

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (the "Agreement"), made this 13th day of July 2016 ("Effective Date"), is entered into by Novan, Inc., a Delaware corporation with its principal place of business at 4222 Emperor Boulevard, Suite 200, Durham, North Carolina 27703 (the "Company"), and Sequence, Inc. a company having an address at 2500 Gateway Centre Boulevard, Suite 850, Morrisville, North Carolina 27703 (the "Consultant").

INTRODUCTION

The Company desires to retain the services of the Consultant and the Consultant desires to perform certain services for the Company. In consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the parties agree as follows:

1. Services. The Consultant, through its designee, Jason Hodges agrees to perform the following qualification and validation consulting services at Company's site ("Services"). The Consultant may not delegate any of its obligations under this Agreement to any third party without prior written consent of the Company. The Consultant hereby represents that neither it nor any of its employees nor any other person engaged by it to perform the Services has been debarred or disqualified, or to the best of the Consultant's knowledge is under consideration to be debarred or disqualified, by the Food and Drug Administration (the "FDA") or any other government agency or foreign equivalent agency. The Consultant further warrants and represents that it has no knowledge of any circumstances that may affect the accuracy of the foregoing warranties and representations. The Consultant shall immediately notify the Company if it becomes aware of any such circumstances, including if the Consultant or any such employee or other person comes under investigation by the FDA or any foreign equivalent agency for debarment or disqualification or is debarred or disqualified. During the Term, the Consultant shall not engage in any activity involving nitric oxide for therapeutic or healthcare applications (the "Competitive Area"), including any competitive employment, business, or other activity, and the Consultant shall not assist any other person or organization that competes, or intends to compete in the Competitive Area, with the Company.

2. Term. This Agreement shall commence on the date hereof and shall continue for one year (such period, as it may be extended upon mutual written agreement of the parties, the "Term"), unless sooner terminated in accordance with the provisions of Section 4.

3. Compensation.

3.1 Consulting Fees. The Consultant shall submit to the Company monthly statements, in a form satisfactory to the Company, of the time spent for Services performed for the Company in the previous month. The Company shall pay to the Consultant consulting fees of \$115 per hour (pro-rated for any partial such periods) for Services satisfactorily performed in accordance with this Agreement. Consultant shall submit invoices to ap@novan.com. All payments shall be made by Company to Consultant within thirty (30) days receipt of invoice.

3.2 Reimbursement of Expenses. The Company shall reimburse the Consultant for all reasonable and necessary travel and out-of-pocket expenses incurred or paid by the Consultant in the performance of Services under this Agreement in accordance with Company's Business Travel Policy. The Consultant shall submit to the Company itemized monthly statements, in a form satisfactory to the Company, of such expenses incurred in the previous month. The Company shall pay to the Consultant such expenses shown on each such statement within 30 days after receipt thereof. Notwithstanding the foregoing, the Consultant shall not incur total expenses in excess of \$250.00 per month without the prior written approval of the Company.

3.3 Benefits. The Consultant shall not be entitled to any benefits, coverages or privileges, including, without limitation, social security, unemployment, medical or pension payments, made available to employees of the Company.

4. Termination. The Company may, without prejudice to any right or remedy it may have due to any failure of the Consultant to perform its obligations under this Agreement, terminate this Agreement at any time prior to the expiration of the Consultation Period upon notice to the Consultant. In the event of such termination, the Consultant shall be entitled to payment for Services performed in accordance with this Agreement and reasonable, documented travel and out-of-pocket expenses incurred or paid by the Consultant in the performance of Services hereunder prior to the effective date of termination, subject to the limitation on reimbursement of expenses set forth in Section 3.2. Such payments shall constitute full settlement of any and all claims of the Consultant of every description against the Company.

5. Cooperation. The Consultant shall use its best efforts in the performance of its obligations under this Agreement. The Company shall provide such access to its information and property as may be reasonably required in order to permit the Consultant to perform its obligations hereunder. The Consultant shall cooperate with the Company's personnel, shall not interfere with the conduct of the Company's business and shall observe all rules, regulations and security requirements of the Company concerning the safety of persons and property.

6. Inventions and Confidential Information.

6.1 Inventions.

(a) All inventions, discoveries, improvements, computer programs, technology, designs, innovations, materials, documents, plans, articles, data, compilations of data, prototypes, reports, speeches, slides, videotapes, pictures, audio, artistic works, works of authorship, or information fixed in any tangible medium of expression (whether or not patentable and whether or not copyrightable) which are made, conceived, reduced to practice, created, written, designed or developed by or on behalf of the Consultant, solely or jointly with others, during the Consultation Period or thereafter if, in either case, generated in course of Consultant's providing Services hereunder or otherwise resulting or derived from Consultant's access to or knowledge of Confidential Information (as defined below) ("Inventions"), and all intellectual property rights related to any of the foregoing, shall be the sole property of the Company. The Consultant agrees to assign and hereby assigns to the Company, free and clear of all liens, claims, and encumbrances, all Inventions and any and all related patents, copyrights, trademarks,

trade names, and other industrial and intellectual property rights and applications therefor, in the United States and elsewhere and appoints any officer of the Company as its duly authorized attorney to execute, file, prosecute and protect the same before any government agency, court or authority. Upon the request of the Company and at the Company's expense, the Consultant shall execute such further assignments, documents and other instruments, and take any other actions, as may be necessary or desirable to fully and completely assign all Inventions and related intellectual property rights to the Company, and Consultant shall assist the Company in applying for, obtaining and enforcing patents or copyrights or other rights in the United States and in any foreign country with respect to any Invention. The Consultant also hereby waives all claims to moral rights in any Inventions or similar intellectual property rights.

