UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **May 4, 2019**

Novan, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-37880**	**20-4427682**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

4105 Hopson Road, Morrisville, North Carolina 27560
(Address of principal executive offices) (Zip Code)

(919) 485-8080
(Registrant's telephone number, include area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☒

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

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

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock, $0.0001 par value	NOVN	Nasdaq Global Market

Item 1.01. Entry into a Material Definitive Agreement.

Development Funding and Royalties Agreement with Ligand Pharmaceutical Incorporated

On May 4, 2019, Novan, Inc. (the "Company") entered into a development funding and royalties agreement (the "Funding Agreement") with Ligand Pharmaceutical Incorporated ("Ligand"), pursuant to which Ligand provided funding to the Company of $12.0 million, which the Company will use to pursue the development and regulatory approval of SB206, a topical anti-viral gel being developed for the treatment of molluscum contagiosum ("molluscum"), a contagious skin infection caused by the *molluscipoxvirus* ("SB206").

Pursuant to the Funding Agreement, the Company will pay Ligand up to $20.0 million in milestone payments upon the achievement by the Company of certain regulatory and commercial milestones associated with SB206 or any product that incorporates or uses NVN1000, the active pharmaceutical ingredient for the Company's clinical stage product candidates, for the treatment of molluscum (the "Products"). In addition to the milestone payments, the Company will pay Ligand tiered royalties ranging from 7% to 10% based on aggregate annual net sales of the Products in the United States, Mexico or Canada.

Unless earlier terminated, the Funding Agreement will continue for so long as payments are due or payable under the Funding Agreement. Ligand may terminate the Funding Agreement in the event of an uncured material breach by the Company, which, in certain circumstances, could cause the Company to be required to repay the amount paid by Ligand under the Funding Agreement, less any payments made to Ligand by the Company under the Funding Agreement as of the effective date of the termination.

The foregoing description of the Funding Agreement does not purport to be complete and is qualified in its entirety by reference to the copy of the Funding Agreement, which will be filed as an exhibit to a subsequent filing with the Securities and Exchange Commission (the "Commission"), as permitted by the rules of the Commission.

Item 7.01. Regulation FD Disclosure.

On May 6, 2019, the Company issued a press release announcing entry into the Funding Agreement. The full text of this press release is furnished herewith as Exhibit 99.1 to this Current Report and incorporated herein by reference.

The information in this Item 7.01, including Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Furthermore, the information in Item 7.01 of this report shall not be deemed incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release dated May 6, 2019.

SIGNATURES

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

Novan, Inc.

Date: May 9, 2019

By: /s/ G. Kelly Martin

G. Kelly Martin
Chief Executive Officer

Exhibit 99.1

Novan Completes Funding Transaction with Ligand Pharmaceuticals

- **Novan to immediately receive $12 million of non-dilutive capital**
- **Ligand to receive milestones and tiered royalty for North America SB206 molluscum indication**
- **Phase 3 molluscum trial to begin recruitment of patients this month**
- **Molluscum top line results targeted early during the first quarter of 2020 or before**

MORRISVILLE, N.C. - May 6, 2019 - Novan, Inc. ("the Company" or "Novan") (Nasdaq:NOVN) today announced that the Company has secured $12 million in non-dilutive capital from Ligand Pharmaceuticals Incorporated (“Ligand”) (Nasdaq:LGND). This transaction further enables the accelerated advancement of the molluscum Phase 3 program within the overall Novan mid-to-late stage clinical development portfolio.

Under the terms of this development funding and royalty agreement, Ligand will provide funding of $12 million in exchange for a tiered royalty of 7 to 10% which wil be based on future North American sales of SB206 for the molluscum indication. In addition, Ligand is entitled to receive regulatory and commercial milestones of up to $20 million based on specific regulatory and sales progress. The capital from this transaction is contractually dedicated to the exclusive use in the advancement of the Phase 3 molluscum program. The Novan team will continue to have responsibility for all clinical development and regulatory execution of SB206 and the totality of the molluscum program activity.

“The decision to advance a molluscum indication was driven, in large part, by a strong recommendation from Dr. Tomoko Maeda-Chubachi, our VP of Medical Dermatology,” commented Paula Brown Stafford, President and Chief Operating Officer of Novan. Commenting further, Ms. Stafford added, “we remain focused on smartly advancing the underlying science and executing the mid-to-late stage clinical programs in a highly disciplined manner.”

The Company remains focused on the re-engineering of certain aspects of its internal operations as outlined during last week’s webcast. In particular, the reduction of the existing real estate footprint and the strategic migration of drug substance and product manufacturing remain key objectives for 2019. Progress in these two areas will change the cost characteristics of Novan by reducing the fixed component of the cost base in favor of variable costs.

About Novan

Novan, Inc. is a clinical development-stage biotechnology company focused on leveraging nitric oxide’s naturally occurring anti-microbial and immunomodulatory mechanisms of action to treat a range of diseases with significant unmet needs. We believe that our ability to deploy nitric oxide in a solid form, on demand and in localized formulations allows us the potential to improve patient outcomes in a variety of dermatology, women’s health and gastrointestinal diseases.

Forward-Looking Statements

This press release contains forward-looking statements including, but not limited to, statements related to pharmaceutical development of nitric oxide-releasing product candidates, our intention to advance development of certain product candidates, including SB206 for the treatment of molluscum, the expected financial and other benefits of the funding arrangements and the future prospects of our business and our product candidates. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from our expectations, including, but not limited to, risks and uncertainties in the clinical development process, including, among others, length, expense, ability to enroll patients, reliance on third parties, potential for delays and that results of earlier research and preclinical or clinical trials may not be predictive of results, conclusions or interpretations of later research activities or additional trials; risks related to the regulatory approval process, which is lengthy, time-consuming and inherently unpredictable, including the risk that the products covered by the financing arrangement may not be approved or that additional studies may be required for approval or other delays may occur and that we may not obtain funding sufficient to complete the regulatory or development process; our ability to identify and enter into strategic relationships or other business development opportunities for the potential commercialization of our

product candidates and support thereof; risks relating to our ability to complete an agreement for the manufacture of our active pharmaceutical ingredient (API); risks related to the manufacture of clinical trial materials and commercial supplies of any potentially approved product candidates, including the manufacture of our API and our ability to transfer technology and processes to a third party effectively; risks associated with relying on third parties for the manufacture of drug product for clinical trials; our ability to reduce costs; risks relating to commercialization of products, if approved; our ability to obtain additional funding or enter into strategic relationships or other business development necessary for the further advancement and development of our product candidates; and other risks and uncertainties described in our annual report filed with the SEC on Form 10-K for the twelve months ended December 31, 2018, and in our subsequent filings with the SEC. These forward-looking statements speak only as of the date of this press release, and Novan disclaims any intent or obligation to update these forward-looking statements to reflect events or circumstances after the date of such statements, except as may be required by law.

CONTACT:

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