	Novan, Inc.	Mercedes E Gonzalez Md Pa_MCSA_FE	2/24/2023	–
454	MHA Works	Novan, Inc.	MHAworks_SOW1_FE_30Sept2019	9/10/2019	–
455	Miles Restoration, LLC (Jeff Chaffin)	EPI Health, LLC	CSA	TBD	–
456	Morgan Franklin Consulting, LLC	Novan, Inc.	MorganFranklin_MSA_FE_22Jul2022	7/22/2022	–
457	Motus, LLC	Novan, Inc.	Motus_Order Form_FE_21Dec2022	1/1/2023	–
458	Motus, LLC	EPI Health, LLC	Order Form	TBD	19,357
459	MultiCore Program Management Services	Novan, Inc.	Fuller_Gerald Wayne_CSA_FE_21Jul2020	7/21/2020	8,950
460	Nanette Silverberg MD PLLC	Novan, Inc.	Agreement.	4/17/2023	–
461	Nanette Silverberg MD PLLC	Novan, Inc.	Silverberg_Nanette_SOW1_FE_17Apr2023	4/17/2023	–
462	Nanoderm Consulting LLC	Novan, Inc.	Nanoderm_NDA_FE_10Nov2022	11/10/2022	–
463	National Union Fire Insurance Company of Pittsburgh Pa. (AIG)	Novan, Inc.	National Union Fire Insurance Company of Pittsburgh Pa. (AIG)	7/21/2020	–
464	NDA Regulatory Development Inc.	Novan, Inc.	NDA Group_Mutual NDA_FE_14Apr2021	4/14/2021	–
465	NDA Regulatory Development Inc.	Novan, Inc.	NDA Group_MSA_FE_5May2021	5/5/2021	–
466	Nehal Shah	Novan, Inc.	Nehal Shah_MCSA_FE	3/14/2023	–
467	Nippon Gases Industrial Srl	Novan, Inc.	Nippon Gases_Huvepharma_3way NDA IP Assign_FE_5Sept2022	9/5/2021	–
468	Nishad Sathe	Novan, Inc.	Nishad Sathe_MCSA_FE	3/14/2023	–
469	Noel McBride	Novan, Inc.	McBride_Noel_CSA_FE_6Jun2022	5/24/2022	–
470	North Carolina State University	Novan, Inc.	NCSU_Mutual NDA_FE_23Sept2020	9/24/2020	–
471	NovaQuest Pharma Opportunities Fund V, LP	Novan, Inc.	NovaQuest Pharma_Mutual NDA_FE_29Oct2021	10/29/2021	–
472	Novus Proximus LLC (Patrick Coyle)	EPI Health, LLC	CSA	TBD	–
473	Numerof & Associates Inc.	Novan, Inc.	Numerof and Associates_Mutual NDA_FE_25Jan2022	1/25/2022	–
474	Nuventra Pharma Sciences, Inc.	Novan, Inc.	Nuventra_SOW2_FE_2Oct2019	10/2/2019	–
475	Nuvo Pharmaceuticals Inc. dba Miravo Healthcare	Novan, Inc.	Miravo_Mutual NDA_FE_7Apr2022	4/7/2022	–
476	Oaktree Capital Management, L.P.	Novan, Inc.	Oaktree Capital Management_Mutual NDA_FE_7Oct2021	10/7/2021	–
477	Old Republic Professional Liability, Inc.	Novan, Inc.	Old Republic Professional Liability, Inc	7/20/2020	–
478	Oliver Design LLC	Novan, Inc.	Oliver Design_Mutual NDA_FE_10Jan2022	1/10/2022	–
479	Oppenheimer & Co. Inc	Novan, Inc.	Oppenheimer_Am1 to Letter Agreement_FE_27Jan2022	1/27/2022	–
480	OptumRx, Inc.	EPI Health, LLC	Rebate Agreement by and between OptumRx, Inc. and Aclaris Therapeutics, Inc	9/1/2019	33,218
481	OptumRx, Inc.	EPI Health, LLC	Assignment and Assumption Agreement by and between OptumRx, Inc., Aclaris Therapeutics, Inc. and EPI Health	11/26/2019	–
482	OptumRx, Inc.	EPI Health, LLC	Amendment to the Rebate Agreement by and between OptumRx, Inc. and EPI Health, LLC	8/1/2021	–
483	Oracle America, Inc.	Novan, Inc.	Oracle_Mutual NDA_FE_13Jun2022	6/13/2022	–
484	Oracle America, Inc.	Novan, Inc.	Oracle Netsuite_Mutual NDA_FE_13Jun2022	6/13/2022	–
485	Orion Corporation	Novan, Inc.	Orion_Quality Agreement Updated Oct 2019_FE_16Oct2019	8/16/2019	146,793
486	Orion Corporation	Novan, Inc.	Orion_Quinta_NDA 3-way_FE_6Feb2019	2/1/2019	–
487	Orion Corporation	Novan, Inc.	Orion_SOW 3_FE_12Jul2019	6/10/2019	–
488	Orion Corporation	Novan, Inc.	Orion_SOW1 TTA_FE_8Jan2019	1/8/2019	–
489	Orion Corporation	Novan, Inc.	Orion_SOW5_FE_6Nov2020	11/6/2020	–
490	Orion Corporation	Novan, Inc.	Orion_SOW 8_FE_23Jun2021	6/22/2021	–
491	Orion Corporation	Novan, Inc.	Orion_SOW9_FE_4Oct2021	9/27/2021	–

Exhibit 1: Contract Schedule

ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
492	Orion Corporation	Novan, Inc.	Orion_SOW9 Am1_FE_10Feb2022	2/4/2022	—
493	Orion Corporation	Novan, Inc.	Orion_SOW 10_FE_15Mar2022	3/7/2022	—
494	Orion Corporation	Novan, Inc.	Orion_Visitor NDA_FE_7Dec2021	12/7/2021	—
495	Orion Corporation	Novan, Inc.	Orion_SOW11_FE_11Nov2021	11/11/2021	—
496	Orion Corporation	Novan, Inc.	Orion_SOW14_FE_16Sept2022	9/16/2022	—
497	Orion Corporation	Novan, Inc.	Orion_SOW13_FE_14Jun2022	6/14/2022	—
498	Orion Corporation	Novan, Inc.	Orion_SOW12_FE_31May2022	5/27/2022	—
499	Orion Corporation	Novan, Inc.	Orion_Quality Agreement_FE_1Jun2022	5/31/2022	—
500	Orion Corporation	Novan, Inc.	Orion_Mutual NDA_Cilatus audit_FE_7Apr2022	4/7/2022	—
501	Orion Corporation	Novan, Inc.	Orion_SOW 10 Am1_FE_4Apr2022	4/4/2022	—
502	Orion Corporation	Novan, Inc.	Orion_SOW3 Am1_16Dec2019	12/12/2019	—
503	Orion Corporation	Novan, Inc.	Orion_SOW7_FE_22Mar2021	3/22/2021	—
504	Orion Corporation	Novan, Inc.	Orion_SOW16_FE_17May2023	5/17/2023	—
505	Orion Insurance Intermediaries, LLC	Novan, Inc.	Orion Insurance_Mutual NDA_FE_16Aug2021	8/13/2021	—
506	Pace Analytical Life Sciences	Novan, Inc.	Pace Analytical_Mutual NDA_FE_17Feb2023	2/17/2023	—
507	Packaging Compliance Labs, LLC	Novan, Inc.	Packaging Compliance Labs_Mutual NDA_FE_20Jul2021	5/20/2021	—
508	Paidion Research, Inc.	Novan, Inc.	Paidion_SOW1_FE_15Jul2019	7/12/2019	—
509	Paidion Research, Inc.	Novan, Inc.	Paidion Research_CO2_FE_13Dec2021	12/13/2021	—
510	Paidion Research, Inc.	Novan, Inc.	Paidion_CO1_SOW1_FE_2Apr2020	4/2/2020	—
511	Palmetto Parking, Inc.	Novan, Inc.	Palmetto Parking_Term Letter_FE_18May2023	2/28/2023	—
512	Patheon Austria GmbH & Co KG	Novan, Inc.	Patheon_Cilatus_3-way NDA_FE_22Sept2020	9/22/2020	—
513	Patheon Austria GmbH & Co KG	Novan, Inc.	Patheon_Proposal Am1_FE_7Jan2022	12/17/2021	—
514	Patheon Austria GmbH & Co KG	Novan, Inc.	Patheon_UDSA_FE_19Jul2021	7/15/2021	—
515	Patheon Austria GmbH & Co KG	Novan, Inc.	Patheon_SOW1_FE_19Jul2021	7/15/2021	—
516	Pathward National Association	Novan, Inc.	Pathward_NDA_FE_23Sept2022	9/23/2022	—
517	Patrick R. Coyle	Novan, Inc.	Coyle_Patrick_CSA_FE_7Nov2022	11/7/2022	—
518	Paustenbach & Associates	Novan, Inc.	Paustenbach & Associates_Mutual NDA_FE_12May2023	5/12/2023	—
519	Paycom	Novan, Inc.	Paycom_General T&Cs_FE_22Mar2022	3/22/2022	—
520	Paycom	Novan, Inc.	Paycom_Proposal transfer EPI Health_FE_21Apr2022	4/21/2022	—
521	PCI	Novan, Inc.	PCI_MSA Am3_FE_5Oct2022	8/12/2021	—
522	PCI	Novan, Inc.	PCI_SOW CPR22334_FE_16May2022	5/16/2022	—
523	PCI	Novan, Inc.	PCI_SOW CPR23103_00_FE_22Feb2023	2/7/2023	—
524	PCI	Novan, Inc.	PCI_SOW CPR21256_02_FE_2Jun2021	5/27/2021	—
525	PCI	Novan, Inc.	PCI_CPR21173_00_FE_2Mar2021	2/23/2021	—
526	PCI	Novan, Inc.	PCI_CPR21096_01_FE_2Mar2021	3/2/2021	—
527	Pearl Kwong MD PLLC	Novan, Inc.	Dr Pearl Kwong Md PLLC_MCSA_FE	3/14/2023	—
528	Pediatric Dermatology Research Alliance, Inc.	Novan, Inc.	PeDRA Sponsorship Agreement	1/1/2023	—
529	Pertinent Animal Health, Inc.	Novan, Inc.	Pertinent Animal Health_Mutual NDA_FE_28Jul2020	7/28/2020	—
530	Petrichor Healthcare Capital Management LP	Novan, Inc.	Petrichor_NDA_FE_19Oct2022	1/17/2022	—
531	Petrichor Healthcare Capital Management LP	Novan, Inc.	Petrichor_Mutual NDA_FE_6Mar2023	3/6/2023	—
532	Phil, Inc.	Novan, Inc.	Phil_Mutual NDA_FE_18Nov2022	11/18/2022	—
533	Phillips Architecture, PA	Novan, Inc.	Phillips Architecture_Mutual NDA_FE_5Aug2020	8/4/2020	—
534	Physician Resources, LLC	Novan, Inc.	Physician Resources_MSA_FE_29Nov2021	11/29/2021	—
535	Pixacore	Novan, Inc.	Pixacore_Mutual NDA_FE_18Nov2022	11/18/2022	—
536	Plotline Leadership	Novan, Inc.	Plotline Leadership_Mutual NDA_FE_2Aug2021	7/29/2021	—
537	PNC Bank	Novan, Inc.	PNC_Mutual NDA_FE_30Jun2022	6/30/2022	—
538	PoC Capital, LLC	Novan, Inc.	PoC Capital_Transaction NDA_FE_25Oct2021	10/25/2021	—
539	Pope Scientific, Inc.	Novan, Inc.	Pope Scientific, Inc.	8/21/2020	—
540	PPD Development, L.P.	EPI Health, LLC	Master Laboratory Services Agreement, dated February 21, 2020	2/21/2020	82,240
541	PPD Development, L.P.	EPI Health, LLC	Stability Storage and Analysis of Rhofade, dated May 5, 2020	5/5/2020	—
542	PPD Development, L.P.	EPI Health, LLC	Release Testing and Stability Storage and Analysis of Rhofade, dated November 13, 2019.	11/13/2019	—
543	PPD Development, L.P.	EPI Health, LLC	Release Testing of Rhofade, dated February 14, 2020.	2/14/2020	—
544	Prasco, LLC	EPI Health, LLC	Distribution and Supply Agreement by and between EPI Health, LLC and Prasco, LLC	9/28/2018	—
545	Precision Stability Storage, L.L.C.	Novan, Inc.	Precision Stability Storage_MSA_FE_17Aug2022	8/17/2022	12,258
546	Precision Stability Storage, L.L.C.	Novan, Inc.	Precision Stability Storage_Quality Agreement_FE_30Aug2022	8/30/2022	—
547	Premier Medical Partners, LLC	Novan, Inc.	Premier Research_CNF_SOW1_FE_21Feb2019	2/7/2019	—
548	Premier Medical Partners, LLC	Novan, Inc.	Premier Research_CNF11_SOW1_FE_11Jan2019	1/2/2019	—
549	Premier Medical Partners, LLC	Novan, Inc.	Premier Research_CNF13_SOW1_FE_4Apr2019	4/4/2019	—
550	Premier Medical Partners, LLC	Novan, Inc.	7332_Premier_MC201_Amend3_SOW1_FE 18Jun2019	5/30/2019	—

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551	Price Forbes & Partners (Bermuda Ltd)	Novan, Inc.	Price Forbes_Mutual NDA_FE_16Aug2021	8/16/2021	–
552	Priyanka Vedak	Novan, Inc.	Vedak_Priyanka_Confidentiality Assignment of Inventions_FE_2Jan2019	1/1/2019	–
553	Process Service S.r.l.	Novan, Inc.	Process Service_Huvepharma_NDA IP Assignment_FE_28May2021	5/28/2021	–
554	Progenicyte Therapeutics, Inc.	Novan, Inc.	Progenicyte_Mutual NDA_FE_17Feb2023	2/17/2023	–
555	Project Farma LLC	Novan, Inc.	Project Farma_Mutual NDA_FE_29Sept2021	9/29/2021	–
556	Promius Pharma	EPI Health, LLC	Bill of Sale and Assignment and Assumptino Agreement by and between Promius Pharma LLC and EPI Health	9/28/2018	–
557	Promius Pharma	EPI Health, LLC	Transition Services Agreement between Promius Pharma, LLC and EPI Health LLC	9/28/2018	–
558	Promius Pharma, Dr. Reddy's	EPI Health, LLC	Asset Purchase Agreement between Promius Pharma, LLC, Dr. Reddy's Laboratories Inc. and EPI Health	9/28/2018	–
559	Protean LLC	Novan, Inc.	Protean_Mutual NDA_FE_26Oct2021	10/26/2021	–
560	P-Square Marketing LLC	Novan, Inc.	P-Square_Mutual NDA_FE_20Jul2021	7/19/2021	–
561	Pulmodyne Inc.	Novan, Inc.	Pulmodyne_Letter_FE_31Jan2022	1/31/2022	–
562	PurePipe Systems, LLC	Novan, Inc.	PurePipe Systems_Mutual NDA_FE_16Feb2021	2/16/2021	–
563	Q2 Solutions	Novan, Inc.	Q2_Vast permission letter_FE_23Sept2022	9/23/2022	–
564	Qpharma	EPI Health, LLC	Master Services Agreement by and between QPharma, Inc. and EPI Health, LLC	8/19/2019	22,730
565	Qpharma	EPI Health, LLC	Statement of Work Direct-to-Rep (DTR) Fulfillment by and between QPharma, Inc. and EPI Health, LLC	7/15/2019	–
566	Qpharma	EPI Health, LLC	Amendment to Statement of Work Direct-to-Rep (DTR) Fulfillment by and between QPharma, Inc.	10/25/2022	–
567	Qpharma	EPI Health, LLC	Statement of Work Direct-to-Practitioner (DTP) Fulfillment by and between QPharma, Inc. and EPI Health	7/15/2019	–
568	Qpharma	EPI Health, LLC	Amendment to Statement of Work Direct-to-Practitioner (DTP) Fulfillment by and between QPharma, Inc.	10/25/2022	–
569	Qpharma	EPI Health, LLC	Statement of Work Warehousing and Fulfillment by and between QPharma, Inc. and EPI Health, LLC	7/15/2019	–
570	Qpharma	EPI Health, LLC	Amendment to Statement of Work Warehousing and Fulfillment by and between QPharma, Inc. and EPI Health	10/25/2022	–
571	Qpharma	EPI Health, LLC	Statement of Work Shared Services by and between QPharma, Inc. and EPI Health, LLC	7/15/2019	–
572	Qpharma	EPI Health, LLC	Amendment to Statement of Work Shared Services by and between QPharma, Inc. and EPI Health, LLC	10/25/2022	–
573	QPS Holdings, LLC	Novan, Inc.	QPS_Mutual NDA_FE_7Sept2021	9/7/2021	–
574	Quality Associates, Inc.	Novan, Inc.	Quality Associates Inc_SOW 2_FE_3Mar2021	3/3/2021	–
575	Quality Resource Solutions, LLC	Novan, Inc.	Quality Resource Solutions_SOW_GLP Audits_FE_23Sept2019	8/9/2019	–
576	Quality Resource Solutions, LLC	Novan, Inc.	Quality Resources_SOW MC Site Audit_FE_5Jun2019	5/23/2019	–
577	Quanticate International Limited	Novan, Inc.	Quanticate International Limited	7/12/2021	–
578	Radius Health, Inc.	Novan, Inc.	Radius Health, Inc.	8/17/2020	–
579	Red Nucleus	EPI Health, LLC	MSA in Novan, but likely some SOWs in EPI	TBD	–
580	Red Nucleus Solutions LLC	Novan, Inc.	Red Nucleus_MSA_FE_20Jul2022	7/20/2022	–
581	Reedy Creek Investments	EPI Health, LLC	Royalty and Milestone Payments Purchase Agreement, dated April 29, 2019, by and between Nova	4/29/2019	–
582	Reedy Creek Investments LLC	Novan, Inc.	Reedy Creek_Royalty and Milestone Purchase Agreement_FE_30Apr2019	4/29/2019	–
583	Reedy Creek Investments LLC	Novan, Inc.	Reedy Creek_Mutual NDA_FE_13Jul2023	7/13/2023	–
584	Regan Madison Inc.	Novan, Inc.	Reagan-Madison_Consulting and Placement Agreement_FE_29Sept2022	9/29/2022	16,875
585	Regina Brown	Novan, Inc.	Regina Brown_MCSA_FE	3/14/2023	–
586	Research Triangle Institute	Novan, Inc.	RTI_SOW10_FE_15Oct2019	10/3/2019	18,148
587	Research Triangle Institute	Novan, Inc.	RTI_SOW9_FE_26Jun2019	6/18/2019	–
588	Research Triangle Institute	Novan, Inc.	RTI_SOW Am1_FE_4Sept2020	9/22/2020	–
589	Research Triangle Institute	Novan, Inc.	RTI_MSA_03May2020	5/3/2020	–
590	Research Triangle Institute	Novan, Inc.	RTI_MC304 Consulting Agreement_08May2020	5/8/2020	–
591	Research Triangle Institute	Novan, Inc.	RTI_SOW NDMA Method_FE_30Nov2022	11/30/2022	–
592	Research Triangle Institute	Novan, Inc.	RTI_Proposal 0372100.413 Am2_FE_6Oct2021	10/6/2021	–
593	Research Triangle Institute	Novan, Inc.	RTI_SOW Method Dev 2_FE_16Feb2023	2/16/2023	–
594	Research Triangle Institute	Novan, Inc.	RTI International_SOW Method Dev 3_FE_16May2023	5/16/2023	–
595	Riverstone Technology, LLC	Novan, Inc.	Riverstone_Quote_FE_8Nov2021	11/4/2021	–

