

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

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

For the quarterly period ended March 31, 2010

Rexahn Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Commission File No.: 001-34079

Delaware

(State or other jurisdiction of incorporation or organization)

11-3516358

(I.R.S. Employer Identification Number)

**15245 Shady Grove Road, Suite 455
Rockville, MD 20850**

(Address of principal executive offices, including zip code)

Telephone: (240) 268-5300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 75,172,822 shares of common stock outstanding as of May 21, 2010.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1 Financial Statements	
1) <u>Condensed Balance Sheets at March 31, 2010 (unaudited) and December 31, 2009</u>	3
2) <u>Condensed Statements of Operations for the three months ended March 31, 2010 and 2009 (unaudited) and cumulative from March 19, 2001 (inception) to March 31, 2010 (unaudited)</u>	4
3) <u>Condensed Statements of Cash Flows for the three months ended March 31, 2010 and 2009 (unaudited) and cumulative from March 19, 2001 (inception) to March 31, 2010 (unaudited)</u>	5
4) <u>Notes to Condensed Financial Statements (unaudited)</u>	6
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4 <u>Controls and Procedures</u>	28
PART II OTHER INFORMATION	
Item 1 <u>Legal Proceedings</u>	29
Item 1A <u>Risk Factors</u>	29
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 3 <u>Defaults Upon Senior Securities</u>	29
Item 4 <u>(Removed and Reserved)</u>	29
Item 5 <u>Other Information</u>	29
Item 6 <u>Exhibits</u>	30
<u>SIGNATURES</u>	31

PART 1. Financial Information**REXAHN PHARMACEUTICALS, INC.**
(A Development Stage Company)
Condensed Balance Sheets

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,682,191	\$ 7,298,032
Marketable securities	175,000	175,000
Prepaid expenses and other current assets (note 3)	491,923	320,935
Total Current Assets	8,349,114	7,793,967
Restricted Cash Equivalents (note 13)	1,909,827	2,026,060
Equipment, Net (note 4)	158,701	168,978
Total Assets	\$ 10,417,642	\$ 9,989,005
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses (note 5)	\$ 917,356	\$ 785,904
Deferred Revenue (note 6)	956,250	975,000
Other Liabilities (note 7)	135,921	128,501
Total Liabilities	2,009,527	1,889,405
Commitment and Contingencies (note 13)		
Stockholders' Equity (note 9):		
Preferred stock, par value \$0.0001, 100,000,000 authorized shares, none issued and outstanding	-	-
Common stock, par value \$0.0001, 500,000,000 authorized shares, 73,483,702 (2009 – 71,938,701) issued and 73,469,497 (2009 – 71,924,496) outstanding	7,349	7,194
Additional paid-in capital	46,294,187	44,414,723
Accumulated deficit during the development stage	(37,865,011)	(36,293,907)
Treasury stock, 14,205 shares, at cost	(28,410)	(28,410)
Total Stockholders' Equity	8,408,115	8,099,600
Total Liabilities and Stockholders' Equity	10,417,642	9,989,005

See the notes accompanying the condensed financial statements

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)
Condensed Statement of Operations
(Unaudited)

	Three Months Ended March 31,		Cumulative from March 19, 2001 (Inception) to March 31, 2010
	2010	2009	
Revenue:			
Research	\$ 18,750	\$ 18,750	\$ 543,750
Expenses:			
General and administrative	1,056,465	723,107	18,865,007
Research and development	491,122	721,926	16,974,937
Patent fees	52,734	54,137	1,277,787
Depreciation and amortization	11,547	11,991	556,355
Total Expenses	1,611,868	1,511,161	37,674,086
Loss from Operations	(1,593,118)	(1,492,411)	(37,130,336)
Other (Income) Expense			
Realized loss on securities available-for-sale	-	-	9,341
Interest income	(22,014)	(7,609)	(1,200,813)
Interest expense	-	-	301,147
Beneficial conversion feature	-	-	1,625,000
	(22,014)	(7,609)	734,675
Loss Before Provision for Income Taxes	(1,571,104)	(1,484,802)	(37,865,011)
Provision for Income Taxes	-	-	-
Net Loss	\$ (1,571,104)	\$ (1,484,802)	37,865,011
Net Loss per share , basic and diluted	\$ (0.02)	\$ (0.03)	
Weighted average number of shares,basic and diluted	72,271,780	55,025,649	

See the notes accompanying the condensed financial statements

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)
Condensed Statement of Cash Flows
(Unaudited)

	Three Months Ended March 31,		Cumulative From March 19, 2001 (Inception) to March 31, 2010
	2010	2009	2010
Cash Flows from Operating Activities:			
Net loss	\$ (1,571,104)	\$ (1,484,802)	\$ (37,865,011)
Adjustments to reconcile net (loss) to net cash used in operating activities:			
Beneficial conversion feature	-	-	1,625,000
Compensatory stock	366,000	-	387,877
Depreciation and amortization	11,547	11,991	556,355
Stock option compensation	195,378	134,910	4,549,743
Amortization of deferred revenue	(18,750)	(18,750)	(543,750)
Realized losses on marketable Securities	-	-	9,341
Amortization of deferred lease incentive	(5,000)	-	(15,000)
Deferred lease expenses	12,420	-	50,921
Loss on impairment of intangible assets	-	-	286,132
Changes in assets and liabilities:			
Prepaid expenses and other current assets	(170,988)	184,186	(491,923)
Accounts payable and accrued expenses	131,452	115,494	917,356
Net Cash Used in Operating Activities	(1,049,045)	(1,056,971)	(30,532,959)
Cash Flows from Investing Activities:			
Restricted cash equivalents	116,233	-	(1,909,827)
Purchase of equipment	(1,270)	(835)	(544,972)
Purchase of marketable securities	-	(1,001,345)	(10,770,000)
Proceeds from sales of marketable securities	-	3,550,001	10,585,659
Payment of licensing fees	-	-	(356,216)
Net Cash Provided (Used in) by Investing Activities	114,963	2,547,821	(2,995,356)
Cash Flows from Financing Activities:			
Issuance of common stock and units, net of issuance costs	-	-	33,267,073
Proceeds from exercise of stock options	21,240	-	24,842
Proceeds from exercise of stock warrants	1,297,001	-	1,297,001
Proceeds from long-term debt	-	-	5,150,000
Proceeds from research contribution	-	-	1,500,000
Principal payments on long-term debt	-	-	(28,410)
Net Cash Provided by Financing Activities	1,318,241	-	41,210,506
Net Increase in Cash and Cash Equivalents	384,159	1,490,850	7,682,191
Cash and Cash Equivalents - beginning of period	7,298,032	369,130	-
Cash and Cash Equivalents - end of period	7,682,191	1,859,980	\$ 7,682,191
Supplemental Cash Flow Information			
Interest paid	\$ -	\$ -	\$ 301,147
Non-cash financing and investing activities:			
Warrants issued	\$ -	\$ -	\$ 3,877,752
Leasehold improvement incentive	\$ -	\$ -	\$ 100,000

See the notes accompanying the condensed financial statements

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

1. Operations and Organization

Operations

Rexahn Pharmaceuticals, Inc. (the "Company", "Rexahn Pharmaceuticals"), a Delaware corporation, is a development stage biopharmaceutical company dedicated to the discovery, development and commercialization of innovative treatments for cancer, central nervous system ("CNS") disorders, sexual dysfunction and other medical needs. The Company had an accumulated deficit of \$37,865,011 as of March 31, 2010 and anticipates incurring losses through the remainder of fiscal 2010 and beyond. The Company has not yet generated commercial sales revenue and has been able to fund its operating losses to date through the sale of its common stock, units, issuance of long-term debt, and proceeds from reimbursed research and development costs. Management has the capability of managing the Company's operations within existing cash available by reducing research and development activities.

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2010 are not necessarily indicative of results that may be expected for the full fiscal year ending December 31, 2010. The accompanying condensed financial statements should be read in conjunction with the audited financial statements of the Company for the fiscal year ended December 31, 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results may ultimately differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become available.

2. Recent Accounting Pronouncements Affecting the Company

In February 2010, the FASB issued ASI 2010-09, "Subsequent Events (Topic 855); Amendments to Certain Recognition and Disclosure Requirements" ("ASI 2010-9"). The standard amends Subtopic 855-10, "Subsequent Events" to remove the requirement for a SEC filer to disclose the date through which subsequent events have been evaluated. ASI 2010-9 is effective upon issuance of the final update. The Company adopted ASI 2010-9 as of March 31, 2010.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

3. Prepaid Expenses and Other Current Assets

	March 31, 2010 (unaudited)	December 31, 2009
Deposits on contracts	\$ 415,713	\$ 245,476
Other assets	76,210	75,459
	\$ 491,923	\$ 320,935

4. Equipment, Net

	March 31, 2010 (unaudited)	December 31, 2009
Furniture and fixtures	\$ 32,169	\$ 32,169
Office equipment	73,655	72,385
Lab and computer equipment	428,816	428,816
Leasehold improvements	110,713	110,713
	645,353	644,083
Less, Accumulated depreciation	(486,652)	(475,105)
Net carrying amount	\$ 158,701	\$ 168,978

Depreciation expense was \$11,547 and \$7,539 for the three months ended March 31, 2010 and 2009, respectively.