(b) The Consultant shall promptly disclose to the Company all Inventions in writing and will maintain adequate and current written records (in the form of notes, sketches, drawings and as may be specified by the Company) to document the conception and/or first actual reduction to practice of any Invention. Such written records shall be available to and remain the sole property of the Company at all times.

(c) In the event that any deliverable under this Agreement incorporates or requires for its use intellectual property rights of the Consultant, the Consultant agrees to grant and hereby grants to Company a worldwide, perpetual, irrevocable, fully paid-up, royalty-free, sublicensable non-exclusive license under such intellectual property rights to use and otherwise exploit all such deliverables for any purpose.

6.2 Confidential Information.

(a) The Consultant acknowledges that its relationship with the Company is one of high trust and confidence and that in the course of its service to the Company it will have access to and contact with Confidential Information. The Consultant agrees that it will not, during the Consultation Period or at any time thereafter, disclose to others, or use for its benefit, the benefit of others, or for any purposes other than as may be necessary to provide Services to the Company under this Agreement, any Confidential Information or Invention. The Consultant will treat Confidential Information as confidential and proprietary and shall take all reasonable precautions to protect the Confidential Information.

(b) For purposes of this Agreement, "Confidential Information" shall mean all information (whether or not patentable and whether or not copyrightable) owned, possessed or used by the Company or generated by or on behalf of Consultant under this Agreement, including, without limitation, any formula, supplier information, customer information, apparatus, equipment, trade secret, process, research, report, technical data, know-how, computer program, software, software documentation, hardware design, technology, marketing or business plan, forecast, unpublished financial statement, budget, license, price, cost and employee list that is communicated to, learned of, developed or otherwise acquired by the Consultant in the course of its service to the Company.

(c) The Consultant's obligations under Section 6.2(a) shall not apply to any information to the extent that it (i) is or becomes known to the general public under circumstances involving no breach by the Consultant or others of the terms of this Section 6.2,

(ii) is generally disclosed to third parties by the Company without restriction on such third parties, (iii) is approved for release by written authorization of the President of the Company, or (iv) is required by law or order of a competent governmental authority to be disclosed, provided that Company is promptly advised of this obligation and given reasonable time to use applicable legal means to resist such disclosure.

(d) Upon termination of this Agreement or at any other time upon request by the Company, the Consultant shall promptly deliver to the Company all records, files, memoranda, notes, designs, data, reports, price lists, customer lists, drawings, plans, computer programs, software, software documentation, sketches, laboratory and research notebooks and other documents (and all copies or reproductions of such materials) containing Confidential Information or otherwise relating to the business of the Company.

(e) The Consultant represents and warrants that its retention as a consultant for the Company and its performance under this Agreement does not, and shall not, breach any agreement that obligates it to keep in confidence any trade secrets or confidential or proprietary information of any third party or to refrain from competing, directly or indirectly, with the business of any other party. The Consultant shall not disclose to the Company any trade secrets or confidential or proprietary information of any other party. The Consultant hereby represents and warrants to Company that Consultant has the right to enter into this Agreement and to transfer the entire right, title and interest in and to the Inventions to the Company as described in Section 6.1 hereof

(f) The Consultant acknowledges that the Company from time to time may have agreements with other persons or with the United States Government, or agencies thereof, that impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. The Consultant agrees to be bound by all such obligations and restrictions that are known to the Consultant and to take all action necessary to discharge the obligations of the Company under such agreements.

6.3 Remedies. The Consultant acknowledges that any breach of the provisions of this Section 6 shall result in serious and irreparable injury to the Company for which the Company cannot be adequately compensated by monetary damages alone. The Consultant agrees, therefore, that, in addition to any other remedy it may have, the Company shall be entitled to enforce the specific performance of this Agreement by the Consultant and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without the necessity of proving actual damages.

7. Indemnification. Consultant shall indemnify and hold the Company harmless from all claims, losses, damages, expenses, fees (including reasonable attorneys' fees), costs and judgments that may be asserted against the Company that result from the acts or omissions of Consultant and its agents.

8. Independent Contractor Status. The Consultant shall perform all Services under this Agreement as an "independent contractor" and not as an employee or agent of the Company.

The Consultant is not authorized to assume or create any obligation or responsibility, express or implied, on behalf of, or in the name of, the Company or to bind the Company in any manner.

9. Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party at the address shown above, or at such other address or addresses as either party shall designate to the other in accordance with this Section 9.

10. Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

12. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Consultant.

13. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of North Carolina, excluding that body of law known as choice of law, and shall be binding upon the parties hereto in the United States and worldwide. All disputes with respect to this Agreement shall be brought and heard either in the North Carolina state courts located in Wake County, North Carolina, or the federal district court for the Eastern District of North Carolina located in Raleigh, North Carolina. The parties to this Agreement each consent to the in personam jurisdiction and venue of such courts. The parties agree that service of process upon them in any such action may be made if delivered in person, by courier service, by telegram, by telefacsimile or by first class mail, and shall be deemed effectively given upon receipt.

14. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, both parties and their respective successors and assigns, including any corporation with which, or into which, the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of the Consultant are personal and shall not be assigned by Consultant.

15. Survival. Sections 6 through 16 shall survive termination or expiration of this Agreement.

16. Miscellaneous.

16.1 No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

16.2 The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

16.3 In the event that any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

SEQUENCE, INC.

NOVAN, INC.

By: [Signature]

By: [Signature]

Name: JOHN HARTMAN

Name: Ric Peterson

Title: SR MANAGER TECHNICAL SERVICES

Title: CFO

Date: 14 JUL 2016

Date: 7-15-16

Signature Page to Consulting Services Agreement

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