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596	RKH Specialty	Novan, Inc.	RKH Specialty_Mutual NDA_FE_22Jul2020	7/22/2020	–
597	Robert Half Management Resources	Novan, Inc.	Robert Half_SOW_Deidre Simmons_FE_27Jan2023	1/19/2023	–
598	Rose Marie Doty	Novan, Inc.	Doty_Rose Marie_Mutual NDA_FE_29Nov2022	11/29/2022	–
599	RSG Underwriting Managers Eurpe Limited trading as StartPoint Executive Risks	Novan, Inc.	StartPoint_Mutual NDA_FE_22Jul2020	7/22/2020	–
600	Safe Property Maintenance and Cleaning Specialist	Novan, Inc.	Safe Property Maintenance and Cleaning Specialist_One Way NDA_FE_18Nov2021	11/18/2021	–
601	Safebridge Consultants Inc.	Novan, Inc.	SafeBridge_SOW4_FE_13Jun2023	6/13/2023	–
602	Safety Management Services, Inc	Novan, Inc.	Safety Management Services_MSA Am1 Rein_FE_20Jul2021	3/22/2019	–
603	Safety Management Services, Inc	Novan, Inc.	Safety Management Services_SOW2_FE_20Jul2021	7/7/2021	–
604	Safety Management Services, Inc	Novan, Inc.	Agreement effective March 22, 2019 (hereinafter referred to as the "Agreement"), as amended;	7/28/2021	–
605	Safety Management Services, Inc	Novan, Inc.	SMS_SOW 4_FE_20Jan2022	1/20/2022	–
606	SafetyCall International	EPI Health, LLC	Service Agreement	TBD	8,106
607	Sage Intacct, Inc.	Novan, Inc.	Sage Intacct_Mutual NDA_FE_14Jun2022	6/14/2022	–
608	Saineolai LLC	Novan, Inc.	Saineolai_CSA_FE_30Sept2020	10/1/2020	8,600
609	SAP America, Inc.	Novan, Inc.	SAP_Service Agreement_FE_30Dec2022	12/29/2022	184,677
610	Sarah T Arron MD PhD	Novan, Inc.	Arron_Sarah_CSA Termination_FE_22Jan2020	1/8/2020	–
611	Sato Pharmaceutical Co. Ltd.	Novan, Inc.	Sato_Rhofade_Mutual NDA_FE_1Aug2022	8/1/2022	–
612	Sato Pharmaceutical Co., Ltd.	EPI Health, LLC	License Agreement, dated January 12, 2017, by and between Novan, Inc. and Sato Pharmaceutica	1/12/2017	–
613	Sato Pharmaceutical Co., Ltd.	EPI Health, LLC	License Agreement, effective December 21, 2022, by and between Sato Pharmaceutical Co., Ltd.	1/21/2022	–
614	Schneider Electric Buildings Americas, Inc.	Novan, Inc.	Schneider Electric_Quote_FE_2Dec2021	12/2/2021	–
615	Schneider Electric Buildings Americas, Inc.	Novan, Inc.	Schneider_Mutual NDA_FE_18Nov2021	11/18/2021	–
616	Scottsdale Indemnity Company, Scottsdale Insurance Company, National Casualty Company, Freedom Specialty Insurance Company and Scottsdale Surplus Lines Insurance Company	Novan, Inc.	Scottsdale Insurance_NDA_FE_12Aug2021	8/12/2021	–
617	Scullion Strategy Group, LLC	Novan, Inc.	Scullion Strategy Group_Mutual NDA_FE_17Sept2020	9/17/2020	–
618	Scullion Strategy Group, LLC	Novan, Inc.	Scullion Strategy Group_MCSA_FE_17Dec2020	12/17/2020	–
619	Scullion Strategy Group, LLC	Novan, Inc.	Dechra_Scullion_3way NDA_FE_9Jun2021	6/9/2021	–
620	Sebela Internaitonal Limited	Novan, Inc.	Sebela_Mutual NDA_FE_15Apr2022	4/15/2022	–
621	SelectHealth, Inc.	EPI Health, LLC	Health Plan Rebate Agreement by and between SelectHealth Care and EPI Health,	1/1/2020	4,658
622	SelectHealth, Inc.	EPI Health, LLC	First Amendment to the Commercial Drug Rebate Agreement by and between SelectHealth Inc. and EPI Health	1/1/2022	–
623	SGS North America Inc	Novan, Inc.	SGS_Mutual NDA_FE_6Jun2019	5/14/2019	–
624	SGS North America Inc	Novan, Inc.	SGS_Mutual NDA Am2_FE_14May2022	5/14/2022	–
625	Shahriari LLC	Novan, Inc.	Shahriari Llc_MCSA_FE	3/14/2023	–
626	SIA Olivry Consulting	Novan, Inc.	Olivry Consulting_Mutual NDA_FE_11Sept2020	9/10/2020	–
627	Skin Sciences, PLLC	Novan, Inc.	Skin Sciences, Pllc_MCSA_FE	3/14/2023	–
628	Skin Sciences, PLLC	EPI Health, LLC	Master Services Agreement by and between Skin Sciences, PLLC, and EPI Health, LLC	10/4/2021	650
629	Skin Sciences, PLLC	EPI Health, LLC	CSA	TBD	–
630	SMART Health Partners	EPI Health, LLC	CSA	TBD	–
631	SMART Health Partners, LLC	Novan, Inc.	SMART Health Partners_Mutual NDA_FE_18Nov2022	11/18/2022	–
632	SMART Health Partners, LLC	Novan, Inc.	SMART Health Partners_MSA_FE_12Jan2023	1/12/2023	–
633	Sonitrol Integrated Security	Novan, Inc.	Sonitrol_Security System Agreement_FE_26Feb2021	2/26/2021	–
634	Sonitrol Integrated Security	Novan, Inc.	Sonitrol_WO_FE_13May2021	5/13/2021	–
635	Spaulding Clinical Research, LLC	Novan, Inc.	Spaulding_OOS Agreement_FE_19Jan2022	1/13/2022	–
636	Sterling Pharma Solutions Ltd.	Novan, Inc.	Sterling Pharma_Mutual NDA_FE_8Dec2021	12/8/2021	–
637	Steven D. Skolsky	Novan, Inc.	MUTUAL NONDISCLOSURE AGREEMENT	2/4/2021	13,657
638	Storr Office Environments	Novan, Inc.	Storr_Mutual NDA_FE_23Nov2020	11/23/2020	–
639	Storr Office Environments	Novan, Inc.	Storr_Quote_FE_22Mar2021	3/22/2021	–
640	Surplus Solutions, LLC	Novan, Inc.	Surplus Solutions_MSA_FE_8Jul2020	7/8/2020	–
641	Surplus Solutions, LLC	Novan, Inc.	Surplus Solutions_Transaction Summary_FE_9Jul2020	7/9/2020	–
642	Surplus Solutions, LLC	Novan, Inc.	Surplus Solutions_Transaction Summary Addendum 1.1_FE_31Jul2020	7/31/2020	–
643	Sway UX, LLC.	Novan, Inc.	Sway_Termination Agreement_FE_31Mar2022	3/31/2022	–
644	SWK Holdings Corporation	Novan, Inc.	SWK Holdings_NDA_FE_6Oct2022	10/6/2022	–
645	Sycamore Financial Consulting, LLC	Novan, Inc.	Sycamore Financial Consulting_CSA_FE_9Jun2023	6/9/2023	2,100
646	Synchrogenix Information Strategies	Novan, Inc.	Synchrogenix_NDA and DMF Submission Services_SB206_FE_19Dec2019	12/20/2019	–

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647	Synchrogenix Information Strategies	Novan, Inc.	Certara_Synchrogenix_SOW5_FE_11May2023	5/11/2023	–
648	Syneos Health Commercial Services, LLC	Novan, Inc.	Syneos Health_WO 7040201_FE_28Apr2022	4/26/2022	201,165
649	Syneos Health Commercial Services, LLC	Novan, Inc.	Syneos Health_WO 7037905 CO2_FE_12May2022	5/12/2022	–
650	Syneos Health Commercial Services, LLC	Novan, Inc.	Syneos Health_SOW 7046210_FE_2Dec2022	12/1/2022	–
651	Syneos Health Commercial Services, LLC	Novan, Inc.	Syneos_WO 7033034 Am1_FE_10Jan2022	1/10/2022	–
652	Syneos Health Commercial Services, LLC	Novan, Inc.	Syneos Health_CO1 SOW_Addison Whitney_FE_13Jan2022	1/13/2022	–
653	Synerfac Technical Staffing	Novan, Inc.	Synerfac Technical Staffing_DH Staffing Agreement_FE_25Feb2021	2/25/2021	–
654	Synerfac Technical Staffing	Novan, Inc.	Synerfac_Mutual NDA_FE_1Mar2021	3/1/2021	–
655	Synerfac Technical Staffing	Novan, Inc.	Synerfac_Contract to Hire_FE_10Jun2021	6/10/2021	–
656	Synergistix	EPI Health, LLC	CRM Agreement	TBD	39,044
657	Syneract, Inc.	Novan, Inc.	Syneract_(NI-MC301)_WO1 CO1_FE_1Jul2019	7/1/2019	13,375
658	Syneract, Inc.	Novan, Inc.	Syneract_(NI-MC302)_WO2 CO1_FE_1Jul2019	7/1/2019	–
659	Syneract, Inc.	Novan, Inc.	Syneract_CNF3_FE_3Jul2019	7/2/2019	–
660	Syneract, Inc.	Novan, Inc.	Syneract_NI-MC301_WO1-CNF04_FE_23Jul2019	7/22/2019	–
661	Syneract, Inc.	Novan, Inc.	Syneract_Novan_Novan-02591_NI-MC301_LOI Amendment 1_FE_01Apr2019	4/1/2019	–
662	Syneract, Inc.	Novan, Inc.	Syneract_Novan_Novan-02592_NI-MC302_LOI Amendment 1_FE_01Apr2019	4/1/2019	–
663	Syneract, Inc.	Novan, Inc.	Novan_02591_(NI-MC301)_WO1_8May2019_FE	2/11/2019	–
664	Syneract, Inc.	Novan, Inc.	Novan_02592_(NI-MC302)_WO2_8May2019_FE	2/11/2019	–
665	Syneract, Inc.	Novan, Inc.	NI-MC-301_Gremillion_30May2019_FE CTA	1/1/2019	–
666	Syneract, Inc.	Novan, Inc.	NI-MC302_USA_309_CTA_Oregon Medical Research_Ehst_FE_17June2019	1/1/2019	–
667	Syneract, Inc.	Novan, Inc.	Novan Inc._NOVA-USA02591_(NI-MC301)_WO1-CNF02_FE_14Jun2019	6/14/2019	–
668	Syneract, Inc.	Novan, Inc.	Syneract_MCRO Am1_FE_10Feb2021	2/10/2021	–
669	Syneract, Inc.	Novan, Inc.	Syneract_SOW ISS/ISE_FE_22Oct2021	10/22/2021	–
670	Syneract, Inc.	Novan, Inc.	Syneract_WO_MC304_FE_11Aug2020	5/15/2020	–
671	Syneract, Inc.	Novan, Inc.	Syneract_CO2 SOW1_FE_4Aug2020	7/31/2020	–
672	Syneract, Inc.	Novan, Inc.	Syneract_CO2 SOW2_MC302_FE_4Aug2020	7/31/2020	–
673	Taro Pharmaceutical Industries Ltd.	Novan, Inc.	Taro_Novan Mutual NDA_FE_12Jul2021	6/30/2021	–
674	TBC Stirrup Creek JV LLC	Novan, Inc.	AMENITIES CENTER LICENSE AGREEMENT (the "Agreement"), dated as of December	12/22/2022	–
675	TD Ameritrade Inc.	Novan, Inc.	TD Ameritrade_Term Agreement_FE_6May2022	5/6/2022	–
676	Technical Safety Services, LLC	Novan, Inc.	Technical Safety Services_MSA_FE_27Oct2021	10/27/2021	39,920
677	Technical Safety Services, LLC	Novan, Inc.	TSS_SOW2_FE_1Jan2023	1/1/2023	–
678	Technical Safety Services, LLC	Novan, Inc.	TSS_SOW2_FE_1May2023	1/1/2023	–
679	Technical Safety Services, LLC	Novan, Inc.	TSS_SOW4_PE_7Jul2023	7/6/2023	–
680	TECSA S.r.l.	Novan, Inc.	TECSA_Huvepharma_NDA IP Assignment_FE_27May2021	5/27/2021	–
681	Tegra Analytics, LLC	Novan, Inc.	Tegra Analytics_MSA_FE_9Dec2022	11/10/2022	–
682	Tegra Analytics, LLC	EPI Health, LLC	MSA & 2 SOWs	TBD	44,000
683	Tergus Pharma	Novan, Inc.	Tergus Pharma_WO1 CO2_FE_11Aug2020	8/4/2020	95,101
684	Tergus Pharma	Novan, Inc.	Tergus Pharma_WO 2_FE_7Jul2020	6/30/2020	–
685	Tergus Pharma	Novan, Inc.	Tergus Pharma_CO1 SOW1_FE_6Jul2020	7/7/2020	–
686	Tergus Pharma	Novan, Inc.	Tergus_WO7_FE_4Dec2020	12/4/2020	–
687	Tergus Pharma	Novan, Inc.	Tergus_MC304 Stability Testing Work Order_08May2020	5/8/2020	–
688	Tergus Pharma	Novan, Inc.	Tergus Pharma_SOW 1 CO5_FE_15Jun2022	6/15/2022	–
689	Tergus Pharma	Novan, Inc.	CONTRACT	2/14/2023	–
690	Tergus Pharma	Novan, Inc.	Tergus Pharma_Quality Agreement_FE_25Oct2022	10/21/2022	–
691	Tergus Pharma	Novan, Inc.	Tergus Pharma_WO11_FE_24Feb2021	2/24/2021	–
692	Tergus Pharma	Novan, Inc.	Tergus Pharma_WO15_FE_25Jun2021	6/25/2021	–
693	Tergus Pharma	Novan, Inc.	Tergus Pharma_SOW 1 CO4_FE_18Oct2021	10/5/2021	–
694	Tergus Pharma	Novan, Inc.	Tergus Pharma_MSA Am2_FE_10Nov2021	11/1/2021	–
695	Tergus Pharma	Novan, Inc.	Tergus_WO17_FE_9Mar2022	3/8/2022	–
696	Tergus Pharma	Novan, Inc.	Tergus Pharma_WO11_FE_24Feb2021	2/24/2023	–
697	TFF Pharmaceuticals, Inc.	Novan, Inc.	TFF Pharmaceuticals_Mutual NDA_FE_4Sept2020	9/2/2020	–
698	The Activus Group, LLC	EPI Health, LLC	SOW	TBD	25,850
699	The CIT Group/Commercial Services, Inc.	Novan, Inc.	CIT Group_Mutual NDA_FE_6Jul2022	7/6/2022	–
700	The Dermatology and Skin Care Center of Birmingham	Novan, Inc.	The Dermatology And Skin Care Center Of Birmingham_MCSA_FE	3/14/2023	1,300
701	The FDA Group, LLC	Novan, Inc.	FDA Group_SOW1_FE_14Jul2022	7/14/2022	–
702	The FDA Group, LLC	Novan, Inc.	FDA Group_MSA_FE_14Jul2022	7/14/2022	–
703	The Hackett Group Inc. dba Answerthink	Novan, Inc.	Answerthink_Mutual NDA_FE_11May2022	5/11/2022	–
704	The Harel Group, Inc.	Novan, Inc.	The Harel Group_Mutual NDA_FE_24Aug2022	8/24/2022	–
705	The M&P Lab Inc. dba Lucideon M+P	Novan, Inc.	Lucideon_Mutual NDA_FE_3May2022	5/2/2022	–
706	The University of Alabama at Birmingham	Novan, Inc.	UAB_LOI_CDMRP Grant_FE_19Mar2019	3/18/2019	–