5. Accounts Payable and Accrued Expenses

	March 31, 2010 (unaudited)	December 31, 2009
Trade payables	\$ 146,745	\$ 132,212
Accrued expenses	658,743	512,659
Payroll liabilities	111,868	141,033
	\$ 917,356	\$ 785,904

6. Deferred Revenue

In 2003, the Company entered into a collaborative research agreement with Rexgene Biotech Co., Ltd. ("Rexgene"), a shareholder. Rexgene is engaged in the development of pharmaceutical products in Asia and has agreed to assist the Company with the research, development and clinical trials necessary for registration of the Company's drug candidate, RX-0201, in Asia. This agreement provides Rexgene with exclusive rights to license, sublicense, make, have made, use, sell and import RX-0201 in Asia. A one-time contribution to the joint development and research of RX-0201 of \$1,500,000 was paid to the Company in 2003 in accordance with the agreement. The amount of revenue from this contribution is being recognized as income over the term of the agreement which terminates at the later of 20 years or the term of the patent on the licensed product.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

The Company is using 20 years as its basis for recognition and accordingly \$18,750 was included in revenues for the three months ended March 31, 2010 and 2009. The remaining \$956,250 as of March 31, 2010 (December 31, 2009 - \$975,000) is reflected as deferred revenue on the balance sheet. The contribution is being used in the cooperative funding of the costs of development of RX-0201. Royalties of 3% of net sales of licensed products will become payable to the Company on a quarterly basis once commercial sales of RX-0201 begin. The product is still under development and commercial sales are not expected to begin until at least 2012.

7. Other Liabilities

Deferred Lease Incentive

On June 29, 2009, the Company entered into a five year office lease agreement as discussed in note 13. The lessor agreed to grant a leasehold improvement allowance of \$100,000 to the Company to be used for construction cost of the improvements, architectural and engineering fees, government agency plan check, permit and other fees, sales and use taxes, testing and inspection costs, construction fees and telephone and data cabling and wiring in the premises. As of March 31, 2010, the full amount of leasehold improvement allowance has been used up by the Company. The Company accounts for the benefit of the leasehold improvement allowance as a reduction of rental expense over the term of the lease which is 5 years.

The following table sets forth the deferred lease incentive:

	March 31, 2010 (unaudited)	December 31, 2009
Deferred lease incentive	\$ 100,000	\$ 100,000
Less accumulated amortization	(15,000)	(10,000)
Balance	<u>\$ 85,000</u>	<u>\$ 90,000</u>

Deferred Office Lease Expense

The office lease agreement, discussed above, requires an initial annual base rent of \$76,524 with annual increases over the next subsequent five years. The Company recognizes rental expense on a straight-line basis over the term of the lease, which resulted in a deferred rent liability of \$47,505 and \$31,670 as of March 31, 2010 and December 31, 2009, respectively.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

Deferred Lab Lease Expense

On May 21, 2009, the Company entered into a one year agreement to use lab space commencing on July 1, 2009. The lessor granted free rent to the Company for the period from July 1, 2009 to September 30, 2009. The Company recognizes rental expense on a straight-line basis over the term of the lease, which results in a deferred rent liability of \$3,416 and \$6,831 as of March 31, 2010 and December 31, 2009, respectively.

8. Net Loss per Common Share

We compute basic loss per share by dividing net loss by the weighted average number of common shares outstanding and excluding any potential dilution. Net loss per common share assuming dilution was computed by reflecting potential dilution from the exercise of stock options and warrants. As of March 31, 2010 and 2009, there were stock options and warrants to acquire 15,421,034 and 7,760,795 shares of our common stock, respectively. These shares were excluded from the computations of diluted loss per share because their effect would be anti-dilutive.

9. Common Stock

The following transactions occurred from March 19, 2001 (inception) to March 31, 2010:

- a) On May 10, 2001, the Company issued 3,600,000 shares of common stock to the Company's founders for \$1.
- b) On August 10, 2001, the Company issued:
 - i) 1,208,332 shares of common stock to the directors of the Company for cash of \$1,450,000.
 - ii) 958,334 shares of common stock to Rexgene for cash of \$550,000.
 - iii) 360,000 shares of common stock in a private placement to individual investors for cash of \$1,080,000.

These share purchases were negotiated by the parties at various dates prior to the August 10, 2001 share issuance date.

- c) On October 10, 2001, the Company issued 400,000 shares of common stock to Chong Kun Dang Pharmaceutical Corp. ("CKD") for cash of \$479,991 and 400,000 shares of common stock to an individual investor for cash of \$479,991.
- d) On October 10, 2001, the Company issued 200,000 shares of common stock to CKD for cash of \$479,985.
- e) Since inception, the Company's founders have transferred 800,000 shares of the common stock described in a) to officers and directors of the Company.
- f) In July 2003, the shareholders described in b) (iii) and e) transferred an aggregate of 1,268,332 shares of common stock to a voting trust. The trust allows for the unified voting of the stock by the trustees. The appointed trustees are senior management of the Company who, together with their existing shares, control a majority of the voting power of the Company.

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

Three Months Ended March 31, 2010 and 2009

(Unaudited)

- g) On August 20, 2003, the Company issued 500,000 shares of common stock to KT&G Corporation for cash of \$2,000,000.
- h) On October 29, 2004, an option holder exercised options to purchase shares of the Company's common stock for cash of \$1,800 and the Company issued an aggregate of 1,500 shares.
- i) Pursuant to the agreement and plan of merger which occurred on May 13, 2005, (i) each share of the issued and outstanding common stock of Rexahn, Corp ("Rexahn") (other than dissenting shares) was converted into the right to receive five shares of Rexahn Pharmaceuticals common stock; (ii) each issued, outstanding and unexercised option to purchase a share of Rexahn common stock was converted into an option to purchase five shares of Rexahn Pharmaceuticals common stock and (iii) the par value of Rexahn's common stock was adjusted to reflect the par value of Corporate Road Show Com Inc. ("CRS") common stock. In the acquisition merger, 289,780,000 CRS pre-reverse stock split shares were converted into 2,897,802 post-reverse stock split Rexahn Pharmaceuticals shares, and an additional 500,000 post-reverse stock split Rexahn Pharmaceuticals shares were issued to a former executive of CRS. All shares and earnings per share information have been retroactively restated in these financial statements.
- j) On August 8, 2005, the Company issued, in a transaction exempt from registration under the Securities Act, 4,175,000 shares of common stock at a purchase price of \$2.00 per share.
- k) On October 3, 2005, the Company issued 7,000 shares of common stock for \$21,877 and \$7,500 cash in exchange for services.
- l) On December 2, 2005, the holders of a convertible note, representing \$1,300,000 aggregate principal amount, exercised their option to convert the entire principal amount of the note into the Company's common stock. Based on a \$2.00 per share conversion price, the holders received an aggregate of 650,000 shares.
- m) On December 27, 2005, option holders exercised options to purchase shares of the Company's common stock for cash of \$9,600 and the Company issued an aggregate of 40,000 shares.
- n) On February 22, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of \$1,200 and the Company issued an aggregate of 5,000 shares.
- o) On April 12, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of \$3,409 and the Company issued an aggregate of 14,205 shares. On the same date, the Company agreed to repurchase common stock from the option holder based on the then market price for treasury in exchange for the aggregate purchase price of \$28,410 in cash.
- p) On May 13, 2006, holders of the \$3,850,000 convertible notes issued on February 28, 2005, exercised their rights to convert the entire principal amount of the notes into shares of the Company's common stock. Based on a \$1.00 per share conversion price, the Company issued 3,850,000 shares of common stock in connection with the conversion.

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

Three Months Ended March 31, 2010 and 2009

(Unaudited)

- q) On October 9, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of \$2,400 and the Company issued an aggregate of 10,000 shares.
- r) On November 19, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of \$1,800 and the Company issued an aggregate of 7,500 shares.
- s) On December 19, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of \$6,000 and the Company issued an aggregate of 25,000 shares.
- t) On April 18, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of \$14,400 and the Company issued an aggregate of 18,000 shares.
- u) On July 23, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of \$12,000 and the Company issued an aggregate of 15,000 shares.
- v) On September 27, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of \$15,600 and the Company issued an aggregate of 19,500 shares.
- w) On December 18, 2007, the Company issued 4,857,159 units at a price \$1.40 per share for total gross proceeds of \$6,800,023. Investors also were issued one warrant for every five shares purchased. One warrant will entitle the holder to purchase an additional share of common stock at a purchase price of \$1.80 at any time over a period of three years from the date of the closing of the private placement valued at \$1,103,164 on closing and were charged to additional paid in capital. Private placement closing costs of \$139,674, including 107,144 warrants issued, valued at \$91,119, were recorded as a reduction of the issuance proceeds. The anti-dilutive protection provision is indexed to the Company's own stock and has other equity characteristics. The provision is structured in a way that is designed to protect a holder's position from being diluted and contains a price protection based on a mathematical calculation.
- x) On December 27, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of \$18,000 and the Company issued an aggregate of 75,000 shares.
- y) On March 20, 2008, the Company issued 642,858 units consisting of one share of the Company's common stock and one warrant for every five common shares purchased in a private placement at a price of \$1.40 per unit for total gross proceeds of \$900,001. One warrant will entitle the holder to purchase an additional share of common stock at a price of \$1.80 at any time over a period of three years from the date of the private placement. The warrants were valued at \$220,005 and were charged to additional paid-in-capital. The anti-dilutive protection provision is indexed to the Company's own stock and has other equity characteristics. The provision is structured in a way that is designed to protect a holder's position from being diluted and contains a price protection based on a mathematical calculation.
- z) On May 30, 2008, an option holder exercised options to purchase shares of the Company's common stock for cash of \$7,200 and the Company issued an aggregate of 30,000 shares.

