UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)
☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2014**

OR

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

For the transition period from _____ to

Commission File No.:001-34079

Rexahn Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-3516358**
(State or other jurisdiction of incorporation or organization)	*(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	☐	Accelerated Filer	☐
Non-Accelerated Filer (Do not check if a smaller reporting company)	☐	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: 178,253,318 shares of common stock outstanding as of November 12, 2014.

REXAHN PHARMACEUTICALS, INC.
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REXAHN PHARMACEUTICALS, INC.
Condensed Balance Sheet
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 14,971,660**	$ 18,688,031
Marketable securities (note 3)	**20,613,885**	100,000
Prepaid expenses and other current assets (note 4)	**757,503**	507,165
Total Current Assets	**36,343,048**	19,295,196
Restricted Cash Equivalents (note 14)	**37,500**	196,130
Equipment, Net (note 5)	**72,908**	65,172
Total Assets	**$ 36,453,456**	$ 19,556,498
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses (note 6)	**$ 1,725,508**	$ 933,758
Deferred Research and Development Arrangements (note 7)	**618,750**	833,630
Other Liabilities (note 8)	**129,710**	129,564
Warrant Liabilities (note 12)	**5,382,009**	5,034,058
Total Liabilities	**7,855,977**	6,931,010
Commitments and Contingencies (note 14)		
Stockholders' Equity (note 10):		
Preferred stock, par value $0.0001, 100,000,000 authorized shares, none issued and outstanding	**-**	-
Common stock, par value $0.0001, 500,000,000 authorized shares, 178,366,533 and 146,732,000 issued and 178,253,318 and 146,717,795 outstanding	**17,837**	14,673
Additional paid-in capital	**117,872,283**	85,449,932
Accumulated other comprehensive loss	**(42,041)**	-
Accumulated deficit	**(89,122,190)**	(72,810,707)
Treasury stock, 113,215 and 14,205 shares, at cost	**(128,410)**	(28,410)
Total Stockholders' Equity	**28,597,479**	12,625,488
Total Liabilities and Stockholders' Equity	**$ 36,453,456**	$ 19,556,498

(See accompanying notes to the condensed financial statements)

REXAHN PHARMACEUTICALS, INC.
Condensed Statement of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Revenues:				
Research	**$ -**	$ -	**$ -**	$ -
Expenses:				
General and administrative	**1,211,842**	932,762	**4,327,787**	3,001,460
Research and development	**1,824,740**	781,281	**4,797,721**	2,258,877
Patent fees	**101,380**	100,199	**268,810**	357,906
Depreciation and amortization	**3,744**	9,645	**22,418**	28,196
Total Expenses	**3,141,706**	1,823,887	**9,416,736**	5,646,439
Loss from Operations	**(3,141,706)**	(1,823,887)	**(9,416,736)**	(5,646,439)
Other Income (Expense)				
Interest income	**34,864**	13,293	**105,190**	34,744
Unrealized gain/(loss) on fair value of warrants	**1,201,394**	(217,751)	**(6,793,765)**	(1,055,505)
Financing expense	**-**	(112,559)	**(206,172)**	(112,559)
Total Other Income (Expense)	**1,236,258**	(317,017)	**(6,894,747)**	(1,133,320)
Net Loss Before Provision for Income Taxes	**(1,905,448)**	(2,140,904)	**(16,311,483)**	(6,779,759)
Provision for income taxes	**-**	-	**-**	-
Net Loss	**$ (1,905,448)**	$ (2,140,904)	**$ (16,311,483)**	$ (6,779,759)
Net loss per share, basic and diluted	**$ (0.01)**	$ (0.02)	**$ (0.09)**	$ (0.06)
Weighted average number of shares outstanding, basic and diluted	**178,219,622**	130,466,114	**175,383,673**	123,188,044

(See accompanying notes to the condensed financial statements)

REXAHN PHARMACEUTICALS, INC.
Condensed Statement of Comprehensive Loss
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Net Loss	**$ (1,905,448)**	$ (2,140,904)	**$ (16,311,483)**	$ (6,779,759)
Unrealized loss on available-for-sale securities	**(42,041)**	-	**(42,041)**	-
Comprehensive Loss	**$ (1,947,489)**	$ (2,140,904)	**$ (16,353,524)**	**$ (6,779,759)**