Exhibit 1: Contract Schedule

ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
707	Therapeutics, Inc.	Novan, Inc.	Therapeutics Inc. SOW1_FE_11Aug2020	6/15/2020	9,950
708	Therapeutics, Inc.	Novan, Inc.	Therapeutics Inc. SOW4_FE_15Mar2022	3/8/2022	—
709	Therapeutics, Inc.	Novan, Inc.	Therapeutics Inc. SOW1_CO3_PE_16Jul2021	5/24/2021	—
710	Thomas M Hamilton Jr	EPI Health, LLC	CSA	TBD	—
711	Thomas Selby	Novan, Inc.	Thomas Selby_MCSA_FE	3/14/2023	—
712	TimelyText, Inc.	Novan, Inc.	TimelyText_MSA_FE_16Feb2023	2/16/2023	1,800
713	Tracelink	EPI Health, LLC	SOW	TBD	—
714	Tradebe Environmental Services, LLC	Novan, Inc.	Tradebe Environmental_MSA_FE_9Jul2020	7/9/2020	—
715	Tradebe Environmental Services, LLC	Novan, Inc.	Tradebe Quote 17197_FE_15Mar2021	3/9/2021	—
716	Triad Securities Corp	Novan, Inc.	Triad Securities Corp_Mutual NDA_FE_8Mar2021	3/8/2021	—
717	Triangle Certification LLC	Novan, Inc.	Triangle Certification_SOW2_FE_1Mar2019	3/1/2019	—
718	Truveris	EPI Health, LLC	Truveris Master Services Agreement by and between Truveris, Inc. and EPI Health	3/26/2020	5,912,880
719	Truveris	EPI Health, LLC	Statement of Work #1 to Master Services Agreement by and between Truveris Inc. and EPI Health	3/26/2020	—
720	Truveris	EPI Health, LLC	Amendment 1 to Statement of Work #1 to Master Services Agreement dated March 26, 2020	8/12/2020	—
721	Truveris	EPI Health, LLC	Amendment 2 to Statement of Work #1 to Master Services Agreement dated March 26, 2020	12/7/2020	—
722	Truveris	EPI Health, LLC	Amendment 3 to Statement of Work #1 to Master Services Agreement dated March 26, 2020	1/22/2021	—
723	Truveris	EPI Health, LLC	Statement of Work #5 to Master Services Agreement by and between Truveris Inc. and EPI Health	11/8/2022	—
724	TUV SUD Schweiz AG	Novan, Inc.	TUV SUD_MSA_FE_12Nov2020	10/28/2020	—
725	TUV SUD Schweiz AG	Novan, Inc.	TUV SUD_Mutual NDA_FE_27Oct2020	10/27/2020	—
726	Two Labs Holdings, LLC	Novan, Inc.	Two Labs Holdings_Mutual NDA_FE_4Oct2021	10/4/2021	10,000
727	Two Labs Holdings, LLC	Novan, Inc.	Two Labs Holdings_MSA_FE_19Nov2021	11/19/2021	—
728	Two Labs Holdings, LLC	Novan, Inc.	Two Labs_SOW1_FE_10Dec2021	12/10/2021	—
729	Two Labs Holdings, LLC	Novan, Inc.	Two Labs_SOW1_FE_10Dec2021	12/10/2021	—
730	Two Labs Holdings, LLC	Novan, Inc.	Two Labs_SOW2_FE_10Dec2021	12/10/2021	—
731	UNC Chapel Hill	Novan, Inc.	UNC-CH_NMR Lab Agreement_FE_8May2023	5/8/2023	50,063
732	United States Fire Insurance Company	Novan, Inc.	Crum and Forster_Mutual NDA_FE_16Aug2021	8/13/2021	—
733	University of North Carolina	EPI Health, LLC	Amended, Restated and Consolidated License Agreement between The University of North Carolin	6/27/2012	—
734	University of Rochester	Novan, Inc.	University of Rochester_Brian Ward_Mutual NDA_FE_14Dec2021	12/14/2021	—
735	University of Rochester	Novan, Inc.	University of Rochester_Research Agreement_FE_6Jun2022	6/6/2022	—
736	University of South Carolina	Novan, Inc.	USC_MTA_FE_9Jun2022	6/17/2022	—
737	University of Tennessee	Novan, Inc.	UT_Scullion Strategy_Mutual NDA 3 way_FE_13Jan2021	1/8/2021	—
738	USI Insurance Services National	Novan, Inc.	USI Insurance_Mutual NDA_FE_25Jan2022	1/25/2022	—
739	Utah State University	Novan, Inc.	USU_SSA6_FE_15Jul2022	7/15/2022	—
740	Vaco LLC	Novan, Inc.	Vaco_Client Services Agreement_FE_1Nov2021	10/29/2021	—
741	Varidesk LLC	Novan, Inc.	Varidesk_Release Agreement_FE_8Mar2021	3/8/2021	—
742	Varidesk LLC	Novan, Inc.	Vari_Quote_FE_22Mar2021	1/21/2021	—
743	vCom Solutions	Novan, Inc.	vCom Solutions_MSA_FE_16Feb2021	2/16/2021	528
744	vCom Solutions	Novan, Inc.	vCom Solutions_LOA_FE_15Mar2021	3/15/2021	—
745	Vectans Pharma	EPI Health, LLC	Safety Data Exchange Agreement between Vectans Pharma SCS and EPI Health, LLC	5/30/2018	(200)
746	Vectans Pharma	EPI Health, LLC	Transfer and License Agreement between Vectans Pharma and EPI Health LLC	2/21/2020	—
747	Vectans Pharma	EPI Health, LLC	Quality Agreement by and between EPI Health, LLC and Vectans Pharma, dated August 30, 2018.	8/30/2018	—
748	Verta Life Sciences LLC	Novan, Inc.	Verta Life Sciences_Mutual NDA_FE_22Sept2021	9/22/2021	27,300
749	Verta Life Sciences LLC	Novan, Inc.	“Effective Date”) under the Master Services Agreement dated as of April 15’, 2022 (the “Agreement”)	4/28/2022	—
750	Verta Life Sciences LLC	Novan, Inc.	“Effective Date”) under the Master Services Agreement dated as of April 15’, 2022 (the “Agreement”)	4/28/2022	—
751	Verta Life Sciences LLC	Novan, Inc.	Verta Life Sciences_SOW2_FE_29Aug2022	8/29/2022	—
752	Verta Life Sciences LLC	Novan, Inc.	Verta Life Sciences_MSA_FE_4Apr2022	4/1/2022	—
753	Vicept Therapeutics, Inc. & Aspect Pharmaceuticals, LLC	EPI Health, LLC	Assignment and License Agreement dated as of August 3, 2009, by and between Vicept Therapeutics, Inc	8/3/2009	—
754	Vinchem, Inc. & Coria Laboratories	EPI Health, LLC	Supply Agreement by and between Vinchem, Inc. and Coria Laboratories Ltd.	4/30/2008	—
755	Vorenius Ventures LLC	Novan, Inc.	Mobile Locker_Mutual NDA_FE_9Nov2022	11/9/2022	—

Exhibit 1: Contract Schedule

ID #	Contract Counterparty	Debtor Name	Contract Title & Description	Date of Contract or Lease	Estimated Cure Amount
756	VTU Engineering Italia S.r.l.	Novan, Inc.	VTU Engineering_Huvepharma_NDA IP Assignment_FE_27May2021	5/27/2021	—
757	Warman OBrien Limited	Novan, Inc.	Warman O'Brien Limited_Terms of Business_FE_18Aug2021	1/8/2021	—
758	Wavelength Enterprises LTD	Novan, Inc.	Wavelength_Cilatus_3-way NDA_FE_25Sept2020	9/25/2020	—
759	West LLC	Novan, Inc.	Nasdaq_West LLC_Service Order_FE_16Aug2019	7/22/2019	—
760	Womble Bond Dickinson (US) LLP	Novan, Inc.	Womble Bond Dickinson_Engagement Letter_FE_24Mar2022	3/24/2022	—
761	Womble Bond Dickinson (US) LLP	Novan, Inc.	Womble Bond Dickinson_Waiver of Conflict_FE_30Mar2022	3/30/2022	—
762	Woodward Pharma Services LLC	Novan, Inc.	Woodward Pharma_Mutual NDA_FE_6Jun2023	6/6/2023	—
763	World Customs Brokerage, Inc.	Novan, Inc.	World Customs Brokerage_POA_FE_22Jun2022	6/22/2022	—
764	Yocom & McKee, Inc.	Novan, Inc.	Yocom & McKee_EEO-1 Service Agreement_FE_6Feb2023	2/6/2023	1,938
765	Yocom & McKee, Inc.	Novan, Inc.	Yocom & McKee_AAP Services Agreement_FE_1Jan2023	1/1/2023	—
766	Zeichner Consulting LLC	Novan, Inc.	Zeichner Consulting_Llc_MCSA_FE	2/24/2023	—
767	ZETA USA Inc	Novan, Inc.	Zeta_MSA_FE_22Apr2023	4/22/2023	2,400
768	Zhendong BioPharma International, LLC	Novan, Inc.	Zhendong BioPharma_Mutual NDA_FE_30Jan2023	1/30/2023	—
769	Zinc	EPI Health, LLC	Commercial Rebate Agreement by and between Zinc Health Services, LLC and EPI Health	1/1/2021	—
770	Zinc	EPI Health, LLC	First Amendment to Commercial Rebate Agreement by and between Zinc Health Services, LLC and EPI Health	7/1/2021	—
771	Zinc	EPI Health, LLC	Second Amendment to Commercial Rebate Agreement by and between Zinc Health Services, LLC and EPI Health	1/1/2022	—

Exhibit B
Redline

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
NOVAN, INC., <i>et al.</i> , ¹)	
	)	Case No. 23-10937 (LSS)
Debtors.)	
	)	(Jointly Administered)
	)	RE: D.I. 16

**ORDER (I)(A) APPROVING BIDDING PROCEDURES FOR SALE OF
SUBSTANTIALLY ALL OF DEBTORS' ASSETS FREE AND CLEAR OF LIENS,
CLAIMS, INTERESTS, AND ENCUMBRANCES AND DESIGNATING LIGAND
PHARMACEUTICALS AS A STALKING HORSE BIDDER, (B) SCHEDULING AN
AUCTION AND APPROVING THE FORM AND MANNER OF NOTICE THEREOF,
(C) APPROVING ASSUMPTION AND ASSIGNMENT PROCEDURES AND (D)
SCHEDULING A SALE HEARING AND APPROVING THE FORM AND MANNER OF
NOTICE THEREOF, AND (II) GRANTING RELATED RELIEF**

Upon consideration of the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for the entry of an order: (i) approving bidding procedures, substantially in the form attached hereto as **Exhibit 1** (the “Bidding Procedures”), to be used in connection with one or more sales (each a “Sale”) of the Debtors’ development and commercialization rights to their research and development portfolio (the “R&D Assets”) and to the rights to commercialize the Debtors’ commercial portfolio (the “Commercial Assets,” and together with the R&D Assets, the “Assets,” as more fully defined in the Bidding Procedures) free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the Debtors to designate one or more affiliates of Ligand Pharmaceuticals, Incorporated or its designee

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² Capitalized terms used but not defined herein shall have the meanings given them in the Bidding Procedures (as defined below), or to the extent not defined therein, the Motion or the Stalking Horse APA.

(“Ligand”) as the Stalking Horse Bidder for all of the Assets in connection with considering the entry of the Bidding Procedures Order; (iii) scheduling one more auctions (each, an “Auction”), if necessary, and schedule one or more hearings to approve a sale of the Debtors’ Assets (a “Sale Hearing”); (iv) approving the form and manner of notice of the proposed Bidding Procedures, the Auction, and the Sale Hearing, substantially in the form attached hereto as **Exhibit 2** (the “Auction Notice”); (v) authorizing procedures governing the assumption and assignment of certain executory contracts and unexpired leases (the “Assumed Contracts”) in connection with any Sale (the “Assumption and Assignment Procedures”); (vi) approving the form and manner of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”) of (A) the Debtors’ calculation of the amount necessary to cure any default under the applicable Assumed Contract (the “Cure Amounts”); and (B) certain other information regarding the potential assumption and assignment of Assumed Contracts in connection with a Sale, substantially in the form attached hereto as **Exhibit 3** (the “Assumption and Assignment Notice”); and (vii) granting related relief; and due and proper notice of the Motion having been given; and it appearing that no other or further notice of the Motion is required; and it appearing that this Court has jurisdiction to consider the Motion in accordance with 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue of this proceeding and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having reviewed the Motion; and the Bidding Procedures Hearing (as defined herein) having been held; and this Court having found and determined that the relief set forth herein is in the best interests of the Debtors, their estates and creditors, and all parties in interest, and that the legal and factual bases set forth in the

Motion and at the Bidding Procedures Hearing, as applicable, establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:³

A. This Court has jurisdiction to consider the Motion in accordance with 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order.

B. Venue of this proceeding and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

C. The statutory and legal predicates for the relief requested in the Motion and provided for herein are sections 105, 363, 365, 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2002-1 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

D. In the Motion and at the hearing on the relief set forth herein (the “Bidding Procedures Hearing”), the Debtors demonstrated that good and sufficient notice of the relief granted by this Bidding Procedures Order has been given and no further notice is required. A reasonable opportunity to object or be heard regarding the relief granted by this Bidding Procedures Order (including, without limitation, with respect to the Bidding Procedures) has been afforded to those parties entitled to notice pursuant to Bankruptcy Rule 2002 and all other interested parties.

³ The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

E. The Bidding Procedures attached hereto as **Exhibit 1** are fair, reasonable, and appropriate and are designed to maximize the value of the proceeds of Sale of the Debtors' Assets. The Bidding Procedures comply with the requirements of Local Rule 6004-1(c) and are reasonably designed to promote active bidding and participation in the Auction to ensure that the highest or otherwise best value is generated for the Assets.

F. The Assumption and Assignment Procedures are fair, reasonable, and appropriate and comply with the provisions of section 365 of the Bankruptcy Code and Bankruptcy Rule 6006.

G. The Debtors have articulated good and sufficient business reasons for the Court to approve (i) the Bidding Procedures, (ii) the form and manner of Auction Notice; (iii) designation of Ligand as the Stalking Horse Bidder, and the Debtors' entry into the Stalking Horse APA, subject to the procedures set forth herein and entry of the Sale Order; (iv) the form and manner of the Assumption and Assignment Notice; and (v) the Assumption and Assignment Procedures.

H. The Auction Notice, the Assumption and Assignment Notice, and the Notice of Winning Bidder, are appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the Auction, the Sale Hearing, the Bidding Procedures, the Assumption and Assignment Procedures, the Debtors' proposed Cure Amounts, any proposed assumption of an Assumed Contract in connection with a sale of the Assets, and all relevant and important dates and deadlines with respect to the foregoing, and no other or further notice of the Auction, the sale of the Assets, or the assumption and assignment of Assumed Contracts in connection therewith shall be required.

I. Good and sufficient notice of the relief sought in the Motion has been provided under the circumstances, and no other or further notice is required except as set forth in the

Bidding Procedures and the Assumption and Assignment Procedures. A reasonable opportunity to object and be heard regarding the relief granted herein has been afforded to all parties in interest.

J. Entry of this Order is in the best interests of the Debtors, their estates and creditors, and all other interested parties.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein. All objections to the relief granted in this Order that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled and denied on the merits with prejudice.

2. The Bidding Procedures attached hereto as Exhibit 1 are hereby approved and are incorporated herein by reference. The failure to specifically include or reference any particular provision of the Bidding Procedures in this Order shall not diminish or otherwise impair the effectiveness of such procedures, it being this Court's intent that the Bidding Procedures are approved in their entirety, as if fully set forth in this Order. The Debtors are authorized to take all actions necessary or appropriate to implement the Bidding Procedures.

3. Ligand is designated as the Stalking Horse Bidder pursuant to the terms of the Stalking Horse APA. The Debtors' entry into the Stalking Horse APA is authorized and approved, and the Stalking Horse APA shall be subject to higher or better Qualified Bids in accordance with the terms and procedures of the Stalking Horse APA, this Bidding Procedures Order, and the Bidding Procedures. The Stalking Horse Bid's \$15 million aggregate Purchase Price (as defined in the Stalking Horse APA) for the Assets is allocated at (i) \$12 million for the R&D Assets and (ii) \$3 million for the Commercial Assets; provided, however, that the Stalking Horse Bidder shall not reallocate any of the initial \$3 million offered for the Commercial Assets

to the initial \$12 million offered for the R&D Assets or vice versa in any subsequent bid without the prior consent of the Debtors and the Committee, but for the avoidance of doubt, the Stalking Horse Bidder may increase the amounts offered for the R&D Assets and/or the Commercial Assets in any subsequent bid with incremental consideration above the aggregate \$15 million Purchase Price. The Stalking Horse Bidder, and the Stalking Horse Bid, shall be deemed a Qualified Bidder and Qualified Bid, respectively, under this Bidding Procedures Order and the Bidding Procedures.

4. Within three (3) business days after the entry of this Bidding Procedures Order, the Debtors shall to serve the Auction Notice, substantially in the form attached to this Bidding Procedures Order, on: (a) the U.S. Trustee; (b) counsel to the Stalking Horse Bidder; (c) counsel to the Official Committee of Unsecured Creditors (the “Creditors’ Committee”); (d) all parties known by the Debtors to assert a lien or encumbrance on any of the Assets; (e) all persons known or reasonably believed to have asserted an interest in or claim to any of the Assets; (f) all persons known or reasonably believed to have expressed an interest in acquiring all or a substantial portion of the Assets within the one (1) year prior to the Petition Date; (g) the Office of the United States Attorney for the District of Delaware; (h) the Office of the Attorney General in each state in which the Debtors have operated; (i) the Office of the Secretary of State in each state in which the Debtors have operated; (j) the Internal Revenue Service and all state and local taxing authorities in the states in which the Debtors have or may have any tax liability; (k) the Securities and Exchange Commission; (l) the Federal Trade Commission; (m) all of the Debtors’ other known creditors and equity security holders; and (n) all other parties that have filed a notice of appearance and demand for service of papers in these chapter 11 cases (the “Chapter 11 Cases”) as of the service date.

5. The Debtors shall post the Auction Notice and this Bidding Procedures Order on the Debtors' claims and noticing agent's website. Within seven (7) calendar days of the entry of this Bidding Procedures Order, the Debtors shall cause the Auction Notice to be published once in the national edition of USA Today or another nationally circulated newspaper, with any modifications necessary for ease of publication. Publication of the Auction Notice as described in this Bidding Procedures Order conforms to the requirements of Bankruptcy Rules 2002(l) and 9008 and is reasonably calculated to provide notice to any affected party, including, without limitation, any potential bidders, and afford the affected party the opportunity to exercise any rights affected by the Motion and the relief granted by this Bidding Procedures Order.

6. Except objections relating to the conduct of the Auction, the Auction results, the selection of any Winning Bid and/or Back-Up Bid, or the terms of any Sale to a Winning Bidder and/or Back-Up Bidder, which may be filed as part of a Winning Bid Objection (as defined below), all objections to the sale of the Assets (each, an "Initial Sale Objection"), including any objection to the sale of any Assets free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to a Winning Bidder and/or a Backup Bidder (as applicable), shall be (i) be in writing; (ii) state with specificity the grounds for such objection; (iii) comply with the Bankruptcy Rules and the Local Rules; (iv) be filed with the Court by no later than **August 28, 2023, at 4:00 p.m. (ET)** (the "Initial Sale Objection Deadline"); and (v) served on the Notice Parties (as such term is defined in the Bidding Procedures).

7. Subject to this Bidding Procedures Order and the Bidding Procedures, the Debtors, in the exercise of their reasonable business judgment and in a manner consistent with their fiduciary duties and applicable law, shall have the right, in consultation with the Notice Parties, to: (a) determine which bidders qualify as Qualified Bidders (except that the Stalking

Horse Bidder shall be deemed a Qualified Bidder, and the Stalking Horse APA a Qualified Bid, as set forth herein), and which bids qualify as Qualified Bids; (b) make final determinations as to whether the Debtors will conduct an Auction; (c) select Baseline Bid(s); (d) determine the amount of each minimum overbid; (e) determine which Qualified Bid is the highest or otherwise best bid for the Assets, and therefore the Winning Bid, and which Qualified Bid is the next highest and next best bid after the Winning Bid for the Assets, and therefore the Back-Up Bid; (f) reject any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of this Bidding Procedures Order or any other applicable order of the Court, the Bidding Procedures, the Bankruptcy Code, or other applicable law; or (iii) contrary to the best interests of the Debtors and their estates; and (g) adjourn or cancel the Auction or the Sale Hearing solely in accordance with the Bidding Procedures; provided, however, that under no circumstance may a bid for the R&D Assets, other than the Stalking Horse Bid, qualify as a Qualified Bidder if it does not provide for the unaltered assumption and assignment of the Development Funding and Royalties Agreement, dated as of May 4, 2019 (as amended from time to time), to which the Stalking Horse Bidder and Novan, Inc. are parties (the “Royalty Agreement”).