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

Three Months Ended March 31, 2010 and 2009

(Unaudited)

- aa) On June 2, 2008, an option holder exercised options to purchase shares of the Company's common stock for cash of \$12,000 and the Company issued an aggregate of 50,000 shares.
- ab) On June 30, 2008, an option holder exercised options to purchase shares of the Company's common stock for cash of \$12,000 and the Company issued an aggregate of 10,000 shares.
- ac) On May 19, 2009, the Company entered into a purchase agreement to issue 2,857,143 shares of common stock at a price of \$1.05 per share to an institutional investor for total gross proceeds of \$2,710,910 and incurred \$289,090 of stock issuance costs. The investor was also issued:
 - 1) Series I warrants to purchase 2,222,222 shares of common stock at a purchase price of \$1.05 per share at any time before September 3, 2009;
 - 2) Series II warrants to purchase 1,866,666 shares of common stock at a purchase price of \$1.25 per share at any time from December 3, 2009 to June 5, 2012; and
 - 3) Series III warrants to purchase 1,555,555 shares of common stock at a purchase price of \$1.50 per share at any time from December 3, 2009 to June 5, 2014.

These warrants have been valued at \$1,142,925 and recorded in additional paid-in-capital. The closing costs included 142,857 warrants valued at \$35,398 and were recorded as a reduction of the gross proceeds. Series I warrants to purchase 2,222,222 shares of common stock, valued at \$213,013, at a purchase price of \$1.05 per share have been expired. The anti-dilutive protection provision is indexed to the Company's own stock and has other equity characteristics. The provision is structured in a way that is designed to protect a holder's position from being diluted based on a mathematical calculation.

- ad) On June 9, 2009, the Company issued 1,833,341 shares of common stock and 862,246 warrants to purchase common stock at a purchase price of \$1.05 per share to existing stockholders pursuant to the anti-dilution protection provisions of the private placements transacted on December 24, 2007 and March 20, 2008.
- ae) On September 4, 2009, an option holder exercised options to purchase shares of the Company's common stock for cash of \$3,600 and the Company issued an aggregate of 15,000 shares.
- af) On September 21, 2009, the Company issued 3,102,837 shares of common stock at a purchase price of \$1.13 per share to an institutional investor for net proceeds of \$3,371,340, which includes \$128,659 of stock issuance costs.
- ag) On October 19, 2009, the Company entered into a purchase agreement to issue 6,072,383 shares of common stock at a price of \$0.82 per share to five institutional investors for net proceeds of \$4,648,070, which includes \$351,928 of stock issuance costs. The investors were also issued warrants to purchase 2,125,334 shares of common stock at a purchase price of \$1.00 per share, exercisable on or after the date of delivery until the five-year anniversary. These warrants have been valued at \$909,399 and recorded in additional paid-in-capital. The closing costs included 245,932 warrants valued at \$104,722 and were recorded as a reduction of the total gross proceeds. The anti-dilutive protection provision is indexed to the Company's own stock and has other equity characteristics. The provision is structured in a way that is designed to protect a holder's position from being diluted based on a mathematical calculation.

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

Three Months Ended March 31, 2010 and 2009

(Unaudited)

- ah) On October 19, 2009, the Company issued 2,018,143 shares of common stock and 569,502 warrants to purchase common stock at a purchase price of \$0.82 per share to existing stockholders pursuant to anti-dilution protection provisions of the private placements transacted on December 24, 2007 and March 20, 2008. The warrants were valued at \$121,491 and are recorded as a reduction in issuance proceeds of the October 19, 2009 transaction as described above.
- ai) On February 12, 2010, the Company entered into an agreement to issue 180,000 shares of common stock for consulting services and an agreement to issue 120,000 shares of common stock for consulting services.
- aj) In March 2010, warrant holders exercised their warrant to purchase shares of Company common stock for cash of \$1,297,001 and the Company issued an aggregate of 1,197,001 shares.
- ak) In March 2010, option holders exercised options to purchase shares of Company common stock for cash of \$21,240 and the Company issued an aggregate of 48,000 shares.

10. Stock-Based Compensation

On August 5, 2003, the Company established a stock option plan (the "Plan"). Under the Plan, the Company grants stock options to key employees, directors and consultants of the Company. For all grants prior to September 12, 2005 and grants to employees of the Company after September 12, 2005, the vesting period is 30% on the first anniversary of the grant date, an additional 30% on the second anniversary and the remaining 40% on the third anniversary. Options expire between five and ten years from the date of grant.

For grants to non-employee consultants of the Company after September 12, 2005, the vesting period is between one to three years, subject to the fulfillment of certain conditions in the individual stock option grant agreements, or 100% upon the occurrence of certain events specified in the individual stock option grant agreements. Options authorized for issuance under the Plan total 17,000,000 after giving effect to an amendment to the Plan approved at the Annual Meeting of the Stockholders of the Company on June 2, 2006. As of March 31, 2010, 8,567,500 shares of common stock were available for issuance.

Prior to adoption of the plan, the Company made restricted stock grants. During 2003 all existing restricted stock grants were converted to stock options. The converted options maintained the same full vesting period as the original restricted stock grants.

Accounting for Employee Awards

The Company's results of operations for the three months ended March 31, 2010 and 2009 include share-based employee compensation expense totaling \$116,270 and \$130,698, respectively. Such amounts have been included in the Statements of Operations in general and administrative and research and development expenses. No income tax benefit has been recognized in the Statements of Operations for share-based compensation arrangements as the Company has provided for a 100% valuation allowance on its deferred tax assets.

Employee stock option compensation expense is the estimated fair value of options granted amortized on a straight-line basis over the requisite vesting service period for the entire portion of the award.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

Accounting for Non-Employee Awards

Stock compensation expenses related to non-employee options were \$79,108 and \$4,212 for the three months ended March 31, 2010 and 2009, respectively. Such amounts have been included in the Statements of Operations in general and administrative and research and development expenses.

Summary of Stock Compensation Expense Recognized

Total stock-based compensation recognized by the Company in the three months ended March 31, 2010 and 2009, and the period from inception (March 19, 2001) to March 31, 2010, all of which relates to stock options and warrants, is as follows:

	<u>Three Months Ended</u>		Inception
	<u>March 31,</u>	<u>March 31,</u>	(March
	<u>2010</u>	<u>2009</u>	19,2001) to
			<u>March 31, 2010</u>
Income statement line item:			
General and administrative			
Payroll	\$ 100,886	\$ 82,761	\$ 1,700,977
Consulting and other professional fees	75,444	4,187	741,820
Research and development:			
Payroll	15,384	47,937	814,739
Consulting and other professional fees	3,664	25	1,292,207
Total	\$ 195,378	\$ 134,910	\$ 4,549,743

Summary of Stock Option Transactions

There were 375,000 stock options granted at an exercise price of \$1.33 with a fair value of \$304,043 during the three months ended March 31, 2010. There were no stock options granted during the three months ended March 31, 2009. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is based upon historical volatility of the Company's stock. The expected term is based upon the simplified method.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The Company took into consideration guidance under ASC 718 and SAB 107 when reviewing and updating assumptions. The expected volatility is based upon historical volatility of the Company's stock. The expected term is based upon the simplified method as allowed under SAB 107.

The assumptions made in calculating the fair values of options are as follows:

	<u>Three Months Ended March</u>	
	<u>31,</u>	
	<u>2010</u>	<u>2009</u>
Black-Scholes weighted average assumptions		
Expected dividend yield	\$ 0	\$ 0
Expected volatility	107%	0%
Risk free interest rate	2.40 – 4.10%	0%
Expected term (in years)	1 – 5 years	0 years

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

The following table summarizes the employee and non-employee share-based transactions:

	2010			2009		
	Subject to	Shares Weighted Avg. Exercise Prices	Weighted Ave. Fair Value on Date of Grant	Subject to	Shares Weighted Avg. Exercise Prices	Weighted Avg. Fair Value on Date of Grant
	Options			Options		
Outstanding at						
January 1	7,715,795	\$ 0.98		7,760,795	\$ 1.01	
Granted	375,000	1.33	304,043	-	-	-
Exercised	(48,000)	0.44	-	-	-	-
Cancelled	-	-	-	-	-	-
Outstanding at March						
31	8,042,795	\$ 1.01		7,760,795	\$ 1.01	

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

The following table summarizes information about stock options outstanding as of March 31, 2010 and 2009.

	Shares Subject to Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2010	8,042,795	\$ 1.01	5.5 years	\$ 5,622,427
Exercisable at March 31, 2010	6,241,295	\$ 0.99	5.20 years	\$ 4,595,367

	Shares Subject to Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2009	7,760,795	\$ 1.01	6.6 years	\$ 375,266
Exercisable at March 31, 2009	5,625,920	\$ 0.94	6.5 years	\$ 375,266

As of March 31, 2010 and 2009, there was \$2,147,234 and \$2,276,558 of total unrecognized compensation cost, respectively, related to all unvested stock options, which is expected to be recognized over a weighted average vesting period of 1.77 years and 1.3 years, respectively. As of March 31, 2010 and 2009, the weighted fair value of the unvested stock options on the date of grant was \$0.73 and \$0.82, respectively.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

11. Warrants

As of March 31, 2010, warrants to purchase 7,378,242 shares were outstanding, having exercise prices ranging from \$0.82 to \$1.50 and expiration dates ranging from December 24, 2010 to October 23, 2014.

	2010		2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, January 1	8,575,243	\$ 1.10	1,207,151	\$ 1.80
Issued during the period	-	\$ -	-	\$ -
Exercised during the period	(1,197,001)	\$ (1.08)	-	\$ -
Expired during the period	-	\$ -	-	\$ -
Balance, March 31	7,378,242	\$ 1.10	1,207,151	\$ 1.80

As of March 31, 2010 the range of exercise prices of the outstanding warrants and options were as follows:

Range of exercise prices	Number of warrants	Average remaining contractual life	Weighted average exercise price
\$0.82 - 1.50	7,378,242	2.23 years	\$ 1.10

Warrants were valued using the Black-Scholes option pricing model. The risk-free interest rate used in the Black-Scholes option pricing model is based on the implied yield currently available on U.S. Treasury Securities with an equivalent term. Expected volatility is based on the weighted average historical volatility of the Company's common stock for the most recent five year period. The expected term of warrants represents the contractual term of the warrant.