(See accompanying notes to the condensed financial statements)

REXAHN PHARMACEUTICALS, INC.
Condensed Statement of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net loss	**$ (16,311,483)**	$ (6,779,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Compensatory stock	**409,000**	200,800
Depreciation and amortization	**22,418**	28,196
Stock-based compensation	**424,059**	494,037
Amortization of deferred research and development arrangements	**(214,880)**	(460,571)
Unrealized loss on fair value of warrants	**6,793,765**	1,055,505
Financing expense	**206,172**	112,559
Amortization of deferred lease incentive	**(9,332)**	(13,111)
Deferred lease expenses	**9,478**	7,622
Changes in assets and liabilities:		
Prepaid expenses and other current assets	**(250,338)**	(279,649)
Accounts payable and accrued expenses	**791,750**	(101,595)
Net Cash Used in Operating Activities	**(8,129,391)**	(5,735,966)
Cash Flows from Investing Activities:		
Restricted cash equivalents	**158,630**	582,622
Purchase of equipment	**(30,154)**	(46,459)
Purchase of marketable securities	**(20,555,926)**	-
Net Cash (Used In) Provided by Investing Activities	**(20,427,450)**	536,163
Cash Flows from Financing Activities:		
Issuance of common stock and units, net of issuance costs	**18,634,247**	5,173,155
Proceeds from exercise of stock options	**258,955**	90,000
Proceeds from exercise of stock warrants	**5,947,268**	1,321,105
Net Cash Provided by Financing Activities	**24,840,470**	6,584,260
Net (Decrease) Increase in Cash and Cash Equivalents	**(3,716,371)**	1,384,457
Cash and Cash Equivalents – beginning of period	**18,688,031**	13,486,543
Cash and Cash Equivalents - end of period	**$ 14,971,660**	$ 14,871,000

(See accompanying notes to the condensed financial statements)

REXAHN PHARMACEUTICALS, INC.
Condensed Statement of Cash Flows (continued)
(Unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
Supplemental Cash Flow Information		
Non-cash financing and investing activities:		
Warrants issued	$ **3,691,429**	$ 1,406,411
Warrant liability extinguishment from exercise of warrants	$ **10,137,243**	$ 1,111,795
Shares withheld for net stock option exercise	$ **100,000**	$ -
Leasehold improvement incentive	$ **-**	$ 54,660

(See accompanying notes to the condensed financial statements)

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

1. Operations and Organization

Operations

Rexahn Pharmaceuticals, Inc. (the "Company," or "Rexahn Pharmaceuticals"), a Delaware corporation, is a biopharmaceutical company whose principal operations are the discovery, development and commercialization of innovative treatments for cancer and other medical needs. The Company had an accumulated deficit of $89,122,190 at September 30, 2014 and anticipates incurring losses through fiscal year 2014 and beyond. The Company has not yet generated commercial revenues and has funded its operating losses to date through the sale of shares of its common stock and warrants to purchase shares of its common stock, convertible debt, financings, interest income from cash and cash equivalents, and proceeds from reimbursed research and development costs. The Company believes that its cash, cash equivalents, and marketable securities, will be sufficient to cover its cash flow requirements for its current activities for at least the next 24 months. Management has the capability of managing the Company's operations within existing cash available by focusing on select research and development activities, selecting projects in conjunction with potential financings and milestones, and efficiently managing its general and administrative affairs.

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. 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 of the Company's financial position as of September 30, 2014 and December 31, 2013 and of the results of operations and comprehensive loss for the three and nine months ended September 30, 2014 and cash flows for the nine months ended September 30, 2014 and 2013 have been included. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of results that may be expected for any other interim period or the full fiscal year ending December 31, 2014. The accompanying unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 ("2013 Form 10-K"). Information included in the condensed balance sheet as of December 31, 2013 has been derived from the Company's audited financial statements for the year ended December 31, 2013 included in the 2013 Form 10-K.

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 these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become available.