8. Subject to this Bidding Procedures Order and the Bidding Procedures, Debtors shall have the right, in their reasonable discretion and in consultation with the Notice Parties, to withhold or limit access to any due diligence information that the Debtors determine is business-sensitive or otherwise not appropriate for disclosure to a Qualified Bidder. Pursuant to the Bidding Procedures, and notwithstanding any prepetition limitations, including, without limitation, any non-disclosure, confidentiality, or similar provisions relating to any due diligence information, the Debtors and their estates shall be authorized to provide due diligence information to Qualified Bidders, *provided* that such Qualified Bidders have delivered an

executed confidentiality agreement in form and substance acceptable to the Debtors. The Debtors and their estates are not responsible for, and shall have no liability with respect to, any information obtained by, or provided to, any Qualified Bidders in connection with the Bidding Procedures or the Sale. A bidder that is bidding solely on the Commercial Assets will not be required to assume the Royalty Agreement to be deemed a Qualified Bidder.

9. Except as otherwise provided in the Bidding Procedures, this Bidding Procedures Order, and without prejudice to the rights of the DIP Lender under the DIP Facility (as approved by the DIP Order⁴) or the Stalking Horse Bidder under the Stalking Horse APA, the Debtors, in the exercise of their reasonable business judgment and in a manner consistent with their fiduciary duties and applicable law, in consultation with the Notice Parties, shall have the right to modify the Bidding Procedures, including to (a) extend, modify, adjourn, or waive dates, deadlines or other terms and conditions set forth herein or in the Bidding Procedures; (b) adopt new rules and procedures for conducting the bidding and Auction process so long as any such modifications are reasonably disclosed to Qualified Bidders; and (c) promote competitive bidding for and maximizing the value of the Assets; provided, however, that under no circumstance may (i) any of the forgoing potential modifications and/or additional rules and procedures be materially inconsistent with the existing terms of this Bidding Procedures Order and the Bidding Procedures without the consent of Ligand and the Creditors' Committee; and (ii) a bid for the R&D Assets, other than the Stalking Horse Bid, qualify as a Qualified Bidder if it does not provide for the unaltered assumption and assignment of the Royalty Agreement.

⁴ "DIP Order" means as of any date of determination (i) that certain *Interim Order (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief* that was entered by the Bankruptcy Court on July 21, 2023 [Dkt. No. 54] (the "Interim Order") or (ii) the Final Order (as defined in the Interim Order), whichever such Order is then in effect.

10. The Stalking Horse Bidder shall be considered a Qualified Bidder for the Assets, and the Stalking Horse Bid shall be considered a Qualified Bid without regard to any of the requirements or conditions set forth in the Bidding Procedures and without any other or further action by the Stalking Horse Bidder. As part of its Stalking Horse Bid, Ligand shall be entitled to pay the Purchase Price under the Stalking Horse APA, and fund Overbids during the Auction if there is competitive bidding, with (i) an offset, on a dollar-for-dollar basis, against the Debtors' Obligations (as defined in the DIP Facility) under the DIP Facility as approved by the DIP Order; and/or (ii) cash. The Stalking Horse Protections forth in the Motion have been waived by Ligand as the Stalking Horse Bidder.

11. A Qualified Bidder, other than a Stalking Horse Bidder, that desires to make a bid shall deliver an electronic copy of its bid in both PDF and MS-WORD format so as to be received via email on or before **August 28, 2023, at 5:00 p.m. (ET)** (the "Bid Deadline"), by: (a) the Debtors' proposed investment banker, Raymond James & Associates (Attn: Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); (b) proposed counsel to the Debtors, Morris, Nichols, Arsht & Tunnell LLP; and (c) proposed counsel to the Creditors' Committee, Goodwin Procter, LLP, The New York Times Building, 620 Eighth Avenue, New York, New York 10018 (Attn: Howard Steel (hsteel@goodwinlaw.com) and Barry Bazian (bbazian@goodwinlaw.com)). The Debtors may extend the Bid Deadline without further order of the Court pursuant to the terms of Paragraph 9 herein and the Bidding Procedures. Any party that does not submit a bid by the Bid Deadline will not be allowed to (i) submit any offer after the Bid Deadline or (ii) participate in the Auction.

12. Within one (1) business day after receipt thereof, the Debtors will deliver copies of all bids from Qualifying Bidders to the Notice Parties. The Debtors, in consultation with the Notice Parties, shall make a determination regarding whether a timely submitted bid from a Qualified Bidder is a Qualified Bid. No later than one (1) business day prior to the Auction, the Debtors shall: (a) notify all Qualified Bidders whether their bids have been determined to be a Qualified Bid; and (b) determine, in consultation with the Notice Parties, which of the Qualified Bids, at such time, is the highest or otherwise best bid for purposes of constituting the opening bid of the Auction (a “Baseline Bid” and the Qualifying Bidder submitting such Baseline Bid, a “Baseline Bidder”), and shall promptly notify all Qualified Bidders with Qualified Bids of the Baseline Bid.

13. If the Debtors do not receive a Qualified Bid other than a Stalking Horse Bid, the Stalking Horse Bid shall be deemed the Winning Bid for the Assets, and the Debtors shall request at the Sale Hearing that the Court approve such Winning Bid and the transactions contemplated thereunder for the Assets.

14. The Auction Procedures are hereby approved. If the Debtors timely receive one or more Qualified Bids for the Assets, then the Debtors shall conduct one or more auctions (each, an “Auction”) commencing on **August 31, 2023, at 10:00 a.m. (ET)**, at the offices of Raymond James & Associates, Inc., 320 Park Avenue, Floor 12, New York, New York 10022, or virtually via telephone or video conference pursuant to information to be timely provided by the Debtors to the Auction Participants. If held, the Auction proceedings shall be transcribed or video recorded.

15. Following the Auction, the Debtors will determine, in consultation with the Notice Parties, which Qualified Bid is the highest or otherwise best bid for the Assets, in whole

or in part, which will be determined by considering, among other things, the following non-binding factors: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by each bidder; (b) the extent to which such modifications are likely to delay closing of the Sale and the cost to the Debtors and their estates of such modifications or delay; (c) the total consideration to be received by the Debtors and their estates; (d) the transaction structure and execution risk, including, without limitation, conditions to, timing of and certainty of closing, termination provisions, availability of financing and financial wherewithal to meet all commitments, and required governmental or other approval; (e) the net benefit to the Debtors' estates; and (f) any other factors the Debtors may reasonably deem relevant.

16. On or before one (1) business day after the selection of any Winning Bid(s), the Debtors shall file a notice with the Court (the "Notice of Winning Bid") that sets forth: (i) the identity of the Winning Bidder(s) and any Back-Up Bidder; (ii) the amount of the Winning Bid and any Back-Up Bid; (iii) a summary of the Assets subject to the Winning Bid; and (iv) whether the Winning Bidder or the Back-Up Bidder have any connections to the Debtors other than those arising from their respective bids.

17. The Sale Hearing shall be held in this Court on September 11, 2023 at 10:00 a.m. (ET), unless otherwise determined by this Court. Subject to the terms and conditions of the DIP Facility (as approved by the DIP Order) and the Stalking Horse APA, the Sale Hearing may be adjourned by the Debtors, in consultation with the Notice Parties and the Winning Bidder(s), from time to time without further notice to creditors or other parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing, or by filing a hearing agenda or notice on the docket of the Chapter 11 Cases.

18. Following service of the Notice of Winning Bid, parties may file an objection solely with respect to the conduct of the Auction, the Auction results, the selection of the Winning Bid and/or Back-Up Bid, or the terms of any Sale to the Winning Bidder or the Back-Up Bidder (each, a “Winning Bid Objection”). Any Winning Bid Objection shall be (i) be in writing; (ii) state with specificity the grounds for such objection; (iii) comply with the Bankruptcy Rules and the Local Rules; (iv) be filed with the Court by no later than September 6, 2023, at 4:00 p.m. (ET) (the “Winning Bid Objection Deadline”); and (v) served on the Notice Parties. The Debtors and any other entity shall have until **one (1) business day prior to the Sale Hearing, at 12:00 p.m. (ET)**, to file and serve a reply to any Initial Sale Objection or Winning Bid Objection. Any party who fails to file and serve a timely Initial Sale Objection or Winning Bid Objection in accordance with the terms of this Bidding Procedures Order shall be forever barred from asserting, at the Sale Hearing or thereafter, any Initial Sale Objection or Winning Bid Objection including any such objection to the relief requested in the Motion or to the consummation or performance of the sale of the Assets, including the transfer of Assets to the applicable Winning Bidder free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code, and shall be deemed to consent to such sale for purposes of section 363(f) of the Bankruptcy Code.

19. The Auction Notice, substantially in the form attached hereto as **Exhibit 2**, is approved, and no other or further notice of the proposed Sale of Assets, the Auction, the Sale Hearing, the Initial Sale Objection Deadline, or the Winning Bid Objection Deadline shall be required if the Debtors serve the Auction Notice in the manner provided in the Bidding Procedures and this Bidding Procedures Order.

20. The following assumption and assignment procedures (the “Assumption and Assignment Procedures”) are hereby approved:

1. On July 25, 2023, the Debtors filed and served the Initial Assumption and Assignment Notice, in the form attached hereto as **Exhibit 4**, via overnight delivery, on any counterparty (a “Counterparty”) to the Debtors’ universe of executory contracts and unexpired leases that may be designated Assumed Contracts. This notice included: (a) notice that such Counterparty’s contract may be subject to assumption and assignment in the Sale and thus designed an Assumed Contract; (b) the Cure Amount if any, that the Debtors believe is required to be paid to the Counterparty under section 365(b)(1)(A) and (B) of the Bankruptcy Code for such Assumed Contract; and (c) the Adequate Assurance Information of the Stalking Horse Bidder. The inclusion of any executory contract or unexpired commercial real property lease on the Initial Assumption and Assignment Notice shall not constitute an admission that a particular contract is an executory contract or unexpired lease or require or guarantee that such contract will be an Assumed Contract.
2. On or before one (1) business day after the selection of a Winning Bid or a Back-Up Bid, the Debtors shall file with this Court and serve the Additional Assumption and Assignment Notice, substantially in the form attached hereto as **Exhibit 3**, via overnight delivery, on any Counterparty to the Debtors’ universe of executory contracts and unexpired leases that may be designated as an Assumed Contract that the relevant Winning Bidder or Back-Up Bidder desires to assume as part of its Winning Bid ***that was not already listed on the Initial Assumption and Assignment Notice***. This notice shall include: (a) notice that such Counterparty’s contract may be subject to assumption and assignment in the Sale and thus designed an Assumed Contract as part of the relevant Winning Bid; (b) the cure amount if any, that the Debtors believe is required to be paid to the Counterparty under section 365(b)(1)(A) and (B) of the Bankruptcy Code for such Assumed Contract (each, a “Cure Amount”) in the event such Assumed Contract is assumed and assigned by the Debtors; and (c) the Adequate Assurance Information of the relevant Winning Bidder and Back-Up Bidder. The inclusion of any executory contract or unexpired commercial real property lease on the Additional Assumption and Assignment Notice shall not constitute an admission that a particular contract is an executory contract or unexpired lease or require or guarantee that such contract will be an Assumed Contract.
3. ***Objections to the Initial Assumption and Assignment Notice served in accordance with subparagraph 1 hereof were due on August 8, 2023, unless such deadline was extended by the Debtors.*** If a Counterparty objected to (a) the proposed assumption and assignment of its Assumed Contract set forth in the Initial Assumption and Assignment Notice (including, without limitation, on the basis (i) that the Stalking Horse

Bidder cannot provide adequate assurance of future performance; (ii) of the transfer of any related rights or benefits thereunder; or (iii) that Counterparty consent is allegedly required for the assumption, assignment, and transfer of the Assumed Contract), or (b) the Cure Amount set forth in the Initial Assumption and Assignment Notice, the Counterparty was required to file with the Court and serve on the Notice Parties a written objection (an “Initial Contract Objection”) **on or before August 8, 2023 at 4:00 p.m. (ET)** (the “Initial Contract Objection Deadline”).

4. Objections to the Additional Assumption and Assignment Notice to be served in accordance with subparagraph 2 hereof (an “Additional Contract Objection,” and collectively with an Initial Contract Objection, a “Contact Objection”) shall: (i) be in writing; (ii) state with specificity the grounds for such objection (including, without limitation, on the basis (a) that the Stalking Horse Bidder cannot provide adequate assurance of future performance; (b) of the transfer of any related rights or benefits thereunder; (c) that Counterparty consent is allegedly required for the assumption, assignment, and transfer of the Assumed Contract; or (d) the Cure Amount set forth in the Additional Assumption and Assignment Notice); (iii) comply with the Bankruptcy Rules and the Local Rules; (iv) be filed with the Court **on or before ~~12:00~~ September 6, 2023, at 4:00 p.m. (ET)** (the “Additional Contract Objection Deadline,” and collectively with the Initial Contract Objection Deadline, the “Contact Objection Deadline”); and (v) served on the Notice Parties.
5. With respect to any Contract Objection that is (or was) timely received, the Debtors, the Stalking Horse Bidder or relevant Winning Bidder, and the objecting Counterparty shall first confer in a good faith attempt to resolve the Contract Objection without Court intervention. If the parties are unable to consensually resolve the Contract Objection, the Debtors may request a hearing for the Court to resolve the Contract Objection. In the event a Contract Objection is resolved in a manner unfavorably, the Debtors may withdraw (or the Winning Bidder may cause the Debtor to withdraw) their request to assume and assign such Assumed Contract as part of any Winning Bid. A Contract Objection may be resolved after the closing date of the applicable Sale, subject to the terms of the asset purchase agreement approved in connection with the Sale.
6. If no Contract Objection is timely received with respect to an Assumed Contract: (a) the Counterparty to such Assumed Contract shall be deemed to have consented to the assumption by the Debtors and assignment or transfer (including the transfer of any related rights and benefits thereunder) to the Stalking Horse Bidder or Winning Bidder, as applicable, of the Assumed Contract, and be forever barred and estopped from asserting or claiming against the Debtors or the Stalking Horse Bidder or the Winning Bidder, as applicable, that any additional defaults exist or that conditions to assumption, assignment, and transfer must be satisfied under the Assumed Contract (including, without limitation, with respect to adequate assurance of future performance by the Stalking Horse

Bidder or Winning Bidder, as applicable), or that any related right or benefit under such Contract cannot and will not be available to the Stalking Horse Bidder or the Winning Bidder, as applicable; (b) any and all defaults under the Assumed Contract and any and all pecuniary losses related thereto shall be deemed cured and compensated pursuant to section 365(b)(1)(A) and (B) of the Bankruptcy Code upon payment of the applicable Cure Amount; and (c) the Cure Amount for such Assumed Contract shall be controlling, notwithstanding anything to the contrary in such Assumed Contract, or any other related document, and the Counterparty shall be deemed to have consented to the Cure Amount and shall be forever barred from asserting any other claims related to such Assumed Contract against the Debtors and their estates or the Stalking Horse Bidder or Winning Bidder, as applicable, or the property of any of them, that existed prior to the entry of the Sale Order.

7. The Debtors' decision to assume and assign any Assumed Contract to the Stalking Horse Bidder or a Winning Bidder, as applicable, is subject to this Court's approval and the closing of the Sale. Accordingly, absent this Court's approval and the closing of such Sale, the Assumed Contracts shall not be deemed assumed or assumed and assigned and shall in all respects be subject to further administration by the Debtors and their estates under the Bankruptcy Code in connection with the Chapter 11 Cases.

21. The Debtors shall use reasonable best efforts to timely implement the above Assumption and Assignment Procedures and shall not otherwise hinder or delay the assumption and assignment of executory contracts and/or unexpired leases that the Stalking Horse Bidder or such other Qualified Bidder, as applicable, designate as Assumed Contracts as part of the Stalking Horse Bid or Qualified Bid, respectively.

22. The Stalking Horse Bidder shall designate under the Stalking Horse APA as Assumed Contracts and/or as Assumed Liabilities (as such term is defined in the Stalking Horse APA) the following unexpired real property leases, executory contracts and/or other obligations of the Debtors: (i) the Royalty Agreement; (ii) that certain *Royalty and Milestone Payments Purchase Agreement*, dated as of April 29, 2019 (the "Reedy Creek Royalty Agreement") by and between Novan, Inc. and Reedy Creek Investments LLC, ("Reedy Creek"); provided, however, Stalking Horse Bidder's assumption of Debtor Novan's obligations under the Reedy Creek

Royalty Agreement shall be subject to the royalty rate and other economics to which Reedy Creek is entitled under the Reedy Creek Royalty Agreement not being improved in connection with such assumption or the Stalking Horse Bidder's (or its designee's) post-assumption actions with respect to the R&D Assets and/or the Royalty Agreement, as it may be amended from time to time; provided further, however, that the Royalty Agreement shall be deemed an approved agreement pursuant to any provision of the Reedy Creek Royalty Agreement, including, without limitation, Section 3.7 (to the extent applicable) therein; and (iii) such other contracts of the Debtors related solely to the R&D Assets to be designated on one or more schedules to the Stalking Horse APA in the Stalking Horse Bidder's sole and absolute discretion (clauses (i)-(iii) collectively, the "Stalking Horse APA Assumed Contracts"). The Debtors are responsible for the payment of all cure costs (up to the full \$15 million amount of the DIP Facility) at the Debtor Novan entity in connection with the Debtors' assumption and assignment of the Stalking Horse APA Assumed Contracts to the Stalking Horse Bidder; provided, however, that in the event the Stalking Horse Bidder, and the Stalking Horse APA, is (i) the Winning Bidder and the Winning Bid, respectively, for the Sale of the R&D Assets in accordance with the Bidding Procedures, then Ligand's prepetition liquidated claim in the amount of the \$1 million on account of an outstanding milestone payment under the Royalty Agreement (the "Ligand Milestone Payment") shall be deemed an allowed general unsecured claim against the Debtor Novan estate; and (ii) not the Winning Bidder and the Winning Bid, respectively, for the R&D Assets in accordance with the Bidding Procedures, then the Royalty Agreement must be assumed by the Winning Bidder for the R&D Assets as set forth in this Bidding Procedures Order and the Bidding Procedures and the Ligand Milestone Payment shall be paid in full (in cash) by the Debtors to Ligand on or before the closing of the Sale of the R&D Assets to such Winning Bidder.

23. In the event that a Winning Bidder fails to close a Sale on or before September 26, 2023, or such date as may be extended by the Debtors in consultation with the Notice Parties, and a Back-Up Bidder has been previously identified, the Debtors shall file a notice (the “Back-Up Bid Auction Notice”) and serve such Back-Up Bid Auction Notice on the U.S. Trustee, the Notice Parties, and those parties who filed a request to receive notice under Bankruptcy Rule 2002. Three (3) business days following the filing of any Back-Up Bid Auction Notice, the Back-Up Bid subject to such Back-Up Bid Auction Notice will be deemed to be the Winning Bid, the Back-Up Bidder will be deemed to be the Winning Bidder, and the Debtors shall be authorized, but not directed, to close the Sale to the Back-Up Bidder subject to the terms of the Back-Up Bid without the need for further order of the Court and without the need for further notice to any interested parties.

