

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

| | | | |
|--|-----------------------------------|---|-----------------------------|
| 1 Issuer's name | | 2 Issuer's employer identification number (EIN) | |
| NOVAN, INC. | | 20-4427682 | |
| 3 Name of contact for additional information | 4 Telephone No. of contact | 5 Email address of contact | |
| JOHN M. GAY | (919) 485-8080 | CORPORATESECRETARY@NOVAN.COM | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact | | 7 City, town, or post office, state, and ZIP code of contact | |
| 4020 STIRRUP CREEK DRIVE SUITE 110 | | DURHAM, NC 27703 | |
| 8 Date of action | | 9 Classification and description | |
| MAY 25, 2021 | | 1 FOR 10 SHARE REVERSE STOCK SPLIT | |
| 10 CUSIP number | 11 Serial number(s) | 12 Ticker symbol | 13 Account number(s) |
| 66988N205 | N/A | NOVN | N/A |

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ NOVAN, INC. (THE COMPANY) EFFECTED A 1-FOR-10 REVERSE STOCK SPLIT OF ITS OUTSTANDING COMMON STOCK EFFECTIVE AS OF 5:00PM ET ON MAY 25, 2021. PURSUANT TO THE REVERSE STOCK SPLIT, EVERY TEN (10) SHARES OF ISSUED AND OUTSTANDING COMMON STOCK AUTOMATICALLY CONVERTED INTO ONE (1) SHARE OF COMMON STOCK. TRADING ON A POST-SPLIT BASIS COMMENCED ON MAY 26, 2021.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ STOCKHOLDERS ARE REQUIRED TO ALLOCATE THEIR AGGREGATE TAX BASIS IN THE EXISTING COMMON STOCK HELD IMMEDIATELY PRIOR TO THE REVERSE STOCK SPLIT AMONG THE SHARES OF COMMON STOCK HELD IMMEDIATELY AFTER THE REVERSE STOCK SPLIT INCLUDING ANY FRACTIONAL SHARES FOR WHICH CASH IN LIEU WAS RECEIVED. STOCKHOLDERS WHO RECEIVE CASH IN LIEU OF FRACTIONAL SHARES OF THE NEW COMMON STOCK WILL BE TREATED AS HAVING RECEIVED SUCH FRACTIONAL SHARES IN THE STOCK SPLIT AND THEN HAVING SOLD SUCH FRACTIONAL SHARES FOR CASH IN THE OPEN MARKET. STOCKHOLDERS WHO ACQUIRE THEIR SHARES OF THE COMPANY STOCK ON DIFFERENT DATES AND AT DIFFERENT PRICES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE ALLOCATION OF THE TAX BASIS OF SUCH SHARES.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ SEE ANSWER TO ITEM 15 ABOVE.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► PURSUANT TO IRC SECTIONS 368(A), 354(A), 358(A) AND 1001.

Blank lines for providing Internal Revenue Code section(s) and subsection(s).

18 Can any resulting loss be recognized? ► EXCEPT TO THE EXTENT OF CASH RECEIVED IN LIEU OF FRACTIONAL SHARES, STOCKHOLDERS WILL GENERALLY NOT RECOGNIZE GAIN OR LOSS AS A RESULT OF THE REVERSE STOCK SPLIT. IN GENERAL, IF A STOCKHOLDER RECEIVES CASH IN LIEU OF FRACTIONAL SHARES, THE STOCKHOLDER WILL RECOGNIZE CAPITAL GAIN OR LOSS BASED ON THE DIFFERENCE BETWEEN THE AMOUNT OF CASH RECEIVED AND THE STOCKHOLDER'S ADJUSTED TAX BASIS IN THE FRACTIONAL SHARES. STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES RESULTING FROM THE REVERSE STOCK SPLIT.

Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► 2021

Blank lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ► *John M. Gay* Date ► 6/2/2021
Print your name ► JOHN M. GAY Title ► CHIEF FINANCIAL OFFICER

| | | | | | |
|-------------------------------|----------------------------|----------------------|------|---|------|
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | Firm's name ► | Firm's EIN ► | | | |
| | Firm's address ► | Phone no. | | | |