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

2. Recent Accounting Pronouncements Affecting the Company

In June 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-10 "Development Stage Entities: Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation." ASU 2014-10 eliminates several of the reporting requirements for development stage entities, including the requirement to present inception to date information in the statements of income, comprehensive income, cash flows, and shareholder equity, and to label the financial statements as those of a development stage entity. ASU 2014-10 also clarifies that the guidance in Accounting Standards Codification ("ASC") Topic 275, "Risks and Uncertainties", is applicable to entities that have not commenced principal operations, and eliminates an exception to the sufficiency-of-equity risk criterion for development stage entities, and will require all reporting entities that have an interest in development stage enterprises to apply consistent consolidation guidance for variable interest entities. ASU 2014-10 is effective for all annual reporting periods beginning after December 15, 2014, with early adoption permitted. The Company adopted ASU 2014-10 during the nine months ended September 30, 2014, and removed the incremental reporting requirements for development stage entities from the financial statements for the three and nine months ended September 30, 2014.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under US Generally Accepted Accounting Principles. The standard's core principle is that a company should recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services, and provides a revenue recognition framework in accordance with this principle. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 and interim periods therein. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial statements and future operating results.

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

3. Marketable Securities

Marketable securities are considered available-for-sale in accordance with ASC 320, "Debt and Equity Securities," and are classified as current assets on the balance sheet as the investments are readily marketable and available for use in the Company's current operations.

The following table shows the Company's marketable securities' adjusted cost, gross unrealized gains and losses, and fair value by significant investment category as of September 30, 2014 and December 31, 2013:

	September 30, 2014			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of Deposit	$ 15,505,000	$ -	$ (31,415)	$ 15,473,585
Commercial Paper	2,994,916	1,194	-	2,996,110
Corporate Bonds	2,056,010	-	(11,820)	2,044,190
State and Municipal Obligations	100,000	-	-	100,000
Total Marketable Securities	$ 20,655,926	$ 1,194	$ (43,235)	$ 20,613,885

	December 31, 2013			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and Municipal Obligations	$ 100,000	$ -	$ -	$ 100,000

The Company typically invests in highly-rated securities, with the primary objective of minimizing the potential risk of principal loss. As of September 30, 2014, the Company had certificates of deposit with a fair value of $15,473,585 and unrealized losses of $31,415, and corporate bonds with a fair value of $2,044,190 and an unrealized loss of $11,820, both of which have been unrealized losses for less than 12 months. The Company does not have the intent to sell its marketable securities in an unrealized loss position, and it is more likely than not that the Company will not be required to sell any of these investments before recovery of the entire amortized cost basis. The Company considers the declines in market value of its marketable securities to be temporary in nature and does not consider any of its investments other-than-temporarily impaired, and anticipates that it will recover the entire amortized cost basis.

The amortized cost and fair value of marketable securities at September 30, 2014 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because the Company may redeem certain securities at par.

Maturity	Cost Basis	Fair Value
Less than 1 year	$ 14,899,916	$ 14,886,580
1 to 5 years	5,656,010	5,627,305
10 years or more	100,000	100,000
Total Marketable Securities	$ 20,655,926	$ 20,613,885

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

4. Prepaid Expenses and Other Current Assets

	September 30, 2014	December 31, 2013
Deposits on contracts	**$ 225,705**	$ 37,760
Prepaid expenses and other assets	**531,798**	469,405
	$ 757,503	$ 507,165

Deposits on contracts consist of deposits on research and development contracts for services that had not been incurred as of the balance sheet date. Prepaid expenses and other assets include prepaid general and administrative expenses, such as insurance, rent, investor relations fees and compensatory stock issued for services not yet incurred as of the balance sheet date.

5. Equipment, Net

	September 30, 2014	December 31, 2013
Furniture and fixtures	**$ 64,689**	$ 59,133
Office equipment	**57,182**	41,752
Lab and computer equipment	**425,195**	425,195
Leasehold improvements	**129,009**	119,841
Total equipment	**676,075**	645,921
Less: Accumulated depreciation and amortization	**(603,167)**	(580,749)
Net carrying amount	**$ 72,908**	$ 65,172

Depreciation and amortization expense was $3,744 and $9,645 for the three months ended September 30, 2014 and 2013, respectively, and $22,418 and $28,196 for the nine months ended September 30, 2014 and 2013, respectively.