24. Any consultation rights provided to the Notice Parties pursuant to the Bidding Procedures shall not limit the Debtors’ discretion in any way and shall not include the right to veto any decision made by the Debtors in the exercise of their business judgment. In the event that a member of a Creditors’ Committee submits a bid that is a Qualified Bid, any obligation of the Debtors to consult with the bidding party, or their legal counsel, established under the Bidding Procedures will be waived without further action; provided, however, that the bidding party will have the same rights as any other Qualified Bidder under the Bidding Procedures. Any failure to specifically identify consultation rights in any section of these Bidding Procedures shall not limit or otherwise impair the rights of the Notice Parties to consult with the Debtors. In the event that the Notice Parties disagree with matters for which the Debtors are required to consult with the Notice Parties, then the Notice Party shall have the right to seek relief from the Court on an expedited basis to resolve the dispute.

25. Effective as of the date of entry of this Bidding Procedures Order, each of the Debtors and each of their estates, on its own behalf and on behalf of its and their respective predecessors, successors, heirs, and past, present and future subsidiaries and assigns, hereby absolutely, unconditionally and irrevocably releases and forever discharges and acquits Ligand and its subsidiaries, affiliates, officers, directors, managers, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives and other professionals and the respective successors and assigns thereof (solely in their capacities as such, ~~and subject to entry of a Final Order that so provides~~) (collectively, the “Released Parties”), from any and all liability to the Debtors (and their successors and assigns) and from any and all claims, counterclaims, demands, defenses, offsets, debts, accounts, contracts, liabilities, actions and causes of action of any kind, nature and description, whether matured or unmatured, known or unknown, asserted or unasserted, foreseen or unforeseen, accrued or unaccrued, suspected or unsuspected, liquidated or unliquidated, pending or threatened, arising in law or equity, in contract or tort, that the Debtors at any time had, now have or may have, or that their predecessors, successors or assigns at any time had or hereafter may have against any of the Released Parties for or by reason of any act, omission, matter, or cause arising at any time on or prior to the date of entry of this Bidding Procedures Order; provided, however, that the release set forth above shall not release (i) any claims against or liabilities of a Released Party that a court of competent jurisdiction determines has resulted from such Released Party’s bad faith, fraud, gross negligence, collusion or willful misconduct; (ii) the Committee’s rights to assert a Challenge during the Challenge Period (as such terms are defined in the DIP Order) pursuant to the terms and conditions of the DIP Order; (iii) Ligand from honoring its obligations

to the Debtors under the DIP Facility (as approved by the DIP Order), Stalking Horse APA, this Bidding Procedures Order and the Bidding Procedures.

26. In the event the Stalking Horse Bidder is the Winning Bidder for the R&D Assets, or if the Stalking Horse Bidder is not the Winning Bidder for the R&D Assets but the Royalty Agreement has been assumed by the Winning Bidder for the R&D Assets, and the DIP Obligations (as defined in the DIP Order) are satisfied in full by the Debtors under the DIP Facility (as approved by the DIP Order), then Ligand—in its capacity as the Winning Bidder, the DIP Lender (as defined in the DIP Order), and counterparty to the Royalty Agreement—shall release the Debtors and their estates of all prepetition claims and causes of action pursuant to a mutually agreeable release to be provided in the Sale Order or such other order as agreed by Ligand and the Debtors (in each case subject to Bankruptcy Court approval); provided, however, that the forgoing release shall not release the Ligand Milestone Payment, which shall be treated in accordance with paragraph 22 of this Bidding Procedures Order.

27. The Debtors and the Creditors' Committee acknowledge and agree that they will work to develop one or more chapter 11 plans of liquidation for these Chapter 11 Cases (collectively, the "Chapter 11 Plan") that will incorporate one or more liquidating grantor trusts (as appropriate) formed for the benefit of the Debtors' general unsecured creditors on the effective date of such plans (collectively, the "Liquidating Trust"). The Debtors and the Creditors' Committee agree that the Liquidating Trust, pursuant to a mutually agreeable form of liquidating grantor trust agreement, shall receive assets of the Debtors under the Chapter 11 Plan comprised of (i) Causes of Action⁵ owned by Debtor EPI except for Purchased Avoidance

⁵ "**Causes of Action**" means, collectively, any claims, causes of action, demands, actions, suits, obligations, liabilities, cross-claims, counterclaims, defenses, offsets, or setoffs of any kind or character whatsoever, in each case whether known or unknown, contingent or noncontingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, under statute, in contract, in tort, in

Actions (as such term is defined in the Stalking Horse APA); (ii) the proceeds of all directors' and officers' liability insurance policies of the Debtors, including any tail insurance policies and rights of the directors and officers thereunder for coverage (i.e., advance of expenses and liability coverage with respect to claims made against such offices and directors); (iii) (a) an amount equal to the accounts receivable owed to or collected by Debtor EPI Health on and after the Petition Date on behalf of prepetition amounts owed; and (b) all proceeds received by the Debtors pursuant to that certain *Motion to Approve Compromise under Rule 9019 // Debtors Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) and Fed. R. Bankr. P. 9019 Approving Settlement with CSNK Working Capital Finance Corp. d/b/a Bay View Funding* [D.I. 81], in each case of clause (iii)(a) and (b), solely upon the timely satisfaction of each of the Milestones as defined and set forth in paragraph 20 of the Interim Order or the Final Order approving the DIP Facility, as applicable; (iv) \$450,000 in cash to be paid by the Debtors, which represents the now-waived Stalking Horse Protections of the Stalking Horse Bidder consisting of a 3% break-up fee on account of the \$15 million Purchase Price (as defined in the Stalking Horse APA) under the Stalking Horse APA; (v) such other amounts as agreed by the Debtors and the Creditors' Committee, or as determined by the Bankruptcy Court; provided, however, that the cash elements of the foregoing may be first used to fund the allowed fees and expenses incurred by the professionals retained by the Debtors' estates for the Chapter 11 Plan to become effective. Subject to the terms of the Bidding Procedures Order, including satisfaction of certain Milestones as set forth herein, Ligand acknowledges and agrees that it will not take any position

law, or in equity, or pursuant to any other theory of law, federal or state, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise.

to oppose any acts or omissions with the funding of the Litigation Trust as provided in clauses (i) through (iv) of this Paragraph 27.

28. Ligand and Ligand's counsel shall only be a Notice Party in the Bidding Procedures if Ligand is no longer the Stalking Horse Bidder or is no longer participating in the Auction as a bidder.

29. The Debtors and the Creditors' Committee each acknowledge and agree that the Chapter 11 Plan (or any other chapter 11 plan) shall provide for the release and exculpation of each of the Ligand "Released Parties" (as defined in Paragraph 25 herein) to the fullest extent available under applicable law by (i) the Debtors and their estates, and the Creditors' Committee; and (ii) all parties receiving any distributions from the Debtors and/or their estates under such Chapter 11 Plan (or any other chapter 11 plan), with the form of such releases and exculpation subject to Ligand's agreement and consent.

30. In the event that there is a conflict between this Bidding Procedures Order or the Bidding Procedures, on the one hand, and the Motion or a Qualified Bidder's Proposed APA, on the other hand, this Bidding Procedures Order and the Bidding Procedures shall control and govern. If there is a conflict between this Bidding Procedures Order and the Bidding Procedures, this Bidding Procedures Order shall control and govern. If there is a conflict between this Bidding Procedures Order or the Bidding Procedures, on the one hand, and any notice served in connection with the Motion or this Bidding Procedures Order, on the other hand, this Bidding Procedures Order and the Bidding Procedures shall control and govern.

31. Prior to mailing any of the notices approved hereby, the Debtors may fill in, or cause to be filled in, any missing dates and other information, correct any typographical errors,

conform the provisions thereof to the provisions of this Bidding Procedures Order, and make such other, non-material changes as the Debtors deem necessary or appropriate.

32. Nothing in this Bidding Procedures Order, or any of the Exhibits hereto, shall prevent the Debtors from exercising their fiduciary duties in consummating or otherwise pursuing alternative transactions.

33. Nothing in paragraphs 27 and 29 herein shall be, or be deemed to be, a settlement under Bankruptcy Rule 9019 or a ruling with respect to the terms of any agreement between the parties or of any chapter 11 plan that may be proposed in these cases; provided, however, that those paragraphs contain binding agreements of the parties as set forth therein.

34. ~~33.~~ This Bidding Procedures Order shall be effective immediately upon entry, and any stay of orders provided for in Bankruptcy Rules 6004(h) or 6006(d) or any other provision of the Bankruptcy Code, the Bankruptcy Rules or the Local Rules is expressly waived. The Debtors are not subject to any stay in the implementation, enforcement or realization of the relief granted in this Bidding Procedures Order, and may, in their sole discretion and without further delay, take any action and perform any act authorized or approved under this Bidding Procedures Order.

35. ~~34.~~ The requirements set forth in Local Rules 6004-1, 9006-1, and 9013-1 are hereby satisfied or waived.

36. ~~35.~~ This Court shall retain exclusive jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Bidding Procedures Order.

Exhibit 1

Bidding Procedures

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)
	) Chapter 11
NOVAN, INC., <i>et al.</i> , ¹)
	) Case No. 23-10937 (LSS)
Debtors.)
	) (Jointly Administered)
)

BIDDING PROCEDURES

On July 17, 2023, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”). The Debtors are maintaining their business and managing their property as debtors in possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code.

On July 16, 2023, the Debtors entered into an asset purchase agreement (as amended from time to time, the “Stalking Horse APA”) with Ligand Pharmaceuticals, Incorporated (“Ligand” or the “Stalking Horse Bidder”) pursuant to which Ligand proposes to, among other things, purchase, acquire, and take assignment and delivery of the Assets (as defined below) under the Stalking Horse APA (the “Stalking Horse Bid”). The Stalking Horse Bidder, or an affiliate thereof, has provided the Debtors with postpetition financing as the DIP Lender (the “DIP Facility”), pursuant to the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender, (III) Scheduling Final Hearing, and (IV) Granting Related Relief* [D.I. 15] (“DIP Financing Motion”). On July 21, 2023, the Bankruptcy Court entered that certain *Interim Order (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief* that was entered by the Bankruptcy Court on July 21, 2023 [D.I. 54], which approved the DIP Financing Motion on an interim basis.

On ~~July~~ August 15, 2023, the United States Bankruptcy Court for the District of Delaware (the “Court”) entered an order [D.I. ~~15~~] (the “Bidding Procedures Order”), granting certain relief requested in the related motion [D.I. 16] (the “Bidding Procedures Motion”),² including authorizing the Debtors to solicit bids in accordance with the bidding procedures set forth herein (collectively, the “Bidding Procedures”) to be employed by the Debtors in connection with a

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² Capitalized terms used but not yet defined herein shall have the meaning ascribed to such terms in the Bidding Procedures Motion, the Bidding Procedures Order, or the DIP Financing Motion, as applicable.

proposed sale (the “Sale”) of substantially all of the Debtors’ assets (the “Assets”), free and clear of all liens (as defined in section 101(37) of the Bankruptcy Code), encumbrances, claims (as defined in section 101(5) of the Bankruptcy Code), charges, mortgages, deeds of trust, options, pledges, security interests or similar interests, title defects, hypothecations, easements, rights of way, rights of use, encroachments, judgments, rights of setoff, conditional sale or other title retention agreements and other similar impositions, imperfections or defects of title or restrictions on transfer or use other than any assumed liabilities or permitted liens referenced in a Winning Bid (as defined below).

These Bidding Procedures set forth the process by which the Debtors are authorized to conduct the Sale of the Assets described more specifically below.

ANY PARTY INTERESTED IN BIDDING ON THE ASSETS SHOULD CONTACT:

Raymond James & Associates, Inc.

Geoffrey Richards

Simon Wein

Telephone: (212) 885-1885
(516) 426-8030

Email:

geoffrey.richards@raymondjames.com

simon.wein@raymondjames.com

or Morris, Nichols, Arsht & Tunnell LLP

Derek C. Abbott (No. 3376)

1201 Market Street, 16th Floor

Wilmington, Delaware 19801

Telephone: (302) 658-9200

Facsimile: (302) 658-3989

Email: dabbott@morrisnichols.com

Proposed Counsel for the Debtors

*Proposed Investment Banker for the
Debtors*

Summary of Key Dates Established by Bidding Procedures

DATE	DEADLINE/EVENT
July 25, 2023	Deadline to serve the Initial Assumption and Assignment Notice
August 8, 2023	Deadline to file Initial Contract Objections and Objections to the Private Sale Order
August 15, 2023	Bidding Procedures Hearing
Three (3) business days after entry of the Bidding Procedures Order	Deadline to serve Notice of Auction
On or before August 28, 2023 (no later than 42 days after the Petition Date)	Deadline for the submission of Qualified Bids (i.e., the Bid Deadline)
August 28, 2023, at 4:00 p.m. (ET)	Deadline to file Initial Sale Objections

One (1) business day prior to the Auction	Deadline for Debtors to designate Qualified Bid(s) and Baseline Bid(s)
August 31, 2023 (no later than 45 days after the Petition Date)	Auction
As soon as practicable and not later than one (1) business day after cancellation or completion of the Auction	Deadline to file and serve Notice of Winning Bid(s)
One (1) business day after selection of Winning Bid	Deadline to file and serve an Additional Assumption and Assignment Notice (if applicable)
Two (2) business days prior to the Sale Hearing <u>September 6, 2023 at 4:00 p.m.</u>	Deadline to file Winning Bid Objection or Additional Contract Objections
One (1) business day prior to the Sale Hearing	Deadline to file reply to any Initial Sale Objection or Winning Bid Objection
_____ <u>September 11, 2023 at 10:00 a.m. (ET)</u> (No later than 55 <u>56</u> days after the Petition Date)	Sale Hearing and Entry of Sale Order
On or before September 25 <u>26</u> , 2023 (no later than 70 <u>71</u> days after the Petition Date)	Deadline for Winning Bidder(s) to close the transaction contemplated by its Winning Bid

1. Assets to Be Sold

The Debtors seek to sell to the Stalking Horse Bidder—subject to the highest and best Qualified Bids of one or more Qualified Bidders other than the Stalking Horse Bidder, subject to Court approval—substantially all of the tangible and intangible Assets of the Debtors as set forth in Section 2.1 of the Stalking Horse APA and the assumption of (i) the specific liabilities of the Debtors that the Stalking Horse Bidder has listed in Section 2.3 of the Stalking Horse APA, subject to the specific limits set forth therein (the “Assumed Liabilities”), and (ii) the Cure Amounts owing under the Assumed Contracts; provided, however, that the Assets will not include:

- (i) any cash, cash equivalents, accounts receivable, or other assets the Stalking Horse Bidder has identified on one or more schedules to the Stalking Horse APA of excluded assets (the “Excluded Assets”) or any liabilities the Stalking Horse Bidder has listed on one or more schedules to the Stalking Horse APA of liabilities (the “Excluded Liabilities”),

(ii) any accounts payable or any debt or debt-like liabilities (with the understanding that, if there are any debt-like liabilities that cannot be retained by the Debtors, such as a capital lease or deferred revenue obligations, such liabilities will be assumed by the Stalking Horse Bidder, but the cash payment to be made by the Stalking Horse Bidder at the closing will be reduced by the amount thereof); or

(iii) to the extent not already provided for in these sections 1(i) and 1(ii), Causes of Action³ owned by Debtor EPI except for Purchased Avoidance Actions (as such term is defined in the Stalking Horse APA); (ii) the proceeds of all directors' and officers' liability insurance policies of the Debtors, including any tail insurance policies and rights of the directors and officers thereunder for coverage (i.e., advance of expenses and liability coverage with respect to claims made against such offices and directors); and (iii) (a) an amount equal to the accounts receivable owed to or collected by Debtor EPI Health on and after the Petition Date on behalf of prepetition amounts owed; and (b) all proceeds received by the Debtors pursuant to that certain *Motion to Approve Compromise under Rule 9019 // Debtors Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) and Fed. R. Bankr. P. 9019 Approving Settlement with CSNK Working Capital Finance Corp. d/b/a Bay View Funding* [D.I. 81], in each case of clause (iii)(a) and (b), solely upon the timely satisfaction of each of the Milestones as defined and set forth in paragraph 20 of the Interim DIP Order or the Final DIP Order approving the DIP Facility, as applicable.

The Assets will be organized in the following two categories for the purpose of determining whether one or more Qualified Bidders have submitted one or more higher Qualified Bids for the Assets after taking into consideration the initial overbid, bid increments, and other requirements in these Bidding Procedures:

Commercial Assets, including, but not limited to, RHOFADÉ, MINOLIRA, and CLODERM, and all related patents and patent rights, other intellectual property, equipment, supplies and materials, regulatory authorizations (including new drug applications), files and records (including clinical and pre-clinical data), and know-how (the "Commercial Assets"); and

R&D Assets, including, but not limited to, Berdazimer gel, Molluscum Contagiosum, including and all related patents and patent rights, other intellectual property, equipment, supplies and materials, regulatory authorizations (including new drug applications), files and records (including clinical and pre-clinical data), and know-how, including the manufacturing assets and leases related to same, and all other Assets that are not included in Commercial Assets (the "R&D Assets").

³ "**Causes of Action**" means, collectively, any claims, causes of action, demands, actions, suits, obligations, liabilities, cross-claims, counterclaims, defenses, offsets, or setoffs of any kind or character whatsoever, in each case whether known or unknown, contingent or noncontingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, under statute, in contract, in tort, in law, or in equity, or pursuant to any other theory of law, federal or state, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise.

The Debtors will treat a bid for the Commercial Assets without the R&D Assets as a Qualified Bid if such bid is for a purchase price of not less than ~~+\$8,000,000~~. Similarly, the Debtors will treat a bid for the R&D Assets as a Qualified Bid if the bid is for a purchase price of not less than \$13,100,000, which amount reflects the Stalking Horse Bid in the amount of \$12 million, the \$1 million Ligand Milestone Payment in connection with the Royalty Agreement (as defined below), and the Minimum Continuing Bid of \$100,000. Qualified Bids for the R&D Assets (either with or without the Commercial Assets) must assume the Royalty Agreement. For the avoidance of doubt, a Winning Bidder of just the Commercial Assets will not be required to assume the Royalty Agreement. For the further avoidance of doubt, the Debtors will ascribe value to the Stalking Horse Bidder's assumption of the Reedy Creek Royalty Agreement and will provide the amount of such value to all parties seeking to become Qualified Bidders.

The sale of the Assets is on an “as is, where is” and “with all faults” basis and without representations, warranties or guarantees, express, implied or statutory, written or oral, of any kind, nature or description, by the Debtors, its affiliates or their respective representatives, except to the extent set forth in the Stalking Horse APA or the purchase agreement of such other Winning Bidder (as defined below) and as approved by the Court. Except as otherwise provided in such approved purchase agreement, all of the Debtors’ right, title and interest in and to each Asset to be acquired shall be sold free and clear of all liens, claims, interests and encumbrances (other than permitted liens), with such liens, claims, interests and encumbrances to attach to the proceeds of the Sale.