12. Income Taxes

No provision for Federal and State income taxes was required for the periods ended March 31, 2010 and 2009, due to the Company's operating losses and increased deferred tax asset valuation allowance. As of March 31, 2010 and 2009, the Company has unused net operating loss carry-forwards of approximately \$35,644,000 and \$31,390,000 which expire at various dates through 2030. Some of this amount may be subject to annual limitations under certain provisions of the Internal Revenue Code related to "changes in ownership".

As of March 31, 2010 and 2009, the deferred tax assets related to the aforementioned carry-forwards have been fully offset by valuation allowances, since significant utilization of such amounts is not presently expected in the foreseeable future.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

Deferred tax assets and valuation allowances consist of:

	2010	2009
Net operating loss carry-forwards	\$ 13,544,760	\$ 11,928,687
Valuation allowance	(13,544,760)	(11,928,687)
Net deferred tax assets	\$ -	\$ -

The Company files income tax returns in the U.S. federal and New York state jurisdictions. Tax years for fiscal 2006 through 2008 are open and potentially subject to examination by the federal and New York state taxing authorities.

13. Commitments and Contingencies

- a) The Company has contracted with various vendors to provide research and development services. The terms of these agreements usually require an initiation fee and monthly or periodic payments over the term of the agreement, ranging from 2 months to 36 months. The costs to be incurred are estimated and are subject to revision. As of March 31, 2010, the total estimated cost to be incurred under these agreements was approximately \$7,972,512 and the Company had made payments totaling \$2,743,984 under the terms of the agreements as of March 31, 2010. All of these agreements may be terminated by either party upon appropriate notice as stipulated in the respective agreements.
- b) The Company and three of its key executives entered into employment agreements. Each of these agreements was renewed on August 10, 2009 and expires on August 10, 2012. The agreements result in annual commitments of \$200,000, \$350,000 and \$250,000.
- c) On April 20, 2009, Amarex, LLC filed suit against the Company in the Circuit Court of Montgomery County, Maryland, seeking damages for an alleged breach of a contract between the Company and Amarex, LLC entered into on January 6, 2006. Amarex, LLC claims damages of \$93,156 plus interest. On May 22, 2009, the Company filed an answer and an affirmative defense to the complaint denying the claims of damages made by Amarex, LLC. On June 16, 2009, the Company filed a counterclaim against Amarex, LLC for breach of the same contract in the amount of \$354,824 plus interest. The court ordered the Company and Amarex, LLC to proceed with a non-binding mediation. The mediation has taken place, but the parties were not able to reach an amicable resolution as of March 31, 2010. The trial is scheduled to commence on June 14, 2010.
- d) On May 21, 2009, the Company entered into a 1 year agreement to use lab space commencing on July 1, 2009. The Company agreed to pay monthly payments of \$4,594 from October 1, 2009 to June 30, 2010. The agreement shall terminate on June 30, 2010 and may be renewed for two additional one year terms upon 60 days prior to the expiration of the agreement.

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

Three Months Ended March 31, 2010 and 2009

(Unaudited)

- e) On June 22, 2009, the Company entered into a License Agreement with Korea Research Institute of Chemical Technology ("KRICT") to acquire the rights to all intellectual properties related to Quinoxaline-Piperazine derivatives that were synthesized under a Joint Research Agreement. The initial license fee was \$100,000, all of which was paid as of December 31, 2009. The agreement with KRICT calls for a one-time milestone payment of \$1,000,000 within 30 days after the first achievement of marketing approval of the first commercial product arising out of or in connection with the use of KRICT's intellectual properties.
- f) On June 26, 2009, the Company entered into a securities purchase agreement with Teva Pharmaceutical Industries Limited ("Teva"). Contemporaneous with the execution and delivery of this agreement, the parties executed a research and exclusive license option agreement ("RELO") pursuant to which the Company shall use \$2,000,000 from the gross proceeds of the issuance and sale of shares to Teva to fund a research and development program for the pre-clinical development of RX-3117 and has included this amount in restricted cash equivalents. The Company will be eligible to receive royalties on net sales of RX-3117 worldwide. During the fourth quarter of 2009, research and development work began on the RX-3117 research and development program. Pursuant to the Purchase Agreement, Teva has the option to purchase additional shares of Rexahn's Common Stock. If Teva exercises such option, it will acquire additional shares of Common Stock having a value of \$750,000 plus such additional amount equal to the amount, if any, then anticipated to be required to complete the development of RX-3117. The price for any such Common Stock purchased by Teva will equal 120% of the closing price of the Common Stock on the last trading day prior to the date of purchase; provided, that if the number of shares subject to purchase by Teva would exceed 7% of the total outstanding Common Stock upon the completion of such purchase, then the aggregate purchase price shall remain the same, but the number of shares subject to purchase will be reduced so as not to exceed such amount.
- g) On June 29, 2009, the Company signed a five year lease for 5,466 square feet of office space in Rockville, Maryland commencing on June 29, 2009. The lease requires annual base rents of \$76,524 with increases over the next five years. Under the leasing agreement, the Company pays its allocable portion of real estate taxes and common area operating charges. Future rental payments over the next five years and thereafter are as follows:

2010	\$	89,287
2011		148,593
2012		158,835
2013		162,806
2014		82,408
	\$	<u>641,929</u>

In connection with the lease agreement, the Company issued a letter of credit of \$100,000 in favor of the lessor. The Company has restricted cash equivalents of the same amount for the letter of credit.

REXAHN PHARMACEUTICALS, INC.

(A Development Stage Company)

Notes to Condensed Financial Statements

Three Months Ended March 31, 2010 and 2009

(Unaudited)

- h) The Company has a 401(k) plan established for its employees. The Company elected to match 100% of the first 3% of the employee's compensation plus 50% of the employee's deferral that exceeds 3% of the employee's compensation (limited to 5% total employee compensation). Expense related to this matching contribution aggregated \$18,643 and nil for the three months ended March 31, 2010 and 2009, respectively.

14. Fair Value Measurements

The Company adopted ASC 820, "Fair Value Measurements and Disclosure" as of January 1, 2008. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not adjusted for transaction costs. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels are described below:

Level 1 Inputs— Unadjusted quoted prices in active markets for identical assets or liabilities that is accessible by the Company;

Level 2 Inputs— Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Inputs— Unobservable inputs for the asset or liability including significant assumptions of the Company and other market participants.

The Company determines fair values for its financial assets as follows:

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

	Fair Value Measurements as of March 31, 2010			
	Total	Level 1	Level 2	Level 3
Assets:				
Restricted cash equivalents	\$ 1,909,827	\$ 1,808,261	\$ 101,566	-
Marketable securities	\$ 175,000	\$ 175,000	-	-
Total Assets	\$ 2,084,827	\$ 1,983,261	\$ 101,566	\$ -

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009
(Unaudited)

As of March 31, 2010, the Company's restricted cash equivalents is comprised of the following:

- a) Money market funds valued at the net asset value of shares held by the Company and is classified within level 1 of the fair value hierarchy;
- b) Certificate of deposit valued based upon the underlying terms of a letter of credit, as discussed in note 13, and classified within level 2 of the fair value hierarchy

As of March 31, 2010, marketable securities consisted of state authority and municipal security fund bonds which are valued at fair value and classified within level 1 of the fair value hierarchy.

	Fair Value Measurements as of March 31, 2009			
	Total	Level 1	Level 2	Level 3
Assets:				
Market Index Target Term Securities	\$ 994,870	-	\$ 994,870	-
Total Assets	<u>\$ 994,870</u>	<u>\$ -</u>	<u>\$ 994,870</u>	<u>\$ -</u>

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

OVERVIEW

Our efforts and resources have been focused primarily on acquiring and developing our pharmaceutical technologies, raising capital and recruiting personnel. We are a development stage company and have no product sales to date and we will not generate any product sales until we receive approval from the Food and Drug Administration (the "FDA") or equivalent foreign regulatory bodies to begin selling our pharmaceutical candidates. Our major sources of working capital have been proceeds from various private financings, primarily private sales of common stock and debt securities, and collaboration agreements with our strategic investors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto set forth in Item 1 of this Quarterly Report. This Quarterly Report contains statements accompanied by such phrases as "believe", "estimate", "expect", "anticipate", "may", "intend" and other similar expressions, that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to the following:

- our lack of profitability and the need for additional capital to operate our business;
- our ability to obtain the necessary U.S. and worldwide regulatory approvals for our drug candidates;

- successful and timely completion of clinical trials for our drug candidates;
- demand for and market acceptance of our drug candidates;

- the availability of qualified third-party researchers and manufacturers for our drug development programs;
- our ability to develop and obtain protection of our intellectual property; and

- other risks and uncertainties, including those detailed from time to time in our filings with the Securities and Exchange Commission (the "SEC").

These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise. The safe harbors for forward-looking statements provided by the Private Securities Litigation Reform Act are unavailable to issuers of "penny stock". Our shares may be considered a penny stock and, as a result, the safe harbors may not be available to us.

CRITICAL ACCOUNTING POLICIES

A "critical accounting policy" is one which is both important to the portrayal of our financial condition and results and requires our management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our accounting policies are in accordance with United States generally accepted accounting principles, or generally accepted accounting principles (GAAP), and their basis of application is consistent with that of the previous year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results may ultimately differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become available.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2010, the FASB issued ASI 2010-09, "Subsequent Events (Topic 855); Amendments to Certain Recognition and Disclosure Requirements" (ASU 2010-9). The standard amends Subtopic 855-10, "Subsequent Events" to remove the requirement for a SEC filer to disclose the date through which subsequent events have been evaluated. ASI 2010-9 is effective upon issuance of the final update. The Company does not expect the adoption of ASI 2010-9 to have a material impact on its financial statements.

RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 2010 and 2009:

Total Revenues

For the three month period ended March 31, 2010, we recorded revenues of \$18,750. We recorded the same amounts in the same period of 2009. In all periods, the revenue reflects the recognition of deferred revenue from a collaborative research agreement with Rexgene Biotech Co., Ltd., a minority stockholder.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related personnel and stock option compensation expenses for executive, finance and other administrative personnel, recruitment expenses, professional fees and other corporate expenses, including business development and general legal activities.

General and administrative expenses increased \$333,358, or 46.1%, to \$1,056,465 for the three months ended March 31, 2010 from \$723,107 for the three months ended March 31, 2009. The increase in both periods was primarily due to professional fees and investor relations activities.

Research and Development Expenses

Research and development expenses consist primarily of salaries and related personnel costs, fees paid to consultants and outside service providers for laboratory development and other expenses relating to the design, development, testing, and enhancement of our drug candidates. We expense our research and development costs as they are incurred. See the discussion under "Research and Development Projects" below for additional information about expected future research and development expenses.

Research and development expenses decreased \$230,804, or 32.0%, to \$491,122 for the three months ended March 31, 2010 from \$721,926 for the three months ended March 31, 2009. The decrease was primarily due to the completion of on-going clinical trials.

Patent Fees

There was little change in our patent fees which were \$52,734 for the three months ended March 31, 2010 compared to \$54,137 for the three months ended March 31, 2009.

Depreciation and Amortization

There was little change in our depreciation and amortization expenses which were \$11,547 for the three months ended March 31, 2010 compared to \$11,991 for the three months ended March 31, 2009.

Interest Income

Interest income increased \$14,405, or 189%, to \$22,014 for the three months ended March 31, 2010 from \$7,609 for the three months ended March 31, 2009. The increase was primarily due to an increase in interest-bearing investments and higher interest rates.

Net Loss

As a result of the above, the net loss for the three months ended March 31, 2010 was \$1,571,104 or \$0.02 per share compared to a net loss of \$1,484,802 or \$0.03 per share for the three months ended March 31, 2009.

Research and Development Projects

Research and development costs are expensed as incurred. Research and development expenses consist primarily of salaries and related personnel costs, costs to acquire pharmaceutical products and product rights for development and amounts paid to contract research organizations, hospitals and laboratories for the provision of services and materials for drug development and clinical trials. Costs incurred in obtaining the license rights to technology in the research and development stage and that have no alternative future uses are expensed as incurred. Our research and development programs are related to our three clinical stage lead drug candidates, Archexin®, Serdaxin® and Zoraxel™ and pre-clinical stage drug candidates RX-3117, RX-1792, RX-5902, RX-8243, RX-0201-Nano, RX-0047-Nano, RX-21101 and RX-21202. Each of our lead drug candidates is in various stages of completion as described below. As we expand our clinical studies, we will enter into additional development agreements. Significant additional expenditures will be required if we complete our clinical trials, start new trials, apply for regulatory approvals, continue development of our technologies, expand our operations and bring our products to market. The eventual total cost of each clinical trial is dependent on a number of uncertainties such as trial design, the length of the trial, the number of clinical sites and the number of patients. The process of obtaining and maintaining regulatory approvals for new therapeutic products is lengthy, expensive and uncertain. Because the successful development of our most advanced drug candidates, Archexin®, Serdaxin® and Zoraxel™, is uncertain, and because our pre-clinical stage drug candidates are in early-stage development, we are unable to estimate the costs of completing our research and development programs, the timing of bringing such programs to market and, therefore, when material cash inflows could commence from the sale of these drug candidates. If these projects are not completed as planned, our results of operations and financial condition could be negatively affected and if we are unable to obtain additional financing to fund these projects, we may not be able to continue as a going concern.

Archexin®

Archexin, a 20 nucleotide single stranded DNA anti-sense molecule, is a first-in-class inhibitor of the protein kinase Akt. Akt plays critical roles in cancer cell proliferation, survival, angiogenesis, metastasis, and drug resistance. Archexin received "orphan drug" designation from the FDA for five cancer indications (renal cell carcinoma (RCC), glioblastoma, ovarian cancer, stomach cancer and pancreatic cancer). The FDA orphan drug program enables expedited FDA review or approval process, seven years of marketing exclusivity after approval and tax incentives for clinical research. In October 2006, we announced the conclusion of the Phase I clinical trial of Archexin, our leading drug candidate. The Phase I clinical trial of Archexin, which took place at Georgetown University and the University of Alabama, was an open-label, dose-escalation study with 14 day continuous infusion in 17 patients with solid tumors. The Phase I trial was intended primarily to determine the safety and tolerability of Archexin in patients with advanced cancer. The trial demonstrated that the dose limiting toxicity of Archexin occurs at 315 mg/m² dose in the form of fatigue. No other serious adverse events such as hematological toxicities were observed in this Phase I study. The results of the Phase I study also showed stable disease was observed in two out of the 17 Patients. Archexin is currently being studied in a Phase II clinical trials for the treatment of pancreatic cancer with patient enrollment underway. The Archexin Phase IIa trial is a single-arm, open-label study with 35 subjects conducted at global sites in the United States and India. Archexin will be administered in combination with gemcitabine in patients with advanced pancreatic cancer to assess safety and preliminary efficacy, maximum tolerated dose, and overall survival. Archexin's Phase II clinical trial protocol for the treatment of RCC was accepted by the FDA, but issues with enrollment have delayed the trial. Such enrollment issues were primarily due to the fact that there is a small number of patients that have been diagnosed with RCC and such patients are often treated with surgery instead of drug therapies. After further consideration of the trial design and the limited number of patients, there was a reallocation of resources and Rexahn reprioritized Archexin to pursue studies in pancreatic cancer. The costs incurred for the Phase I clinical trial was approximately \$1,500,000. As of March 31, 2010, the costs incurred for Phase II clinical development of Archexin to date have been approximately \$1,500,000 and we estimate that the Phase II trials for pancreatic cancer patients will be completed by the end of 2010 and will require approximately \$450,000 of additional funding to complete the Phase II trials. We own one issued U.S. patent for Archexin.

Serdaxin® (RX-10100)

Serdaxin is an extended release formulation of clavulanic acid, which is an ingredient present in antibiotics approved by FDA. We are currently developing Serdaxin for the treatment of depression and neurodegenerative disorders. We have recently concluded a Phase IIa proof of concept clinical trial for major depressive disorder (MDD) with Serdaxin. The proof-of-concept, randomized, double blind, placebo controlled and dose ranging (5 mg, 10 mg, 15 mg) Phase IIa clinical trial enrolled 77 MDD patients at multiple sites in the United States. Results from the Phase IIa clinical trial showed that patients suffering from MDD responded positively to the drug, and supported proceeding to a Phase IIb clinical trial. In the subgroup analysis, the study showed that patients with severe MDD taking 5 mg of Serdaxin had significant improvement in Montgomery-Asberg Depression Rating Scale (MADRS) scores after 8 weeks of treatment, compared to the placebo group. Among the 77 patients, 53 patients were classified as having severe MDD. Of the 14 patients treated with 5 mg of Serdaxin, MADRS scores improved by 55.6%, compared to only 34.0% in the placebo group (n = 14), which was statistically significant (p=0.041) on an intent to treat basis. In addition, 64.3% of patients with severe MDD treated with the 5 mg of Serdaxin were considered "Responders" compared to 28.6% in the placebo group (p=0.0581). A "Responder" is a patient with a change from baseline in MADRS score of greater than or equal to 50% after treatment. Additionally, 42.9% of patients in the treatment group at 5 mg of Serdaxin were in remission with a MADRS score of less than or equal to 12 after treatment, at 8 weeks versus 14.3% in the placebo arm (p=0.209). The trial also demonstrated Serdaxin to be well tolerated without the appearance of serious side effects that are commonly linked to currently marketed antidepressant drugs, such as selective serotonin uptake inhibitors (SSRI), serotonin-norepinephrine reuptake inhibitors (SNRI), and tricyclic antidepressants (TCA). The 5 mg Serdaxin-treated group (20 adverse events) reported 40% fewer adverse events such as headache than the placebo group (36 adverse events). In addition, the 5 mg Serdaxin-treated group reported a lower dropout rate in week 2 of 4.8% compared to 9.1% in the placebo group, and by week 8 the drop-out rate for the Serdaxin group was only 14.3% compared to 59.1% in the placebo group. Based on pre-clinical studies, Serdaxin may have an inverted, U-shape dose-response curve. This inverted, dose-response relationship may explain the observation of, "the lower the dosage, the better the efficacy," in the Phase IIa trial. Due to this phenomenon, higher doses of

Serdaxin may not be effective, suggesting an additional benefit with respect to the risk of overdose problems prevalent in other psychogenic medications. A Phase IIb trial for MDD with lower doses is under development and we expect the trial to commence as soon as the second half of 2010, subject to the Company first submitting the protocol for the Serdaxin Phase IIb study to the FDA without receiving any objection and the Company providing the FDA with further pre-clinical data for clavulanic acid that supports product safety. We are also currently planning the Phase II clinical trial for Parkinson's disease (PD) with Serdaxin and have submitted the protocols for this study to the FDA. Through March 31, 2010, the costs incurred for development of

Serdaxin to date have been approximately \$1,000,000. We currently estimate that the Phase IIb MDD studies will require \$5,500,000 through the end of 2011. Phase II clinical trials for the use of Serdaxin in Parkinson's disease is being developed. We currently estimate PD studies will require \$2,500,000 through the end of 2011. In March 2005, we licensed-in CNS related intellectual property from Revaax Pharmaceuticals, LLC and agreed to use commercially reasonable efforts to develop and commercialize one or more licensed products. The intellectual property rights acquired cover use of certain compounds for anxiety, depression, aggression, cognition, Attention Deficit Hyperactivity Disorder and neuroprotection. We have an exclusive license rights to four issued U.S. patents owned by Revaax Pharmaceuticals, Inc.