6. Accounts Payable and Accrued Expenses

	September 30, 2014	December 31, 2013
Trade payables	**$ 257,766**	$ 251,687
Accrued expenses	**49,126**	25,367
Accrued research and development contract costs	**1,175,447**	215,211
Payroll liabilities	**243,169**	441,493
	$ 1,725,508	$ 933,758

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

7. Deferred Research and Development Arrangements

Rexgene Biotech Co., Ltd.

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 Archexin in Asia. This agreement provides Rexgene with exclusive rights to license, sublicense, make, have made, use, sell and import Archexin in Asia. In accordance with the agreement, Rexgene paid the Company a one-time fee of $1,500,000 in 2003. The agreement terminates at the later of 20 years or the term of the patent. The amortization reduces research and development expenses for the periods presented.

The Company is using 20 years as its basis for recognition and accordingly research and development expenses were reduced by $18,750 and $56,250 for the three and nine months ended September 30, 2014 and 2013, respectively. The remaining $6 18,750 and $675,000 to be amortized at September 30, 2014 and December 31, 2013, respectively, are reflected as deferred research and development arrangements on the balance sheet. The payment from Rexgene is being used in the cooperative funding of the costs of development of Archexin. Royalties of 3% of net sales of licensed products will become payable by Rexgene to the Company on a quarterly basis once commercial sales of Archexin begin in Asia. The product is still under development and commercial sales in Asia are not expected to begin until at least 2015. Under the terms of the agreement, Rexgene does not receive royalties on the Company's net sales outside of Asia.

Teva Pharmaceutical Industries, Ltd.

On September 21, 2009, the Company closed on a securities purchase agreement (the "Purchase Agreement") with Teva Pharmaceutical Industries Limited ("Teva"), and contemporaneous with the execution and delivery of the Purchase Agreement, the parties executed a research and exclusive license option agreement (the "RELO Agreement") pursuant to which the Company agreed to use proceeds from the issuance and sale of shares to Teva to fund a research and development program for the pre-clinical development of RX-3117. On November 27, 2012, the Company and Teva entered into a second amendment to the RELO Agreement, pursuant to which Teva provided the Company with an additional $926,000 of research funding for the development of RX-3117, which was recorded as restricted cash on the Company's balance sheet. The contribution from the second amendment was recorded in deferred research and development arrangements on the balance sheet. Costs incurred for the development of RX-3117 were paid from restricted cash, reduced the deferred research and development arrangement and therefore were not an expense in the Company's statement of operations. On August 28, 2013, the Company announced that Teva had decided not to exercise its option to license RX-3117, and as a result the RELO Agreement was terminated, and any proceeds remaining from the restricted cash at that time would be used to pay for unbilled expenses. As of December 31, 2013, the Company had proceeds remaining of $158,630, which was included in restricted cash and deferred research and development arrangements on the balance sheet. During the nine months ended September 30, 2014, $158,630 was reduced from the deferred research and development arrangement to pay for costs incurred for the development of RX-3117, and therefore, as of September 30, 2014, the Company did not have proceeds remaining in restricted cash or a deferred research and development liability related to Teva.

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

8. Other Liabilities

Deferred Lease Incentive

On June 29, 2009, the Company entered into a five-year office lease agreement as disclosed in Note 14. The lessor agreed to grant a leasehold improvement allowance of $100,000 to the Company to be used for the construction cost of improvements to the leased property, which included architectural and engineering fees, government agency plan check, permit and other fees, sales and use taxes, testing and inspection costs and telephone and data cabling and wiring in the premises. The Company accounted for the benefit of the leasehold improvement allowance as a reduction of rental expense over the five-year term of the office lease.

On June 7, 2013, the Company entered into the first amendment to the lease agreement, also disclosed in Note 14. According to the terms of the amendment, the Company extended the lease term until June 30, 2019, and the amendment term began on July 1, 2013. The lessor agreed to grant an additional leasehold improvement allowance of $54,660 to the Company to be used for further construction to the leased property, furniture and equipment. The Company accounts for this benefit, including the unamortized portion from the original lease agreement, as a reduction of rental expense over the six-year amended term of the lease.

The following table sets forth the cumulative deferred lease incentive:

	September 30, 2014	December 31, 2013
Deferred lease incentive	**$ 154,660**	$ 154,660
Less accumulated amortization	**(95,554)**	(86,222)
Balance	**$ 59,106**	$ 68,438

Deferred Office Lease Expense

The lease agreement, as amended and disclosed above, requires an initial annual base rent with annual increases over the next six 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 $70,604 and $61,126 as of September 30, 2014 and December 31, 2013, respectively.