Any general objections to the Sale, including objections to the sale of any Assets free and clear of all liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to a Winning Bidder or a Back-Up Bidder (an “Initial Sale Objection”), shall be (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on the Notice Parties (as defined below) no later than August 28, 2023, at 4:00 p.m. (ET). For the avoidance of doubt, Initial Sale Objections do not include objections to the conduct at any Auction, the selection of a Winning Bid and/or Back-Up Bid, or the terms of any Sale to a Winning Bidder or the Back-Up Bidder, which need not be filed until after the filing of a Notice of Winning Bid (each term as defined below), or the assignment of any Assumed Contracts, which are governed by different objection deadlines set forth in the Bidding Procedures Order.

The Stalking Horse APA, which includes, among other things, a description of the Assets, customary representations, warranties, and covenants by and from the Debtors and Ligand, is posted in the Data Room (as defined below), and may also be obtained by Interested Parties upon request to the Debtors’ advisors.

2. Participation Requirements

A person or entity (an “Interested Party”) that wishes to conduct diligence about the Debtors may request access to the Debtors’ confidential electronic data room concerning the

Assets (the “Data Room”). To gain access to the Data Room, and thus be able to conduct due diligence on the Debtors and participate in the bidding process, an Interested Party must first become a “Qualified Bidder.” To become a Qualified Bidder, an Interested Party must submit to the Debtors and their advisors:

- (a) a written disclosure of each entity that will be bidding or otherwise participating in connection with such bid (including each equity holder or other financial backer of the Interested Party, including if such Interested Party is an entity formed for the purpose of consummating the proposed transactions to be set forth in a Proposed APA (as defined below) contemplated by such Interested Party), and the complete terms of any such participation. Under no circumstances shall any undisclosed principals, equity holders, or financial backers be associated with any Qualified Bid. Each Interested Party must also include the contact information for the specific person(s) and counsel whom the Debtors or their advisors should contact regarding such Qualified Bid;
- (b) a statement and other factual support demonstrating to the Debtors’ satisfaction, in consultation with the Notice Parties, in the exercise of their reasonable business judgment that the Interested Party has a *bona fide* interest in purchasing some or all of the Assets;
- (c) preliminary proof by the Interested Party of its financial capacity to close the Interested Party’s proposed transaction(s) to be set forth in a Proposed APA, which may include financial statements of, or verified financial commitments obtained by, the Interested Party (or, if the Interested Party is an entity formed for the purpose of acquiring the desired Assets, the party that will bear liability for a breach), the adequacy of which will be assessed by the Debtors in consultation with their advisors and the Notice Parties; and
- (d) an executed confidentiality agreement (to be delivered prior to the distribution of any confidential information by the Debtors to an Interested Party) in form and substance satisfactory to the Debtors (without limiting the foregoing, each confidentiality agreement executed by an Interested Party shall contain standard non-solicitation provisions) (each, a “Confidentiality Agreement”);

An Interested Party that delivers the documents and information described above or that the Debtors determine, subject to the limitations in these Bidding Procedures, in consultation with the Notice Parties, is able to consummate the Sale, and whose Qualified Bid is received by the Debtors no later than the Bid Deadline (as defined below) is deemed qualified (a “Qualified Bidder”).

For all purposes under these Bidding Procedures, the Stalking Horse Bidder will be considered a Qualified Bidder, and the Stalking Horse Bid shall be considered a Qualified Bid without regard to any of the requirements or conditions set forth herein and without any other or further action by the Stalking Horse Bidder.

3. Designation of the Stalking Horse Bidder

The Stalking Horse Bidder has waived its request for a break-up fee of 3% of its \$15 million Purchase Price. The Stalking Horse Bidder shall be considered a Qualified Bidder, and a Stalking Horse Bid shall be considered a Qualified Bid without regard to any of the requirements or conditions set forth in the Bidding Procedures and without any other or further action by the Stalking Horse Bidder.

No bidder or any other party shall be entitled to any termination or “break-up” fee, expense reimbursement, or any other bid protections in connection with the submission of a bid for any Assets, or for otherwise participating in the Auction or the sale process.

4. Notice Parties.

The term “Notice Parties” as used in these Bidding Procedures shall mean: (i) the Debtors; (ii) proposed counsel to the Debtors; (iii) Ligand, but only if Ligand is no longer the Stalking Horse Bidder or is otherwise no longer participating in the Auction; (iv) counsel to Ligand, but only if Ligand is no longer the Stalking Horse Bidder or is otherwise no longer participating in the Auction; and (v) proposed counsel to the official committee of unsecured creditors appointed in the Chapter 11 Cases (the “Creditors’ Committee”).

5. Bankruptcy Court Jurisdiction

Each Qualified Bidder and any other Interested Party that seeks to become a Qualified Bidder in accordance with Section 2 above, shall: (a) be deemed to have waived any right to a jury trial in connection with, and consented and submitted to the exclusive jurisdiction of the Court over, any actions or proceedings arising from or relating the Bidding Procedures, the Sale, the Auction, and the construction and enforcement of the contemplated transaction documents of such parties; (b) bring any such action or proceeding in the Court; and (c) be deemed to have consented to the Court entering a final judgment determining any such action or proceeding and that such final judgment in any such action or proceeding, including, without limitation, all appeals, shall be conclusive and may be enforced in other jurisdictions (including, without limitation, any foreign jurisdictions) by suit on the judgment or in any other manner provided by applicable law.

6. Due Diligence

The Debtors will provide, in consultation with the Notice Parties, a Qualified Bidder with reasonable access to the Data Room and any other additional information that the Debtors believe to be reasonable and appropriate under the circumstances. All additional due diligence requests shall be directed to: (a) the Debtors’ proposed investment banker, Raymond James & Associates (Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); (b) proposed counsel to the Debtors, Morris, Nichols, Arsht & Tunnell LLP, 1201 Market Street, 16th Floor, Wilmington, Delaware 19801 (Attn: Derek C. Abbott, Esq. (dabbott@morrisnichols.com); (c) the proposed counsel to the Creditors’ Committee, Goodwin Procter, LLP, The New York times Building, 620 Eighth Avenue, New York, New York 10018 (Attn: Howard Steel (hsteel@goodwinlaw.com) and Barry Bazian

(bbazian@goodwinlaw.com)); and (d) proposed financial advisor to the Creditors' Committee, Dundon Advisers LLP, proposed financial advisors to the Joshua Nahas, Ten Bank Street, Suite 1100, White Plains, New York 10606, (jn@dundon.com). The due diligence period shall extend through and include the Bid Deadline (as defined below). Additional due diligence will not be provided after the Bid Deadline, unless otherwise deemed reasonably appropriate by the Debtors in consultation with the Notice Parties. The Debtors reserve the right, in consultation with the Notice Parties, to withhold or limit access to any due diligence information that the Debtors determine is business-sensitive or otherwise not appropriate for disclosure to a Qualified Bidder. Notwithstanding any prepetition limitations, including, without limitation, any non-disclosure, confidentiality, or similar provisions relating to any due diligence information, the Debtors and their estates shall be authorized, in consultation with the Notice Parties, to provide due diligence information to Qualified Bidders, *provided* that such Qualified Bidders have delivered an executed Confidentiality Agreement in form and substance acceptable to the Notice Parties. The Debtors and their estates and the Notice Parties are not responsible for, and shall have no liability with respect to, any information obtained by, or provided to, any Qualified Bidders in connection with the Bidding Procedures and the Sale.

Each Interested Party other than the Stalking Horse Bidder will comply with all reasonable requests for additional information and due diligence access by the Debtors or their advisors regarding such Interested Party and its contemplated transaction. If the Debtors, after consultation with the Notice Parties, determine at any time in their reasonable discretion that an Interested Party is not reasonably likely to be a Qualified Bidder, then the Debtors' obligation to provide due diligence information to such Interested Party will terminate, and all information provided by the Debtors prior to such time shall be returned to the Debtors in accordance with the terms of the applicable Confidentiality Agreement.

7. Bid Requirements

Other than in the case of a Stalking Horse Bid, which shall be considered a Qualified Bid, to be deemed a "Qualified Bid," a bid must be received from a Qualified Bidder on or the Bid Deadline and satisfies each of the following requirements (each, a "Bid Requirement"):

- (a) be in writing and received by the Notice Parties prior to the Bid Deadline;
- (b) fully discloses the identity of the Qualified Bidder (and to the extent that the Qualified Bidder is a newly formed acquisition entity or the like, the identity of the Qualified Bidder's parent company or sponsor), and provide the contact information of the specific person(s) whom the Debtors or their advisors should contact in the event that the Debtors have any questions or wish to discuss the bid submitted by the Qualified Bidder;
- (c) states that the applicable Qualified Bidder offers to (a) purchase, in cash, all of the Assets upon the same terms and conditions, and pursuant to the same form and substance of the Stalking Horse APA modified only by scope of purchased assets, purchase price, and identity of the purchaser, that the Debtors, in consultation with the Notice Parties, reasonably determine are higher than those set forth in the

Stalking Horse APA (which determination with respect to the Commercial Assets and the R&D Assets may be made by considering bids submitted by more than one Qualified Bidder in combination); and (b) take assignment of all Assumed Contracts under Stalking Horse APA with details of the Qualified Bidder's proposal for the treatment of related Cure Amounts and the provision of adequate assurance of future performance to the counterparties to such Assumed Contracts; provided, however, that if the Stalking Horse Bidder withdraws from the bidding process, any bid made subsequent to such withdrawal will be considered a Qualified Bid only if the bid is submitted by a Qualified Bidder and if the Debtors determine, in consultation with the Notice Parties, such bid complies with these Bidding Procedures as applicable; provided further, however, that under no circumstances may any bid of any bidder for the R&D Assets, other than the Stalking Horse Bid, be deemed a Qualified Bid if it does not provide for the unaltered assumption and assignment (the "Royalty Assumption") to the bidder of that certain Development Funding and Royalties Agreement, dated as of May 4, 2019 (as amended from time to time), to which the Stalking Horse Bidder and Novan, Inc. are each a party (the "Royalty Agreement") (for the avoidance of doubt, the Royalty Assumption is inapplicable to a Qualified Bid for just the Commercial Assets); provided further, however, that bids for both the R&D Assets and Commercial Assets must include an allocation of the proposed purchase price between such assets;

- (d) includes a signed writing stating that the Qualified Bidder's offer is irrevocable until the selection of the Winning Bidder; provided, however, that if such bidder is selected as the Winning Bidder or the Back-Up Bidder, its offer shall remain irrevocable until the closing of the Sale to the Winning Bidder or the Back-Up Bidder;
- (e) does not contain any contingencies of any kind including, without limitation, contingencies related to financial, due diligence, or internal or shareholder approvals in connection with the submission of a Qualified Bid, and there is no condition precedent to the Qualified Bidder's ability to enter into a definitive Sale agreement;
- (f) provides the date by which the Qualified Bidder intends to close the Sale; provided, however, that the proposed closing date is on or before September 25, 2023;
- (g) contains no due diligence or financing contingencies of any kind;
- (h) includes a duly authorized and executed copy of an asset purchase agreement, which includes the purchase price for the Assets, as allocated for each asset category and in the aggregate, expressed in U.S. Dollars that are greater the \$15 million Purchase Price for all of the Assets (or greater than the ~~the \$8 million~~ Purchase Price for only the Commercial Assets or greater than the \$12 million Purchase Price for only the R&D Assets, as noted above, in the Stalking Hose

APA, plus payment of the \$1 million Ligand Milestone Payment in connection with the R&D Assets), plus the Minimum Continuing Bid of \$100,000, together with all exhibits and schedules thereto, together with a blackline copy to show any modifications to the Stalking Horse APA (a “Proposed APA”);

- (i) includes a proposed sale order (each, a “Proposed Sale Order”) based on the Debtors’ proposed sale order, and a Qualified Bid must also include a blackline copy of the Proposed Sale Order to show any proposed modifications to the Debtors’ proposed sale order;
- (j) specifies the liabilities proposed to be paid or assumed by such Qualified Bid;
- (k) includes financial statements or other written evidence, including (if applicable) a firm, irrevocable commitment for financing, establishing the ability of the Qualified Bidder to consummate the proposed Sale and pay the purchase price in cash, such as will allow the Debtors, in consultation with the Notice Parties, to make a reasonable determination as to the Qualified Bidder’s financial and other capabilities to consummate the transaction contemplated by the Proposed APA;
- (l) states or otherwise estimates the types of transition services, if any, the Qualified Bidder would require of and/or provide to the Debtors, including an estimate of the time any such transition services would be required of and/or provided to the Debtors, if the Qualified Bidder’s bid were selected as the Winning Bid for the applicable Assets;
- (m) includes an acknowledgement and representation that the bidder: (a) has had an opportunity to conduct any and all required due diligence regarding the Assets prior to making its offer; (b) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid; (c) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Assets or the completeness of any information provided in connection therewith or with the Auction, except as expressly stated in the Proposed APA; and (d) is not entitled to any expense reimbursement, break-up fee, or similar type of bid-protections or payments in connection with its bid;
- (n) includes evidence, in form and substance reasonably satisfactory to the Debtors and the Notice Parties, of authorization and approval from the Qualified Bidder’s board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Proposed APA;
- (o) is accompanied by a good faith deposit in the form of a wire transfer (to a bank account specified by the Debtors), or such other form acceptable to the Debtors, payable to the order of the Debtors (or such other party as the Debtors may determine) in an amount equal to 10% of the cash portion of the purchase price provided for in the bid (a “Deposit”);

- (p) acknowledges in writing (a) that it has not engaged in any collusion with respect to any Qualified Bid, specifying that it did not agree with any other party, including, but not limited to, any other Interested Parties or interested third parties, to control price or exert undue influence over the process; and (b) agree not to engage in any such collusion or undue influence with respect to any Qualified Bids, the Auction, or the Sale process;
- (q) states that the Qualified Bidder consents to the jurisdiction of the Bankruptcy Court;
- (r) contains such financial and other information to allow the Debtors to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to close the transactions contemplated by the Proposed APA, including, without limitation, such financial and other information supporting the Qualified Bidder's ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code, including the Qualified Bidder's financial wherewithal and willingness to perform under any Assumed Contracts ("Adequate Assurance Information"). By submitting a Bid, the Qualified Bidders agree that the Debtors may disseminate their Adequate Assurance Information to the Creditors' Committee and, upon request, to Counterparties;
- (s) contains such other information as may be reasonably requested by the Debtors, in consultation with the Notice Parties;
- (t) sets forth (i) a statement or evidence that the Qualified Bidder has made or will make in a timely manner all necessary filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, if applicable, and pay the fees associated with such filings, and (ii) any regulatory and third-party approvals required for the Qualified Bidder to close the transactions contemplated by the Proposed APA, and the time period within which the Qualified Bidder expects to receive such regulatory and third-party approvals (and in the case that receipt of any such regulatory or third-party approval is expected to take more than five (5) days following execution and delivery of such Qualified Bidder's Proposed APA, those actions the bidder will take to ensure receipt of such approval(s) as promptly as possible); provided that a Qualified Bidder agrees that its legal counsel will coordinate in good faith with the Debtors' legal counsel to discuss and explain Qualified Bidder's regulatory analysis, strategy, and timeline for securing all such approvals as soon as reasonably practicable, and in no event later than the time period contemplated in the Proposed APA; provided, further that the offer contains a covenant to cooperate with the Debtors to provide pertinent factual information regarding the bidder's operations reasonably required to analyze issues arising with respect to any applicable antitrust laws and other applicable regulatory requirements;

- (u) provides for the Qualified Bidder to serve as the Back-Up Bidder (as defined below) if the Qualified Bidder's bid is the Back-Up Bid (as defined below), in accordance with the terms of the Proposed APA as submitted or modified at the Auction; and
- (v) provides that in the event of the Qualified Bidder's breach of, or failure to perform under, the Proposed APA, the Qualified Bidder shall forfeit its Deposit to the Debtors, and the Debtors shall be entitled to pursue all available legal and equitable remedies, including, without limitation, additional damages and/or specific performance.

A bid from a Qualified Bidder satisfying all of the above requirements, as determined by the Debtors, in consultation with the Notice Parties, shall constitute a Qualified Bid. The Debtors reserve the right to work with any Qualified Bidder in advance of the Auction to cure any deficiencies in a bid that is not initially deemed a Qualified Bid. As noted above, the Debtors, in consultation with the Notice Parties, may determine that separate bids for less than all of the Assets constitute a single Qualified Bid for all, substantially all, or any portion of the Assets; *provided* that such bids must satisfy the Bid Requirements. Each Qualified Bidder submitting a bid shall be deemed to: (a) acknowledge and represent that it is bound by all of the terms and conditions of the Bidding Procedures; and (b) have waived the right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code related in any way to the submission of its bid, the Bidding Procedures, and the Sale.

8. Stalking Horse Bidding

The Stalking Horse Bidder may increase its bid with cash or credit against obligations owed by the Debtors under the DIP Facility and/or under the Prepetition Credit Agreement. The Stalking Horse Bidder may pay the Purchase Price under the Stalking Horse APA, and fund Overbids during the Auction if there is competitive bidding, with (i) an offset, on a dollar-for-dollar basis, against the Debtors' Obligations (as defined in the DIP Facility) under the DIP Facility; and/or (ii) cash.

Notwithstanding anything to the contrary set forth in these Bidding Procedures, the Stalking Horse Bidder shall be deemed to be a Qualified Bidder and shall not be required to provide any due diligence materials (or any other materials), a Deposit, or satisfy any other Qualified Bidder requirements as a condition to its participation at the Auction and may participate in the Auction with respect to all or any portion of the Assets.

The Stalking Horse Bidder shall have the right to designate any person or entity in its sole and absolute discretion that shall take title to the Assets or a portion of the Assets.

9. Bid Deadline

A Qualified Bidder, other than a Stalking Horse Bidder, that desires to make a bid shall deliver an electronic copy of its bid in both PDF and MS-WORD format so as to be received via email on or before **August 28, 2023 at 5:00 p.m. (ET)** (the "**Bid Deadline**"), by (a) the Debtors'

proposed investment banker, Raymond James & Associates (Attn: Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); (b) the Debtors' proposed counsel, Morris, Nichols, Arsht & Tunnell LLP; and (c) proposed counsel to the Creditors' Committee, Goodwin Procter, LLP, The New York Times Building, 620 Eighth Avenue, New York, New York 10018 (Attn: Howard Steel (hsteel@goodwinlaw.com) and Barry Bazian (bbazian@goodwinlaw.com)). The Debtors, in consultation with the Notice Parties, may extend the Bid Deadline without further order of the Court. **Any party that does not submit a bid by the Bid Deadline will not be allowed to (x) submit any offer after the Bid Deadline or (y) participate in the Auction.**

10. Evaluation of Qualified Bids

The Debtors will deliver, within one (1) business day after receipt thereof, copies of all bids from Qualifying Bidders to the Notice Parties. The Debtors, in consultation with the Notice Parties, shall make a determination regarding whether a timely submitted bid from a Qualified Bidder is a Qualified Bid.