Zoraxel™ (RX-10100)

We are developing Zoraxel for treatment of erectile dysfunction. Zoraxel is an immediate release formulation of clavulanic acid, the same active ingredient found in our product candidate Serdaxin. The Phase IIa proof of concept clinical trial of Zoraxel is complete with positive results and the Phase IIb trial will continue through 2010-2011. Rexahn's decision to move forward with the Phase IIb trial is supported by data from the Phase IIa proof of concept, randomized, double blind, placebo controlled and dose ranging (5 mg, 10 mg, 15 mg) study of 39 erectile dysfunction patients (ages of 18 to 65) treated with Zoraxel. The Phase IIa study was completed in May 2009 and demonstrated that Zoraxel consistently improved International Index of Erectile Function (IIEF) scores of treated subjects. The Phase IIa study found that treatment with 15mg of Zoraxel at week 8 subjects' IIEF-EF scores improved by 6.5, a value obtained from the changes from baseline between scores of 15 mg of Zoraxel (5.3) and the placebo group (-1.2). Furthermore, the study found that treated subjects demonstrated a dose dependent treatment effect with improved erectile function and quality of life measures. The study also demonstrated that Zoraxel was also found to be well tolerated, with no serious adverse events reported. To examine the clinical relevance of Zoraxel as an erectile dysfunction drug, "effect size" analysis has been conducted. "Effect size" (ES) is a data analysis index developed by Dr. Jacob Cohen of New York University and is derived from the improvement in IIEF mean score for the treatment group minus the improvement in IIEF mean score of the placebo group over the treatment period, divided by the standard deviation of the entire sample at baseline. This method has been successfully adopted to prove clinical relevance of clinical data, and an ES value greater than 0.80 indicates "a considerable change." The ES for IIEF-EF and IIEF-intercourse satisfaction indices of Zoraxel (2.59 and 0.88, respectively) were larger than 0.80, suggesting a considerable change in sexual experiences in Zoraxel-treated patients. The Phase IIb study is designed to assess Zoraxel's efficacy in approximately 225 male subjects, ages 18 to 65, with ED. The double blind, randomized, placebo-controlled, 12-week study will include IIEF, Sexual Encounter Profile (SEP) 2 (Penetration) & 3 (Sexual Intercourse) survey, as primary endpoints with 25 and 50 mg doses. The Phase IIb study is expected to begin in the second half of 2010 and the preliminary data is expected to be available in 2011, subject to the absence of any objection of the FDA to the Phase IIb trial we developed for Zoraxel and the Company providing the FDA with further preclinical data for clavulanic acid that provide the product safety.

The study will be conducted at multiple sites in the United States. Through March 31, 2010, the costs incurred for development of Zoraxel to date have been approximately \$1,000,000. We currently estimate that these Phase IIb studies will require approximately \$3,000,000 through the end of 2011. In March 2005, we licensed-in CNS-related intellectual property from Revaax Pharmaceuticals, LLC and agreed to use commercial reasonable efforts to develop and commercialize one or more licensed products. The intellectual property rights acquired cover use of certain compounds for sexual dysfunction. We have an exclusive license rights to one issued U.S. patent owned by Revaax Pharmaceuticals, Inc.

Pre-clinical Pipeline

RX-3117 is in a pre-clinical stage of development. On June 26, 2009, the Company entered into a securities purchase agreement with Teva Pharmaceutical Industries (Teva). Contemporaneous with the execution and delivery of this agreement, the parties executed a research and exclusive license option agreement (RELO) pursuant to which the Company is required to use \$2,000,000 of the gross proceeds of the issuance and sale of shares to Teva to fund a research and development program for the pre-clinical development of RX-3117 and has included this amount in restricted cash equivalents. The Company will be eligible to receive royalties on net sales of RX-3117 worldwide. During the fourth quarter of 2009, research and development work began on the RX-3117 research and development program. These compounds may be entered into Phase I clinical trials in 2010. Pursuant to the purchase agreement, Teva has the option to purchase additional shares of Rexahn's Common Stock. If Teva exercises such option, it will acquire additional shares of Common Stock having a value of \$750,000 plus such additional amount equal to the amount, if any, then anticipated to be required to complete the development of RX-3117.

RX-1792, RX-5902, RX-8243, RX-0201-Nano, RX-0047-Nano, RX-21101 and RX-21202 are in a pre-clinical stage of development and the next scheduled program for each compound is a pre-clinical toxicology study required prior to submission of an IND application to the FDA. Through March 31, 2010, the costs incurred for development of these compounds to date have been approximately \$2,000,000. The estimated cost to complete pre-clinical toxicology and Phase I clinical trials is estimated to be approximately \$1,500,000 per each compound.

The conduct of the clinical trial and toxicology studies described above are being accomplished in conjunction with third-party clinical research organizations at external locations. This business practice is typical for the pharmaceutical industry and companies like us. As a result, the risk of completion or delay of these studies is not within our direct control and a program delay may occur due to circumstances outside our control. A delay in any of these programs may not necessarily have a direct impact on our daily operations. However, to the extent that a delay results in additional cost to us, a higher than expected expense may result.

We will need to raise additional money through debt and/or equity offerings in order to continue to develop our drug candidates. If we are not able to raise sufficient additional money, we will have to reduce our research and development activities. We will first reduce research and development activities associated with our preclinical compounds. To the extent necessary, we will then reduce our research and development activities related to some or all of our clinical drugs.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was \$1,049,045 for the three months ended March 31, 2010 compared to cash used in operating activities of \$1,056,971 for the same period ended March 31, 2009. The operating cash flows during the three months ended March 31, 2010 reflect our net loss of \$1,571,104 and a net increase in cash components of working capital and non-cash charges totaling \$522,059.

Cash provided by investing activities of \$114,963 during the three months ended March 31, 2010 consisted of \$116,233 classified as restricted cash equivalents and \$1,270 used in the purchase of equipment. Cash used in investing activities was \$2,547,821 during the three months ended March 31, 2009.

Cash provided by financing activities of \$1,318,241 during the three months ended March 31, 2010 consisted of net proceeds from the exercise of stock warrants and stock options. We had no financing activities during the three months ended March 31, 2010.

For the three months ended March 31, 2010, we experienced net losses of \$1,571,104. Our accumulated deficit as of March 31, 2010 was \$37,865,011.

We have not yet generated commercial sales revenue and has been able to fund our operating losses to date through the sale of our common stock, convertible debt financings, interest income from investments of cash and cash equivalents and proceeds from reimbursed research and development costs. During the three months ended March 31, 2010, we had a net increase in cash and cash equivalents of \$384,159. Total cash as of March 31, 2010 was \$7,682,191 compared to \$7,289,032 as of December 31, 2009. We believe that our existing cash will be sufficient to cover its cash flow requirements through March 31, 2011. Although we expect to have to pursue additional financing, there can be no assurance that we will be able to secure financing when needed or obtain such financing on terms satisfactory to us, if at all, or that any additional funding we do obtain will be sufficient to meet our needs in the long term. If we are not able to raise sufficient additional money, we will have to reduce our research and development activities. We will first reduce research and development activities associated with our preclinical compounds. To the extent necessary, we will then reduce our research and development activities related to some or all of our clinical drugs.

CONTRACTUAL OBLIGATIONS

We have contracted with various vendors to provide research and development services. The terms of these agreements usually require an initiation fee and monthly or periodic payments over the term of the agreement, ranging from 2 months to 36 months. The costs to be incurred are estimated and are subject to revision. As of March 31, 2010, the total contract value of these agreements was approximately \$7,972,512 and We have made payments totaling \$2,743,984 under the terms of the agreements as of March 31, 2010. All of these agreements may be terminated by either party upon appropriate notice as stipulated in the respective agreements.

We and three of our key executives entered into employment agreements. Each of these agreements was renewed on August 10, 2009 and expires on August 10, 2012. The agreements result in annual commitments of \$200,000, \$350,000 and \$250,000.

On April 20, 2009, Amarex, LLC filed suit against the Company in the Circuit Court of Montgomery County, Maryland, seeking damages for an alleged breach of a contract between the Company and Amarex, LLC entered into on January 6, 2006. Amarex, LLC claims damages of \$93,156 plus interest. On May 22, 2009, the Company filed an answer and an affirmative defense to the complaint denying the claims of damages made by Amarex, LLC. On June 16, 2009, the Company filed a counterclaim against Amarex, LLC for breach of the same contract in the amount of \$354,824 plus interest. The court ordered the Company and Amarex, LLC to proceed with a non-binding mediation. The mediation has taken place but the parties were not able to reach an amicable resolution as at March 31, 2010. The trial is scheduled to commence on June 14, 2010.

On May 21, 2009, the Company entered into a 1 year agreement to use lab space commencing on July 1, 2009. The Company agreed to pay monthly payments of \$4,594 from October 1, 2009 to June 30, 2010. The agreement shall terminate on June 30, 2010 and may be renewed for two additional terms of one year upon 60 days prior to the expiration of the agreement.

On June 22, 2009, the Company entered into a License Agreement with Korea Research Institute of Chemical Technology (KRICT) to acquire the rights to all intellectual properties related to Quinoxaline-Piperazine derivatives that were synthesized under a Joint Research Agreement. The initial license fee was \$100,000, all of which was paid as of March 31, 2010. The agreement with KRICT calls for a one-time milestone payment of \$1,000,000 within 30 days after the first achievement of marketing approval of the first commercial product arising out of or in connection with the use of KRICT's intellectual properties.