9. Net Loss per Common Share

Basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period. Diluted loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding, plus the number of common share equivalents that would be dilutive. As of September 30, 2014 and December 31, 2013, there were stock options and warrants to acquire, in the aggregate, 25,255,010 and 34,325,663 shares of our common stock, respectively, that are potentially dilutive. However, diluted loss per share for all periods presented is the same as basic loss per share because the inclusion of common share equivalents would be anti-dilutive.

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

10. Common Stock

The following transactions occurred from January 1, 2014 to September 30, 2014:

a) On January 21, 2014 the Company closed on a registered direct public offering to issue and sell 19,047,620 shares of common stock and warrants to purchase up to 4,761,905 shares of common stock. The common stock and warrants were sold in units, consisting of common stock and a warrant to purchase 0.25 shares of common stock, at a price of $1.05 per share, and the warrants have an exercise price of $1.28 per share. The total gross proceeds of the offering were $20,000,001. The warrants issued are exercisable beginning six months and one day after the closing date until the five-year anniversary of the closing date and were recorded as liabilities at fair value.

The total closing costs of the offering were $1,365,754, which consisted of placement agent and other professional fees. Based upon the estimated fair value of the stock and warrants in the units, the Company allocated $206,172 to financing expense and $1,159,582 as stock issuance costs.

A summary of the allocation of the proceeds of the offering is shown below:

Gross Proceeds:	$ 20,000,001
Allocated to liabilities:	
Warrant liabilities	3,691,429
Allocated to equity:	
Common stock and additional paid-in capital	16,308,572
Total allocated gross proceeds:	$ 20,000,001

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

b) On February 10, 2014, the Company issued 300,000 shares of stock to two vendors in exchange for investor relations and financial advisory services. The market value of the stock issued was $1.12, and the total market value of the issuance was $336,000.

c) On April 14, 2014, an option holder exercised 125,000 stock options by a net exercise. The Company withheld 99,010 shares in treasury as payment for the exercise price, and issued 25,990 shares to the option holder.

d) On August 1, 2014, the Company issued 100,000 shares of stock to a vendor in exchange for investor relations services. The market value of the stock issued was $0.73, and the total market value of the issuance was $73,000.

e) During the nine months ended September 30, 2014, option holders exercised stock options to purchase shares of the Company's common stock for cash of $258,955, and the Company issued 323,693 shares.

f) During the nine months ended September 30, 2014, warrant holders exercised warrants to purchase shares of the Company's common stock for cash of $5,947,268, and the Company issued 11,738,220 shares.

REXAHN PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

11. Stock-Based Compensation

As of September 30, 2014, the Company had 11,270,806 options outstanding.

At the Company's Annual Meeting of the Stockholders held on June 10, 2013, the Company's stockholders voted to approve the Rexahn Pharmaceuticals, Inc. 2013 Stock Option Plan (the "2013 Plan"). Under the 2013 Plan, the Company grants stock options to key employees, directors and consultants of the Company. A total of 17,000,000 shares of common stock have been reserved for issuance pursuant to the 2013 Plan. As of September 30, 2014, there were 2,848,499 options outstanding under the 2013 Plan, and 14,151,501 shares were available for issuance from the 2013 Plan.

On August 5, 2003, the Company established a stock option plan (the "2003 Plan"). Under the 2003 Plan, the Company granted stock options to key employees, directors and consultants of the Company. With the adoption of the 2013 Plan, no new stock options may be issued under the 2003 Plan, but previously issued options under the 2003 Plan remain outstanding until their expiration. As of September 30, 2014, there were 8,422,307 outstanding options under the 2003 Plan.

For the majority of the grants to employees, the vesting period is 30% on the first anniversary of the grant date, an additional 30% on the second anniversary of the grant date 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, the vesting period is between one and three years, subject to the fulfillment of certain conditions in the individual stock agreements, or 100% upon the occurrence of certain events specified in the individual stock agreements.