A Qualified Bid, other than the Stalking Horse Bid, will be valued by the Debtors, in consultation with the Consultation Parties, based upon several factors including, without limitation, (1) the amount of the Purchase Price provided by such bid, (2) the nature of the consideration provided by such bid, including, with respect to the R&D Assets, whether the Qualified Bid assumes the Reedy Creek Royalty Agreement, (3) the risks and timing associated with consummating such bid, (4) any proposed revisions to the Stalking Horse APA and/or the Debtors' form of proposed Sale Order, (5) whether any Qualified Bid contains a sufficient cash component to ensure that the Debtors' estates is not rendered administratively insolvent, and (6) any other factors deemed relevant by the Debtors, in consultation with the Notice Parties.

Notwithstanding the foregoing, the only way a Qualified Bid (other than of the Stalking Horse Bid) can be determined to be higher or otherwise better than the value of the Stalking Horse Bid before the commencement of competitive bidding, it must be (a) equal to or higher than the \$15 million Purchase Price in the Stalking Horse APA plus the Minimum Continuing Bid of \$100,000, and provide for the assumption and assignment of the Royalty Agreement if for all of the Assets, (b) equal to or higher than a \$12 million Purchase Price and provide for the assumption and assignment of the Royalty Agreement (including payment of the \$1 million Ligand Milestone Payment) if for only the R&D Assets, or (c) equal to or higher than an [\$8 million] Purchase Price if for only the Commercial Assets.

No later than one (1) business day prior to the Auction, the Debtors shall: (i) notify all Qualified Bidders whether their bids have been determined to be a Qualified Bid; and (ii) determine, in consultation with the Notice Parties, which of the Qualified Bids for the Assets for which a Qualified Bid has been submitted, at such time, is the highest or otherwise best bid for purposes of constituting the opening bid(s) for the applicable Assets at the Auction (each, a "Baseline Bid," and the Qualifying Bidder submitting such Baseline Bid, a "Baseline Bidder"), and promptly notify all Qualified Bidders with Qualified Bids of the Baseline Bids.

11. ~~No Qualified Bids~~

If the Debtors do not receive any Qualified Bids other than the Stalking Horse Bid, the Debtors will not conduct the Auction for the Assets, will file with the Court within twenty-four hours after the Bid Deadline, a notice indicating that the Auction for the Assets has been canceled. In such event, the Stalking Horse Bidder will be deemed the Winning Bidder, the Stalking Horse APA will be the Winning Bid, and the Debtors will as expeditiously as possible seek final Court approval of the sale of the Assets to the Stalking Horse Bidder as contemplated by the Stalking Horse APA.

12. Auction

If the Debtors receive one or more Qualified Bids, the Debtors will conduct the Auction, which shall take place at **10:00 a.m. prevailing Eastern Time on August 31, 2023**, or such other date and time (with the consent of Ligand and the Creditors' Committee) as shall be timely communicated to all entities entitled to attend the Auction. The Auction, which shall be recorded or transcribed, shall run in accordance with the following procedures (the "Auction Procedures"):

- (a) the Auction shall commence, after consulting with the Notice Parties, at the offices of Raymond James & Associates, Inc., 320 Park Avenue, Floor 12, New York, New York 10022, or virtually via telephone or video conference pursuant to information to be timely provided by the Debtors to the Auction Participants (as defined below). The Debtors shall file notice of any change in the date, time, or location of the Auction.
- (b) only Qualified Bidders with Qualified Bids, including the Stalking Horse Bidder (collectively, the "Auction Bidders", and each, an "Auction Bidder") shall be entitled to make any subsequent bids at the Auction;
- (c) the Auction Bidders shall appear at the Auction, or through a duly authorized representative;
- (d) only (i) the Debtors, (ii) the Auction Bidders, (iii) the Notice Parties, (iv) any other creditor of the Debtors who desires to attend the Auction and provides no less than three (3) days' advance written notice, together with the advisors to each of the foregoing parties, may attend the Auction (collectively, the "Auction Participants"). Each Auction Participant shall provide counsel for the Debtors written notice of their intent to attend the Auction no later than 5:00 p.m. (ET), three (3) days prior to the Auction, to proposed counsel for the Debtors, Morris Nichols, Arsht & Tunnell LLP; provided, however, that in the event an Auction Bidder elects not to attend the Auction, such Auction Bidder's Qualified Bid shall nevertheless remain fully enforceable against such Auction Bidder until the selection of the Winning Bidder and Back-Up Bidder at the conclusion of the Auction; provided further, however, that if such bidder is selected as the Winning Bidder or the Back-Up Bidder, its offer shall remain irrevocable until the closing of the Sale to the Winning Bidder or the Back-Up Bidder. Prior to the time

scheduled for the commencement of the Auction (as provided in these Bidding Procedures), the Debtors may provide to all Auction Bidders (including the Stalking Horse Bidder) copies of each Qualified Bid and identify to them the Qualified Bid that the Debtors believe, after consultation with the Notice Parties, is the Baseline Bid;

- (e) the Debtors and their advisors shall direct and preside over the Auction, which shall be transcribed;
- (f) prior to start of the Auction, each Auction Bidder shall confirm that it has not engaged in any collusion, within the meaning of Section 363(n) of the Bankruptcy Code, with respect to the Bidding Procedures, the Auction, or the Sale;
- (g) bidding at the Auction will begin with the Baseline Bid and continue in bidding increments (each, a “Subsequent Bid”) providing a value to the Debtors’ estates of at least \$100,000 in additional cash (the “Minimum Continuing Bid”), or such other amount determined by the Debtors in consultation with the Notice Parties, above the prior bid or collection of bids (each, an “Overbid”); provided, however, that the such cash requirement for Overbids shall not apply to Stalking Horse Bidder, which may fund Overbids via offsets against the Debtors’ obligations under the DIP Facility as provided in Paragraph 8 above. After each round of bidding, the Debtors, after consultation with the Notice Parties, shall announce the bid (and the value of such bid) that they believe to be the highest or otherwise bid (each, the “Leading Bid”);
- (h) Any Overbid made from time to time by a Qualified Bidder must remain open and binding on the Qualified Bidder until and unless (i) the Debtors accept a bid submitted by another Qualified Bidder during the Auction as an Overbid and (ii) such prior Overbid is not selected as the Back-Up Bid. To the extent not previously provided (which will be determined by the Debtors in consultation with the Notice Parties), a Qualified Bidder submitting an Overbid must submit at the Debtors’ request (in consultation with the Notice Parties), as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors in consultation with the Notice Parties) demonstrating such Qualified Bidder’s ability to close the transaction at the purchase price contemplated by such Overbid;
- (i) a round of bidding will conclude after each participating Qualified Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid from the previous round, which must include the Overbid;
- (j) except as specifically set forth herein, for the purpose of evaluating the value of the Purchase Price provided by each Subsequent Bid (including any Subsequent Bid by the Stalking Horse Bidder), the Debtors may give effect to any additional liabilities to be assumed by a Qualified Bidder, and any additional costs which may be imposed on the Debtors;

- (k) the Auction may include individual negotiations with any of the Auction Bidders, but all bids shall be made on the record;
- (l) all material terms of the bid that is deemed to be the highest or otherwise best bid for each round of bidding shall be fully disclosed to the Auction Bidders, and the Debtors shall use reasonable efforts to clarify any questions that the Auction Bidders may have regarding the Debtors' announcement of the then-current highest or otherwise best bid;
- (m) Subject to Paragraph 18 herein, the Debtors and their advisors, in consultation with the Notice Parties, may employ and announce at the Auction additional or amended procedural rules that are reasonable under the circumstances for conducting the Auction, *provided* that such potential additional modifications and/or procedural rules (i) are not materially inconsistent with existing terms and conditions of the Bidding Procedures Order and these Bidding Procedures, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or any order of the Court entered in connection with the Chapter 11 Cases; and (ii) are disclosed to the Auction Bidders;
- (n) the Auction Bidders shall (i) be deemed to have waived any right to a jury trial in connection with, and consented and submitted to the exclusive jurisdiction of the Court over, any actions or proceedings arising from or relating the Bidding Procedures, the Sale, the Auction, and the construction and enforcement of the contemplated transaction documents of the Auction Bidders, (ii) bring any such action or proceeding in the Court, and (iii) be deemed to have consented to the Court entering a final judgment determining any such action or proceeding and that such final judgment in any such action or proceeding, including, without limitation, all appeals, shall be conclusive and may be enforced in other jurisdictions (including any foreign jurisdictions) by suit on the judgment or in any other manner provided by applicable law;
- (o) a "Winning Bid" shall: (i) if the Auction for the Assets is cancelled because only the Stalking Horse Bid is submitted on or before the Bid Deadline, be the Stalking Horse Bid; or (ii) if the Auction is conducted, be the Qualified Bid(s) that the Debtors determine at the conclusion of the Auction, in consultation with the Notice Parties, and subject to Court approval, is or are the offer or offers for the relevant Assets that is or are the highest or otherwise best from among the Qualified Bids submitted at the Auction. In the case of (ii), in making this decision, the Debtors shall consider, in consultation with the Notice Parties, the amount of the purchase price, the assumption of liabilities (including, with respect to the R&D Assets, whether the Winning Bid assumes the Reedy Creek Royalty Agreement), the transaction structure, and execution risk, including, without limitation, the likelihood of the bidder's ability to close a transaction and the timing thereof, the number, type, and nature of any changes to the Stalking Horse APA submitted with the Winning Bid, as applicable, requested by each bidder, the total consideration to the Debtors' estates, and any other factors the Debtors

may deem relevant. The bidder submitting the Winning Bid shall become the “Winning Bidder,” and shall have such rights and responsibilities of the purchaser as set forth in such Winning Bid, with all modifications made at the Auction. The Debtors may, in their business judgment and in consultation with the Notice Parties, designate the Back-Up Bid (and the corresponding Back-Up Bidder) to purchase the applicable Assets in the event that the applicable Winning Bidder does not close the Sale;

- (p) The Qualified Bidder(s) with the next highest or otherwise best Qualified Bid or collection of Qualified Bids (each, a “Back-Up Bid”), as determined by the Debtors in consultation with the Notice Parties will be required to serve as a back-up bidder (each, a “Back-Up Bidder”) and keep its bid open and irrevocable until the earlier to occur of (i) sixty (60) days after the Sale Hearing and (ii) closing on the Winning Bid with the Winning Bidder. The Stalking Horse Bidder shall not be required to serve as the Back-Up Bidder unless the Stalking Horse Bidder submits a Subsequent Bid at the Auction;
- (q) within one (1) business day of the selection of any Winning Bid(s), the Debtors shall file a notice with the Court (a “Notice of Winning Bid”) that sets forth: (i) the identity of the Winning Bidder(s) and any Back-Up Bidder; (ii) the amount of the Winning Bid and any Back-Up Bid; (iii) a summary of the Assets subject to the Winning Bid; and (iv) whether the Winning Bidder or the Back-Up Bidder have any connections to the Debtors other than those arising from their respective bids;
- (r) in the event a Winning Bid or Back-Up Bid requires the assumption and assignment of any Assumed Contracts, then the Debtors shall comply with the Assumption and Assignment Procedures (as defined below);
- (s) within one (1) business day of the close of the Auction, any Winning Bidder and any Back-Up Bidder, except if the Winning Bidder or Back-Up Bidder is the Stalking Horse Bidder, shall supplement their respective Deposit, if necessary, such that the Deposit shall be equal to an amount that is ten (10%) percent of the purchase price set forth in the applicable Winning Bid and Back-Up Bid; and
- (t) prior to the Sale Hearing, any Winning Bidder shall complete and execute all agreements, contracts, instruments and other documents evidencing and containing the terms and conditions upon which the Winning Bid was made.

EACH QUALIFIED BID THAT IS NOT A WINNING BID OR BACK-UP BID SHALL BE DEEMED WITHDRAWN AND TERMINATED AT THE CONCLUSION OF THE SALE HEARING.

13. Sale Hearing and Winning Bid Objections

The Debtors will seek entry of an order from the Court at a hearing (the “Sale Hearing”) to begin on ~~or before~~ September 11, 2023 at ~~10:00 a.m.~~ 10:00 a.m. (prevailing Eastern Time), ~~subject to the availability of the Court, ET~~ to approve and authorize the Sale to the Winning Bidder (the “Sale Order”) and approval of the Back-Up Bid. Subject to the terms of the DIP Facility, the Stalking Horse APA, the Bidding Procedures Order and these Bidding Procedures, the Debtors reserve the right to change the date and/or time of the Sale Hearing (or any other dates related to the Sale) to achieve the maximum value for the Purchased Assets.

Any objection relating solely to the conduct of the Auction, the Auction results, the selection of any Winning Bid or Back-Up Bid, or the terms of any Sale to a Winning Bidder or a Back-Up Bidder (each, a “Winning Bid Objection”), must be (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on the Notice Parties on or before ~~+~~September 6, 2023, at 4:00 p.m. (ET).

Any party who fails to file and serve a timely Initial Sale Objection or Winning Bid Objection shall be forever barred from asserting, at the Sale Hearing or thereafter, any Initial Sale Objection or Winning Bid Objection, including any such objection to the Bidding Procedures or to the consummation or performance of the sale of the Assets, including the transfer of Assets to the applicable Winning Bidder free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code, and shall be deemed to consent to such sale for purposes of section 363(f) of the Bankruptcy Code.

14. Back-Up Bidder

Notwithstanding any of the foregoing, in the event that a Winning Bidder fails to close a Sale on or before ~~+~~September 26, 2023, or such date as may be extended by the Debtors in consultation with the Notice Parties, and a Back-Up Bidder has been previously identified, the Debtors shall file a notice (the “Back-Up Bid Auction Notice”) and serve such Back-Up Bid Auction Notice on the U.S. Trustee, the Notice Parties, any Counterparties to Assumed Contracts subject to the Back-Up Bid, and those parties who filed a request to receive notice under Bankruptcy Rule 2002. Three (3) business days following the filing of any Back-Up Bid Auction Notice, the Back-Up Bid subject to such Back-Up Bid Auction Notice will be deemed to be the Winning Bid, the Back-Up Bidder will be deemed to be the Winning Bidder, and the Debtors shall be authorized, but not directed, to close the Sale to the Back-Up Bidder subject to the terms of the Back-Up Bid without the need for further order of the Court and without the need for further notice to any other parties.

15. Assumption and Assignment Procedures

In the event a Winning Bid or Back-Up Bid provides for the assumption and assignment of Assumed Contracts, the Debtors shall follow following assumption and assignment procedures (the “Assumption and Assignment Procedures”) set forth in paragraph 20 of the Bidding Procedures Order.

16. Return of Deposits

All Deposits not used as part of the consummation of a Sale or not retained by the Debtors as part of damages shall be returned to each bidder not selected as a Winning Bidder no later than five (5) business days following the closing of the Sale. The Deposit of a Winning Bidder shall be applied to the purchase price for the Sale. If the Winning Bidder for a Sale fails to consummate the Sale because of a breach or failure to perform on the part of such bidder, then, subject to the terms of the Proposed APA, the Debtors and their estates shall be entitled to retain the Deposit of the Winning Bidder as part of the damages resulting to the Debtors and their estates for such breach or failure to perform. For the avoidance of doubt, the Debtors' retention of a Deposit shall not constitute a waiver of any of the Debtors' legal or equitable rights relating to a Winning Bidder's breach or failure to perform, and all such rights and remedies are preserved.

17. Consultation Rights

Any consultation rights provided to the Notice Parties by these Bidding Procedures shall not limit the Debtors' discretion in any way and shall not include the right to veto any decision made by the Debtors in the exercise of their business judgment. In the event that a member of the Creditors' Committee submits a bid that is a Qualified Bid, any obligation of the Debtors to consult with the bidding party, or their legal counsel, established under these Bidding Procedures will be waived without further action; *provided* that the bidding party will have the same rights as any other Qualified Bidder set forth herein.

Any failure to specifically identify consultation rights in any section of these Bidding Procedures shall not limit or otherwise impair the rights of the Notice Parties to consult with the Debtors. In the event that the Notice Parties disagree with matters for which the Debtors are required to consult with the Notice Parties, then the Notice Party shall have the right to seek relief from the Court on an expedited basis to resolve the dispute.

18. Reservation of Rights

Without prejudice to the rights of the DIP Lender under the DIP Facility or the rights of the Stalking Horse Bidder under the Stalking Horse APA, and except as otherwise provided in these Bidding Procedures, the Bidding Procedures Order or the Debtors' proposed form of Sale Order, the Debtors further reserve the right as they may reasonably determine to be in the best interest of their estates (in consultation with the Notice Parties), to: (a) determine which bidders are Qualified Bidders; (b) determine which bids are Qualified Bids; (c) determine which Qualified Bid is the highest and best proposal and which is the next highest and best proposal; (d) reject any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of these Bidding Procedures or the requirements of the Bankruptcy Code or (iii) contrary to the best interests of the Debtors and their estates; (e) impose additional terms and conditions with respect to all potential bidders other than the Stalking Horse Bidder; (f) modify these Bidding Procedures and/or implement additional procedural rules that the Debtors determine will better promote the goals of the bidding process; and (g) continue or cancel the Auction and/or Sale Hearing in open court without further notice or by filing a notice on the docket; provided, however, that none of the forgoing potential modifications and/or procedural rules shall be materially inconsistent with the existing terms of these Bidding Procedures and the Bidding Procedures Order without the consent of Ligand and the Creditors' Committee.

Exhibit 2

Form of Auction Notice

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
	)	Chapter 11
NOVAN, INC., <i>et al.</i> , ¹)	
	)	Case No. 23-10937 (LSS)
Debtors.)	
	)	(Jointly Administered)
)	

**NOTICE OF SALE, BIDDING PROCEDURES, AUCTION,
SALE HEARING, AND OTHER DEADLINES RELATED HERETO**

PLEASE TAKE NOTICE OF THE FOLLOWING:

On July 17, 2023, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 cases (the “Chapter 11 Cases”), filed with the United States Bankruptcy Court for the District of Delaware (the “Court”) a motion [D.I. 16] (the “Bidding Procedures Motion”),² seeking entry of (a) an order (the “Bidding Procedures Order”): (i) approving bidding procedures (the “Bidding Procedures”) to be used in connection with one or more sales (each a “Sale”) of the Debtors’ assets (the “Assets”) free and clear of all liens, claims, interests, and encumbrances, (ii) authorizing the Debtors to designate Ligand Pharmaceuticals, Incorporated (“Ligand”) as the Stalking Horse Bidder for all of the Assets in connection with considering the entry of the Bidding Procedures Order, (iii) scheduling an auction of the Assets (the “Auction”); (iv) approving the form and manner of service of this Notice of Sale; (v) approving procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, “Assumed Contracts”) in connection with any Sale; (vi) approving the form and manner of service of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”) of the proposed assumption and assignment of such Counterparty’s Assumed Contract; (vii) scheduling a final hearing to consider approval of the proposed Sale(s) (the “Sale Hearing”); and (vi) granting related relief; and (b) one or more orders (each, a “Sale Order”) (i) authorizing a Sale of the Assets free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the approved Sale; and (iii) granting related relief.