On June 26, 2009, the Company entered into a securities purchase agreement with Teva. Contemporaneous with the execution and delivery of this agreement, the parties executed a research and exclusive license option agreement (RELO) pursuant to which the Company shall use \$2,000,000 of the gross proceeds of the issuance and sale of shares to Teva to fund a research and development program for the pre-clinical development of RX-3117 and has included this amount in restricted cash equivalents. The Company will be eligible to receive royalties on net sales of RX-3117 worldwide. During the fourth quarter of 2009, research and development work began on the RX-3117 research and development program. Pursuant to the Purchase Agreement, Teva has the option to purchase additional shares of Rexahn's Common Stock. If Teva exercises such option, it will acquire additional shares of Common Stock having a value of \$750,000 plus such additional amount equal to the amount, if any, then anticipated to be required to complete the development of RX-3117. The price for any such Common Stock purchased by Teva will equal 120% of the closing price of the Common Stock on the last trading day prior to the date of purchase; provided, that if the number of shares subject to purchase by Teva would exceed 7% of the total outstanding Common Stock upon the completion of such purchase, then the aggregate purchase price shall remain the same, but the number of shares subject to purchase will be reduced so as not to exceed such amount.

On June 29, 2009, the Company signed a five year lease for 5,466 square feet of office space in Rockville, Maryland commencing on June 29, 2009. The lease requires annual base rents of \$76,524 with increases over the next five years. Under the leasing agreement, the Company pays its allocable portion of real estate taxes and common area operating charges. Rent paid under the Company's lease during the quarter ended March 31, 2010 was \$19,131.

In connection with the lease agreement, the Company issued a letter of credit of \$100,000 in favor of the lessor. The Company has restricted cash equivalents of the same amount for the letter of credit.

On November 4, 2009, the Company entered into a Synthesis and Supply Agreement with TheraTarget, Inc. to provide synthesis and supply of Rexahn's products. The total cost of these services is \$100,000, of which \$30,000 was paid as of March 31, 2010.

CURRENT AND FUTURE FINANCING NEEDS

We have incurred negative cash flow from operations since we started our business. We have spent, and expect to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development efforts, our clinical trials, and our research and development efforts. Based on our current plans and our capital resources, we believe that our cash and cash equivalents will be sufficient to enable us to meet our minimum planned operating needs over the next twelve months which would entail focusing our resources on Phase II clinical trials of Archexin, Serdaxin and Zoraxel. Over the next twelve months, we expect to spend a minimum of approximately \$3 million on clinical development for Phase II clinical trials of Archexin, Serdaxin and Zoraxel (including our commitments described under "Contractual Obligations" of this Item 2), \$4 million on general corporate expenses, and approximately \$108,418 on facilities rent. Additionally, as required by the exclusive license option agreement executed on June 26, 2009, we plan to spend \$2 million on the preclinical development of RX-3117. We will need to seek additional financing to implement and fund drug candidate development, clinical trial and research and development efforts to the maximum extent of our operating plan, including in-vivo animal and pre-clinical studies, Phase II clinical trials for new product candidates, as well as other research and development projects. If we are not able to secure additional financing, we will not be able to implement and fund the research and development.

However, the actual amount of funds we will need to operate is subject to many factors, some of which are beyond our control. These factors include the following:

- the progress of our product development activities;
- the number and scope of our product development programs;
- the progress of our pre-clinical and clinical trial activities;
- the progress of the development efforts of parties with whom we have entered into collaboration agreements;

- our ability to maintain current collaboration programs and to establish new collaboration arrangements;
- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights; and
- the costs and timing of regulatory approvals.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Per Item 305(e) of Regulation S-K, a smaller reporting company is not required to provide the information required by this item.

Item 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

With the participation of our management, including the Company's principal executive officer and principal financial officer, our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1 Legal Proceedings

As previously described in Item 1 of our Annual Report on Form 10-K, on April 20, 2009, Amarex, LLC filed suit against us in the Circuit Court of Montgomery County, Maryland, seeking damages for an alleged breach of a contract between the Company and Amarex, LLC entered into on January 6, 2006. Amarex, LLC claims damages of \$93,156 plus interest. On May 22, 2009, the Company filed an answer and an affirmative defense to the complaint denying the claims of damages made by Amarex, LLC. On June 16, 2009, the Company filed a counterclaim against Amarex, LLC for breach of the same contract in the amount of \$354,824 plus interest. Previous, the court ordered the Company and Amarex, LLC to proceed with non-binding mediation. The Company and Amarex, LLC were not able to reach a settlement during the non-binding mediation and will proceed with litigation. The trial is scheduled to commence on June 14, 2010.

Item 1A Risk Factors

Two of our clinical stage product candidates, Serdaxin and Zoraxel, are based on the same active ingredient, and if safety concerns arise with the active ingredient, then it may delay or prevent further development, regulatory approval or successful commercialization of both product candidates.

Two of our clinical stage product candidates, Serdaxin and Zoraxel, are based upon the same active ingredient. If safety concerns arise or any other material adverse events occur involving the active ingredient, it may result in delays, prevent the further development or adversely impact our ability to obtain necessary FDA and other regulatory approvals and to successfully commercialize both of these product candidates. Any such delay or inability to further develop and commercialize one or both of Serdaxin and Zoraxel would harm our business and our prospects.

Serdaxin and Zoraxel may be subject to early generic competition or early off-label use of the active ingredient shared by both clinical stage product candidates.

Two of our clinical stage product candidates, Serdaxin and Zoraxel, are based upon the same active ingredient that has previously been approved by the FDA for use in combination with antibiotics. Because we do not have a patent that claims this active ingredient chemical structure and because we are not likely to be able to obtain new chemical entity market exclusivity for this active ingredient, we may be rapidly subject to early generic competition or early off-label use of the active ingredient, which may adversely impact our ability to successfully commercialize one or both of Serdaxin or Zoraxel and may harm our financial condition, results of operations and business.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

On February 12, 2010, the Company issued 180,000 shares of Company common stock and 120,000 shares of Company common stock in exchange for consulting services. The issuances were exempt under Regulation S under the Securities Act of 1933, as amended.

Item 3 Defaults Upon Senior Securities

None

Item 4 (Removed and Reserved)

N/A

Item 5 Other Information

(a) On May 17, 2010, the Company entered into Termination and Release Agreements ("Termination Agreement") with each of 31 investors that were parties to the Registration Rights Agreement dated December 24, 2007 ("Registration Rights Agreement"). Each of the 31 investors signed an identical version of the Termination Agreement, the form of which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.1. The Registration Rights Agreement was initially entered into between the Company and each investor in connection with the Company's private offering of common stock and warrants to the investors, which was completed on December 24, 2007 (the "Offering").

Pursuant to the terms of the Termination Agreement each investor agreed that neither the Company nor the investor or any of their respective affiliates will have any further right or obligation to the other party under the terms of the Registration Rights Agreement and that each of their rights and obligations would terminate with the Registration Rights Agreement being of no further force and effect as of and after May 17, 2010 (the "Effective Date"). In addition, the Termination Agreements provide that an investor waive the payment of any liquidated damages and related accrued interest under the terms of the Registration Rights Agreement and for the Company to have no further obligation for the payment of any such liquidated damages or accrued interest to the investor. The Termination Agreements also provided for the Company's acknowledgement and agreement that each investor would continue to have a right to exercise their respective warrants by both cash and cashless exercise until the expiration of the warrant. Pursuant to the terms of the Termination Agreement, the Company and each investor provided for a mutual release and discharge from any liability to the other arising out of or relating to the Registration Rights Agreement.

The foregoing summary description of the terms of the Termination Agreement between the Company and each of the 31 investors is qualified in its entirety by reference to the form of Termination Agreement, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.1 and incorporated herein by reference.



[Table of Contents](#)

Item 6 Exhibits

<u>Exhibit No</u>	<u>Description</u>	<u>Location</u>
3.2	Amended & Restated Bylaws as amended	Filed as Exhibit 3.1 to the Current Report on Form 8-K filed on March 26, 2010
10.1	Form of Termination and Release Agreement dated May 17, 2010	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32.1	Section 1350 Certificate (Principal Executive Officer)	Filed herewith
32.2	Section 1350 Certificate (Principal Financial Officer)	Filed herewith

SIGNATURES

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

REXAHN PHARMACEUTICALS, INC.
(Registrant)

Date: May 21, 2010

By: /s/ Chang H. Ahn
Chang H. Ahn
Chairman and Chief Executive Officer

Date: May 21, 2010

By: /s/ Tae Heum Jeong
Tae Heum Jeong
Chief Financial Officer and Secretary

INDEX TO EXHIBITS
Quarterly Report on Form 10-Q
Dated March 31, 2010

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31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32.1*	Section 1350 Certificate (Principal Executive Officer)	Filed herewith
32.2*	Section 1350 Certificate (Principal Financial Officer)	Filed herewith

TERMINATION AND RELEASE AGREEMENT

This TERMINATION AND RELEASE AGREEMENT (the "Termination and Release Agreement"), dated as of May 17, 2010 (the "Effective Date"), by and between Rexahn Pharmaceuticals, Inc., a Delaware corporation (the "Company") and the party identified on the signature page hereto (the "Purchaser"). Capitalized terms used herein and not defined shall have the meaning ascribed to them in the Registration Rights Agreement dated December 24, 2007 (the "Registration Rights Agreement").