On ~~July~~ August 15, 2023, 2023, the Court entered the Bidding Procedures Order [D.I. ~~16~~].

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² Capitalized terms used but not defined herein shall have the respective meanings given to them in the Motion or the Bidding Procedures, as applicable. Any summary of the Bidding Procedures or the Bidding Procedures Order (or any provision thereof) contained herein is qualified in its entirety by the actual terms and conditions thereof. To the extent that there is any inconsistency between any summary in this Notice of Sale and the terms and conditions of either of the Bidding Procedures or the Bidding Procedures Order, the actual terms and conditions in those documents shall control.

ASSETS FOR SALE

The Debtors intend to sell all, substantially all, or a portion of the Assets.

Any Qualified Bidder may submit a bid for the R&D Assets, the Commercial Assets, or all of the Assets, subject to the conditions set forth in the Bidding Procedures. The ability to undertake and consummate a Sale shall be subject to competitive bidding, as set forth herein and in the Bidding Procedures Order, and approval by the Court.

Any party interested in submitting a bid for any of the Debtors' Assets should contact (a) the Debtors' proposed investment banker, Raymond James & Associates (Geoffrey Richards (geoffrey.richards@raymondjames.com) and Simon Wein (simon.wein@raymondjames.com); and (b) the Debtors' proposed counsel, Morris, Nichols, Arsht & Tunnell LLP.

KEY DATES AND DEADLINES

A. Bid Deadline

Any Qualified Bidder that intends to participate in the Auction must submit a Qualified Bid in accordance with Section 8 of the Bidding Procedures, on or before ~~+~~[August 28, 2023](#), at **5:00 p.m. (ET)** (the "Bid Deadline").

B. Auction

If the Debtors timely receive one or more Qualified Bids other than the Stalking Horse Bid for any Assets, then the Debtors shall conduct one or more Auctions. If the Debtors do not receive more than one Qualified Bid other than the Stalking Horse Bid, the Debtors shall cancel the Auction(s) for the Assets, deem the Stalking Horse Bid as the Winning Bid for the Assets, and shall request at the Sale Hearing that the Court approve the Stalking Horse Bid and the transactions contemplated thereunder for the Assets.

The Auction, if required, will commence on ~~+~~[August 31, 2023](#), at ~~+~~[10:00 a.m.](#) (ET), at the offices of proposed investment banker for the Debtors, Raymond James & Associates, Inc., 320 Park Avenue, Floor 12, New York, New York 10022, or virtually via telephone or video conference pursuant to information to be timely provided by the Debtors to the Auction Participants (as defined below). If the Debtors conduct the Auction virtually, the Debtors will provide instructions setting forth how to attend the Auction to the Auction Participants via electronic mail. The Debtors will provide notice (via electronic mail or otherwise) of any change in the date, time, or location of any Auction to the relevant Qualified Bidders, and will cause publication of such change to occur on the website of the Debtors' claims and noticing agent, Kurtzman Carson Consultants LLC.

Within one (1) business day of the selection of any Winning Bid(s), the Debtors shall file a Notice of Winning Bid with the Court that sets forth: (i) the identity of the Winning Bidder(s) and any Back-Up Bidder; (ii) the amount of the Winning Bid and any Back-Up Bid; (iii) a summary of the Assets subject to the Winning Bid; and (iv) whether the Winning Bidder or the Back-Up Bidder have any connections to the Debtors other than those arising from their respective bids.

C. Sale Objection Deadlines

- i. Initial Sale Objection Deadline. Objections to a Sale of the Assets, including any general objections to the Sale and objections to the Sale of any Assets free and clear of all liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to the Stalking Horse Bidder, a Winning Bidder or a Back-Up Bidder, must (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on (i) the Debtors; (ii) proposed counsel to the Debtors; (iii) counsel to Ligand; and (iv) proposed counsel the Creditors' Committee (the "Objection Notice Parties") **on or before ~~+~~August 28, 2023, at 4:00 p.m. (ET).**
- ii. Winning Bid Objection Deadline. Any objection relating solely to the conduct of the Auction, the Auction results, the selection of any Winning Bid or Back-Up Bid, or the terms of any Sale to a Winning Bidder or a Back-Up Bidder, which could not have been raised by the Initial Sale Objection Deadline, must (a) be in writing, (b) comply with the Bankruptcy Code, Bankruptcy Rules, and Local Rules, (c) state with specificity the grounds for such objection, and (d) be filed with the Court and served on the Objection Notice Parties on or before **~~+~~September 6, 2023, at 4:00 p.m. (ET).**

D. Sale Hearing

The Sale Hearing shall take place on **~~+~~September 11, 2023, at ~~—:—~~10:00 a.m. (ET)**, before The Honorable **~~+~~Laurie Selber Silverstein**, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, located at 824 N. Market Street, Wilmington, Delaware 19801.

RESERVATION OF RIGHTS TO MODIFY BIDDING PROCEDURES

In accordance with and subject to the Bidding Procedures and the Bidding Procedures Order, and without prejudice to the rights of the DIP Lender under the DIP Facility or the Stalking Horse Bidder under the Stalking Horse APA, the Debtors, in the exercise of their reasonable business judgment and in a manner consistent with their fiduciary duties and applicable law, in consultation with the Notice Parties, shall have the right to modify the Bidding Procedures, including to (a) extend, modify, adjourn, or waive dates, deadlines or other terms and conditions set forth herein or in the Bidding Procedures; (b) adopt new rules and procedures for conducting the bidding and Auction process so long as any such modifications are reasonably disclosed to Qualified Bidders; and (c) promote competitive bidding for and maximizing the value of the Assets; provided, however, that under no circumstance (i) shall any of the forgoing potential modifications and/or procedural rules be materially inconsistent with the existing terms of the Bidding Procedures Order or the Bidding Procedures without the consent of the Creditors' Committee and Ligand; or (ii) may a bid for the R&D Assets, other than the Stalking Horse Bid, qualify as a Qualified Bidder if it does not provide for the unaltered assumption and assignment of the Royalty Agreement.

ADDITIONAL INFORMATION

Copies of the Bidding Procedures Motion, the Bidding Procedures, the Bidding Procedures Order, and all other documents filed with the Court may be obtained free of charge by visiting the Kurtzman Carson Consultants LLC Website, or can be requested by calling Kurtzman Carson Consultants LLC at: [] (Domestic) or [] (International).

FAILURE TO ABIDE BY THE BIDDING PROCEDURES, THE BIDDING PROCEDURES ORDER, OR ANY OTHER APPLICABLE ORDER OF THE COURT ENTERED IN THESE CHAPTER 11 CASES MAY RESULT IN THE REJECTION OF YOUR BID AND YOUR DISQUALIFICATION FROM PARTICIPATING IN THE BIDDING FOR AND AUCTION OF ANY OF THE ASSETS.

THE FAILURE OF ANY PERSON OR ENTITY TO TIMELY FILE AND SERVE AN OBJECTION IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER, INCLUDING THE FAILURE TO FILE ANY SUCH OBJECTION BY THE APPLICABLE OBJECTION DEADLINE, SHALL FOREVER BAR SUCH PERSON OR ENTITY FROM ASSERTING, AT THE SALE HEARING OR THEREAFTER, ANY SUCH OBJECTION TO THE RELIEF REQUESTED IN THE MOTION, THE CONSUMMATION OF ANY APPLICABLE SALE, INCLUDING THE SALE OF ANY ASSETS TO A WINNING BIDDER FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES, PURSUANT TO SECTION 363(f) OF THE BANKRUPTCY CODE OR THE TERMS OF ANY STALKING HORSE AGREEMENT OR OTHER ASSET PURCHASE AGREEMENT EXECUTED BY THE DEBTORS.

Dated:
Wilmington, Delaware

Respectfully submitted,

/s/ DRAFT

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

Derek C. Abbott (No. 3376)

Daniel B. Butz (No. 4227)

Tamara K. Mann (No. 5643)

Scott D. Jones (No. 6672)

1201 Market Street, 16th Floor

Wilmington, Delaware 19801

Telephone: (302) 658-9200

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tmann@morrisnichols.com

sjones@morrisnichols.com

Proposed Counsel to the Debtors and

Debtors in Possession

Exhibit 3

Form of Additional Assumption and Assignment Notice

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)
	) Chapter 11
NOVAN, INC., <i>et al.</i> , ¹)
	) Ca Case No. 23-10937 (LSS)
Debtors.)
	) (Jointly Administered)
	) Objection Deadline: _____, 2023

**NOTICE OF POSSIBLE ASSUMPTION AND ASSIGNMENT OF
CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

PLEASE TAKE NOTICE that, on [•], 2023 (the “Petition Date”), the above-captioned debtors and debtors in possession (collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”), commencing these chapter 11 cases (the “Chapter 11 Cases”).

PLEASE TAKE FURTHER NOTICE that, on [•], 2023, the Debtors filed a motion [D.I. [•]] (the “Bidding Procedures Motion”) seeking entry of (a) an order (the “Bidding Procedures Order”), (i) approving bidding procedures (the “Bidding Procedures”) to be used in connection with one or more sales (each a “Sale”) of the Debtors’ assets (the “Assets”) free and clear of all liens, claims, interests, and encumbrances, (ii) authorizing the Debtors to designate one or more affiliates of Ligand Pharmaceuticals, Incorporated or its designee (“Ligand”) as the Stalking Horse Bidder for all of the Assets in connection with considering the entry of the Bidding Procedures Order, (iii) scheduling an auction of the Assets (the “Auction”); (iv) approving the form and manner of service of this Notice of Sale; (v) approving procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, “Assumed Contracts”) in connection with any Sale; (vi) approving the form and manner of service of notice to each relevant non-debtor counterparty to an Assumed Contract (each a “Counterparty”) of the proposed assumption and assignment of such Counterparty’s Assumed Contract; (vii) scheduling a final hearing to consider approval of the proposed Sale(s) (the “Sale Hearing”); and (vi) granting related relief; and (b) one or more orders (each, a “Sale Order”) (i) authorizing a Sale of the Assets free and clear of all liens, claims, interests, and encumbrances; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the approved Sale; and (iii) granting related relief; and (b) one or more orders of the Court (collectively, the “Sale Orders”):² (i) authorizing the sale of the Debtors’ Assets free and clear of all liens, claims, interests, and encumbrances, except as provided in the Sale Order; (ii)

¹ The Debtors in these chapter 11 cases, along with the last four digitals of the Debtors’ federal tax identification number (if applicable), are: Novan, Inc. (7682) and EPI Health, LLC (9118). The corporate headquarters and the mailing address for the Debtors is 4020 Stirrup Creek Drive, Suite 110, Durham, NC 27703.

² A copy of the proposed form of Sale Order(s) will be filed in advance of the Sale Hearing.

authorizing the assumption and assignment of certain Assumed Contracts in connection with the Sale(s); and (iii) granting related relief; or (c) in the event the Bankruptcy Court does not enter the Bidding Procedures Order or the DIP Order on or before 25 calendar days after the Petition Date, a Sale Order, in the form attached hereto as Exhibit B (the “Private Sale Order”) (i) authorizing the sale to Ligand of the Debtors’ Assets free and clear of all liens, claims, interests, and encumbrances in accordance with the Stalking Horse Agreement (as defined below) attached to the Private Sale Order as Exhibit 1; (ii) authorizing the assumption and assignment of certain Assumed Contracts in connection with the Sale; and (iii) granting related relief.

PLEASE TAKE FURTHER NOTICE that, on [●], 2023, the Court entered the Bidding Procedures Order [D.I. [●]], approving, among other things, the Bidding Procedures, which establish key dates and times relating to the Sale and the Auction. All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures in their entirety.

PLEASE TAKE FURTHER NOTICE that, upon the closing of the Sale, including a potential Sale to Ligand pursuant to the proposed Private Sale Order, the Debtors intend to assume and assign to such purchaser (the “Purchaser”) certain executory contracts and unexpired leases (the “Assumed Contracts”). A schedule listing the contracts and leases that may potentially be assumed and assigned as part of the Sale is attached hereto as **Exhibit 1** (the “Contracts Schedule”) and may also be viewed free of charge on the Debtors’ case information website, located at [https://\[●\]](https://[●]), or can be requested by calling the Debtors’ claims and noticing agent, Kurtzman Carson Consultants LLC.

PLEASE TAKE FURTHER NOTICE that Cure Amounts, if any, for the assumption and assignment of such contracts and leases are also set forth on the Contracts Schedule. Each Cure Amount listed on the Contracts Schedule represents all liabilities of any nature of the Debtors arising under a contract or lease prior to the closing of the Sale or other applicable effective date of the assumption and assignment of such contract or lease, whether known or unknown, whether due or to become due, whether accrued, absolute, contingent or otherwise, so long as such liabilities arise out of or relate to events occurring prior to the closing of the Sale or other applicable effective date of the assumption and assignment of such contract or lease.

YOU ARE RECEIVING THIS NOTICE BECAUSE YOU HAVE BEEN IDENTIFIED AS A COUNTERPARTY TO A CONTRACT OR LEASE THAT MAY BE ASSUMED AND ASSIGNED AS PART OF THE SALE. *The presence of a contract or lease listed on Exhibit 1 attached hereto does not constitute an admission that such contract or lease is an executory contract or unexpired lease or that such contract or lease will be assumed and assigned as part of the Sale. The Debtors reserve all their rights, claims and causes of action with respect to the contracts and leases listed on Exhibit 1 attached hereto.*

Filing Objections

Pursuant to the Assumption and Assignment Procedures, objections to the proposed assumption and assignment of a contract or lease on any basis (other than objections related solely to adequate assurance of future performance by a Winning Bidder other than the

Stalking Horse Bidder, if any), including, without limitation, on the basis (i) of adequate assurance of the Stalking Horse Bidder's future ability to perform; (ii) of the transfer of any related rights or benefits thereunder; (iii) that consent is allegedly required from any Counterparty for the assumption, assignment, and transfer of the Assumed Contract; (iv) relating to Cure Amounts, must (1)(a) be in writing; (b) state the basis for such objection; and (c) if such objection is to the Cure Amount, state with specificity what Cure Amount the counterparty believes is required (in all cases, with appropriate documentation in support thereof) and (2) be filed with the Court and served no later than [•], **2023 at 4:00 p.m. (ET)** on the following parties (collectively, the "Objection Notice Parties"): (a) counsel to the Debtors: [•]; (b) counsel to Ligand [•]; (c) counsel to the Creditors' Committee, [•]; (d) the Office of the U.S. Trustee for Region 3, 844 King Street, Suite 2207, Wilmington, Delaware 19801, Attn: [•]; [and (e) any Winning Bidders.]

If not the Stalking Horse Bidder, the Debtors shall file a notice identifying the Winning Bidder(s) and Backup Bidder(s) (if selected) (the "Notice of Winning Bidder") and shall serve the Notice of Winning Bidder on each counterparty to a potential Assumed Contract as soon as reasonably practicable after closing the Auction, if any. Each counterparty to a potential Assumed Contract will then have an opportunity to object to the identity of the Winning Bidder(s) (other than the Stalking Horse Bidder, if any) or adequate assurance of future performance with respect to such counterparty's contract or lease provided by the Winning Bidder(s), which must (i) be in writing, (ii) comply with the Bankruptcy Code, Bankruptcy Rules and Local Rules, (iii) state, with specificity, the legal and factual bases thereof, (iv) be filed with the Court by [•], **2023 at 4:00 p.m. (ET)** (the "Adequate Assurance Objection Deadline"), and (v) be served on the Objection Notice Parties.

The Court will hear and determine any objections to the assumption and assignment of the Assumed Contracts to the Purchaser at the Sale Hearing or at a later hearing, as determined by the Debtors. The Sale Hearing to consider the proposed Sale shall be held before the Honorable [•] on [•] (**prevailing Eastern Time**), or such other date as determined by the Court, at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, [•] Floor, Courtroom No. [•], Wilmington, Delaware 19801.

Consequences of Failing to Timely Assert an Objection

UNLESS YOU FILE AN OBJECTION TO THE CURE AMOUNT AND/OR THE ASSUMPTION OR ASSIGNMENT OF YOUR CONTRACT OR LEASE IN ACCORDANCE WITH THE INSTRUCTIONS AND DEADLINES SET FORTH HEREIN, YOU SHALL BE (A) BARRED FROM OBJECTING TO THE CURE AMOUNT SET FORTH ON EXHIBIT 1, (B) ESTOPPED FROM ASSERTING OR CLAIMING ANY CURE AMOUNT AGAINST THE DEBTORS, THE STALKING HORSE BIDDER, IF ANY, OR OTHERWISE WINNING BIDDER(S) THAT IS GREATER THAN THE CURE AMOUNT SET FORTH ON EXHIBIT 1 AND (C) DEEMED TO HAVE CONSENTED TO THE ASSUMPTION BY THE DEBTORS AND ASSIGNMENT OR TRANSFER (INCLUDING THE TRANSFER OF ANY RELATED RIGHTS AND BENEFITS THEREUNDER) TO THE STALKING HORSE BIDDER OR WINNING BIDDER, AS APPLICABLE, OF THE YOUR CONTRACT OR LEASE AND

THE ADEQUACY OF ASSURANCE OF FUTURE PERFORMANCE THEREUNDER, AND BE FOREVER BARRED AND ESTOPPED FROM ASSERTING OR CLAIMING AGAINST THE DEBTORS OR THE STALKING HORSE BIDDER OR THE WINNING BIDDER, AS APPLICABLE, THAT ANY ADDITIONAL DEFAULTS EXIST OR THAT CONDITIONS TO ASSUMPTION, ASSIGNMENT, AND TRANSFER MUST BE SATISFIED UNDER YOUR CONTRACT OR LEASE (INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO ADEQUATE ASSURANCE OF FUTURE PERFORMANCE BY THE STALKING HORSE BIDDER OR WINNING BIDDER, AS APPLICABLE), OR THAT ANY RELATED RIGHT OR BENEFIT UNDER SUCH CONTRACT OR LEASE CANNOT AND WILL NOT BE AVAILABLE TO THE STALKING HORSE BIDDER OR THE WINNING BIDDER, AS APPLICABLE.

Obtaining Additional Information

Copies of the Bidding Procedures Motion, the Bidding Procedures, the Bidding Procedures Order, the Stalking Horse Agreement, if any, and all other documents filed with the Court, are available free of charge on the Debtors' case information website, located at [https://\[•\]](https://[•]), or can be requested by calling the Debtors' claims and noticing agent, [•].

Adequate assurance of future performance information for the Stalking Horse Bidder is available by contacting counsel to Ligand.

Dated:
Wilmington, Delaware

Respectfully submitted,

/s/ DRAFT

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*Proposed Counsel to the Debtors and
Debtors in Possession*

Exhibit 4

Initial Assumption and Assignment Notice (as Filed on July 25, 2023)