WITNESSETH:

WHEREAS, the Company and the Purchaser entered into a Securities Purchase Agreement dated December 17, 2007 that provided for the sale of shares ("Shares") of common stock, par value \$0.0001 per share ("Common Stock") and warrants (the "Warrant") exercisable for Common Stock (the "Warrant Shares," and together with the Shares, the "Securities"), which Securities were offered and sold in a private offering by the Company to accredited investors (collectively, the "Investors") that was completed on December 24, 2007 (the "Offering");

WHEREAS, the Company's registration obligations under the Registration Rights Agreement extinguish when all Registrable Securities (which include both the Shares and the Warrant Shares) are eligible to be transferred pursuant to Rule 144 under the Securities Act of 1933, as amended (the "1933 Act");

WHEREAS, the Shares are currently eligible for transfer pursuant to Rule 144 of the 1933 Act;

WHEREAS, it is understood and acknowledged by the Purchaser and the Company that the Warrant currently provides for both a cash exercise and a cashless exercise (during the period the Registration Statement has not been filed pursuant to the Registration Rights Agreement) for the Warrant Shares;

WHEREAS, for purposes of Rule 144 of the 1933 Act, the Warrant Shares issued to the Purchaser upon exercise will either be: (i) freely transferable upon a cashless exercise of the Warrant, provided the Purchaser is not an affiliate of the Company or (ii) restricted and subject to the holding period and other requirements of Rule 144 upon a cash exercise of the Warrant;

WHEREAS, in connection with the closing of the Offering, the Company, the Purchaser and the other Investors entered into the Registration Rights Agreement, which provides for, among other actions,: (i) the Company to have filed a Registration Statement to register the Registrable Securities and for such Registration Statement to be effective by the Required Effectiveness Date; and (ii) the payment of liquidated damages ("Liquidated Damages") plus interest on any unpaid Liquidated Damages in the event that the Company did not meet the registration requirements in Section 2 of the Registration Rights Agreement;

WHEREAS, Section 2(d) of the Registration Rights Agreement presently restricts the Company's ability to prepare and file a registration statement with the U.S. Securities and Exchange Commission ("SEC") relating to an offering of equity securities until the Registration Statement for the Securities is effective;

WHEREAS, the Purchaser desires for the restriction in Section 2(d) of the Registration Statement to be of no further force and effect so that the Company will have the ability to raise additional capital in registered offerings of equity securities for the benefit of the Company and all stockholders;

WHEREAS, the Purchaser desires:(i) the immediate termination of the Registration Rights Agreement and any and all rights and obligations of the Purchaser and the Company thereunder; and (ii) to waive and release the Company and its Affiliates from the payment of any and all Liquidated Damages and accrued interest thereon, all in accordance with the terms and conditions set forth in this Termination and Release Agreement;

WHEREAS, the Company also desires to (i) terminate the Registration Rights Agreement and any and all rights and obligations of the Purchaser and the Company thereunder and (ii) to provide the Purchaser with a release, all in accordance with the terms and conditions set forth in this Termination and Release Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained in this Termination and Release Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Purchaser agree as follows:

Section 1. Termination of the Registration Rights Agreement and Waiver of Liquidated Damages.

(a) The Company and the Purchaser hereby agrees that as of the Effective Date none of the Purchaser, its Affiliates or any transferee of the Securities will be deemed a "Holder" for purposes of the Registration Rights Agreement and that the "Securities" will not longer be deemed to be "Registrable Securities" under the terms of the Registration Rights Agreement. As of and after the Effective Date, the neither the Purchaser any and of its Affiliates nor the Company any of its Affiliates will have any further right or obligation to the other after the Effective Date under the terms and conditions of the Registration Rights Agreement. As of and after the Effective Date, the rights and obligations of each of the Company and the Purchaser to the other party under the terms and conditions of the Registration Rights Agreement shall terminate and the Registration Rights Agreement shall no longer be in effect for the Purchaser (or any "Affiliate" (as such term is defined under Rule 405 of the 1933 Act) or any future transferee) or any of its Securities at any time as of or after the Effective Date. As of and after the Effective Date, the Company hereby agrees and acknowledges that the Purchaser shall continue to have the right to a cashless and cash exercise of the Warrant until such Warrant expires.

(b) The Purchaser hereby expressly agrees to as of the Effective Date and for all time hereafter waive the payment of any and all Liquidated Damages and accrued interest thereon that may be due and payable by the Company to the Purchaser pursuant to the terms of the Registration Rights Agreement. Neither the Company nor any Affiliate thereof shall have any further obligation for any payment of Liquidated Damages, including accrued interest thereon, or any other payment to the Purchaser or any other person or entity.

Section 2. Release of Claims.

(a) As of and following the Effective Date, the Purchaser, including its Affiliates, hereby irrevocably releases and forever discharges the Company, the Company's Affiliates and their respective officers, directors, employees, stockholders, agents and representatives (collectively, the "Rexahn Released Parties") from any and all actions, suits, debts, liens, sums of money, accounts, judgments, claims and demands whatsoever, at law or in equity, either in contract or in tort, whether known or unknown, on account of, arising out of or relating to the Registration Rights Agreement and any act or omission of any kind or character whatsoever arising thereunder of any Rexahn Released Party or any predecessor or successor thereto.

(b) The Company, including its respective Affiliates, hereby irrevocably releases and forever discharges the Purchaser and the Purchaser's Affiliates and its officers, directors, employees, stockholders, agents and representatives, if applicable (collectively, the "Purchaser Released Parties") from any and all actions, suits, debts, liens, sums of money, accounts, judgments, claims and demands whatsoever, at law or in equity, either in contract or in tort, whether known or unknown, on account of, arising out of or relating to the Registration Rights Agreement and any act or omission of any kind or character whatsoever arising thereunder of any Purchaser Released Party or any predecessor or successor thereto.

(c) The Purchaser and the Company each covenant and agree that it shall not, and shall not permit any of their respective Affiliates to, aid or assist any other person or entity in any action, suit, claim, proceeding or demand against a Rexahn Released Party or Purchaser Released Party arising out of or related to the Registration Rights Agreement.

Section 3. Representation and Warranties of the Company. The Company represents and warrants to the Purchaser as of the Effective Date as follows:

(a) The Company has all requisite corporate power and authority to enter into this Termination and Release Agreement. The execution, delivery and performance of this Termination and Release Agreement by the Company has been duly authorized by all necessary corporate action. This Termination and Release Agreement has been duly executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against it in accordance with its terms subject to (i) the application of bankruptcy, receivership, conservatorship, reorganization, insolvency and similar laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought (the "Bankruptcy and Equity Exception").

Section 4. Representation and Warranties of the Purchaser. The Purchaser, severally, represents and warrants to the Company as of the Effective Date as follows:

(a) The Purchaser has full power, authority and the requisite capacity necessary to enter into this Termination and Release Agreement and no consent or any other approval of any other person or entity is necessary for the Purchaser to enter into this Termination and Release Agreement. This Termination and Release Agreement has been duly executed and delivered by the Purchaser and constitutes a valid and binding agreement of the Purchaser, enforceable against him or her in accordance with its terms subject to the Bankruptcy Exception. The Purchaser has owned the Shares and the Warrants since the closing of the Offering and currently holds all the Warrant. The Purchaser is not an officer, director or Affiliate of the Company. The Purchaser is not relying upon, and has not relied upon, any advice, statement, representation or warranty made by the Company and has evaluated this Termination and Release Agreement with its own legal, tax, financial, investment, accounting or other representatives.

Section 5. General Provisions.

(a) Counterparts. This Termination and Release Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the Company and the Purchaser and delivered to the other party, it being understood that the parties hereto need not sign the same counterpart.

(b) Governing Law. This Termination and Release Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without giving effect to choice of law principles thereof). Each party hereby irrevocably submits to the exclusive jurisdiction of the United States District Court for the District of Maryland, of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Termination and Release Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH OF THE COMPANY AND THE PURCHASER HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(c) Amendment. This Termination and Release Agreement may not be amended except by an instrument in writing signed by the Company and the Purchaser.

(d) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the Company and the Purchaser to express their mutual intent, and no rules of strict construction will be applied against either party hereto.

(e) Severability. If any provision of this Termination and Release Agreement or the application thereof to any person or entity or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to such person or entity or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon any such determination, the Company and the Purchaser, severally, agrees to work together and negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties hereto.

(f) Entire Agreement; Third Party Beneficiaries. This Termination and Release Agreement constitutes the entire agreement and supersedes the Registration Rights Agreement and any and all prior agreements, understandings, representations and warranties, both written and oral, among the parties hereto with respect to the subject matter hereof. Nothing in this Termination and Release Agreement, express or implied, is intended to or shall confer upon any other person or entity any right, benefit or remedy of any nature whatsoever under or by reason of this Termination and Release Agreement. Each of the Company and the Purchaser represent that the person executing this Termination and Release Agreement is authorized to execute this agreement in the name and on behalf of such party.

IN WITNESS WHEREOF, the Company and the Purchaser hereto have caused this Termination and Release Agreement to be duly executed, all as of the date first written above.

REXAHN PHARMACEUTICALS, INC.

By: _____
Name:
Title:

PURCHASER

Name:

CERTIFICATION

I, Chang H. Ahn, Chief Executive Officer of Rexahn Pharmaceuticals, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010 of Rexahn Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 21, 2010

/s/ Chang H. Ahn

Chang H. Ahn
Chief Executive Officer

CERTIFICATION

I, Tae Heum Jeong, Chief Financial Officer of Rexahn Pharmaceuticals, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010 of Rexahn Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 21, 2010

/s/ Tae Heum Jeong

Tae Heum Jeong
Chief Financial Officer

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of Rexahn Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chang H. Ahn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: May 21, 2010

By: /s/ Chang H. Ahn
Chang H. Ahn,
Chief Executive Officer

* This Certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of Rexahn Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tae Heum Jeong, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: May 21, 2010

By: /s/ Tae Heum Jeong
Tae Heum Jeong,
Chief Financial Officer

* This Certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request