Accounting for Employee Awards

The Company's results of operations for the three months ended September 30, 2014 and 2013 include stock-based employee compensation expense totaling $162,659 and $65,502 respectively. The Company's results of operations for the nine months ended September 30, 2014 and 2013 include stock-based compensation expense totaling $402,974 and $485,984. Such amounts have been included in the statement of operations in general and administrative and research and development expenses. No income tax benefit has been recognized in the statement of operations for stock-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.

Accounting for Non-Employee Awards

Stock-based compensation expenses related to non-employee options were $532 and $2,213 for the three months ended September 30, 2014 and 2013, respectively. Stock compensation expenses related to non-employee options were $21,085 and $8,053 for the nine months ended September 30, 2014 and 2013, respectively. Such amounts have been included in the statement of operations in general and administrative and research and development expenses.

REXAHN PHARMACEUTICALS, INC.
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Summary of Stock Compensation Expense Recognized

Total stock-based compensation recognized by the Company in the three and nine months ended September 30, 2014 and 2013 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Statement of operations line item:				
General and administrative	**$ 128,945**	$ 53,459	**$ 307,461**	$ 448,266
Research and development	**34,246**	14,256	**116,598**	45,771
Total	**$ 163,191**	$ 67,715	**$ 424,059**	$ 494,037

Summary of Stock Option Transactions

There were 2,398,499 stock options granted at exercise prices ranging from $0.83 to $1.35 with an aggregate fair value of $1,671,644 during the nine months ended September 30, 2014. There were 2,425,000 stock options granted at exercise prices ranging from $0.31 to $0.61 with an aggregate fair value of $674,396 during the nine months ended September 30, 2013.

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, “Compensation-Stock Compensation” and Staff Accounting Bulletin No. 107 (“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.

REXAHN PHARMACEUTICALS, INC.
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The assumptions made in calculating the fair values of options are as follows:

	Nine Months Ended September 30,	
	2014	2013
Black-Scholes weighted average assumptions		
Expected dividend yield	**0%**	0%
Expected volatility	**92-96%**	94-96%
Risk free interest rate	**1.49-1.75%**	0.75-1.39%
Expected term (in years)	**5 years**	5 years

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

	2014		2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding at				
January 1	**9,356,795**	**$ 0.92**	7,741,795	$ 1.03
Granted	**2,398,499**	**0.97**	2,425,000	0.39
Exercised	**(448,693)**	**0.80**	(375,000)	0.24
Expired	**(35,795)**	**0.24**	(225,000)	0.34
Cancelled	**-**	**-**	(85,000)	0.80
Outstanding at September 30	**11,270,806**	**$ 0.93**	9,481,795	$ 0.92

The following table summarizes information about stock options outstanding as of September 30, 2014 and December 31, 2013:

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at September 30, 2014	**11,270,806**	**$ 0.93**	**5.4 years**	**$ 1,195,693**
Exercisable at September 30, 2014	**8,167,307**	**$ 0.97**	**3.9 years**	**$ 889,993**
Outstanding at December 31, 2013	9,356,795	$ 0.92	4.8 years	$ 350,865
Exercisable at December 31, 2013	7,956,795	$ 0.99	4.0 years	$ 199,795

REXAHN PHARMACEUTICALS, INC.
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The total intrinsic value of the options exercised was $115,528 for the nine months September 30, 2014. There were no options exercised during the three months ended September 30, 2014. The total intrinsic value of options exercised during the three and nine months ended September 30, 2013 was $91,300. The weighted average fair value of the options vested was $0.41 and $0.36 for the nine months ended September 30, 2014 and 2013, respectively.

A summary of the Company's unvested options as of September 30, 2014 and changes during the nine months ended September 30, 2014 is presented below:

	2014	
	Number of Options	**Weighted Average Fair Value at Grant Date**
Unvested at January 1, 2014	1,400,000	$ 0.34
Granted	2,398,499	$ 0.70
Vested	(695,000)	$ 0.41
Cancelled	-	$ -
Unvested at September 30, 2014	3,103,499	$ 0.60

As of September 30, 2014 and December 31, 2013, there was $1,547,681 and $281,957 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 2.5 years and 1.7 years, respectively.

12. Warrants

As of September 30, 2014, warrants to purchase 13,984,204 shares were outstanding, having exercise prices ranging from $0.41 to $1.50 and expiration dates ranging from October 23, 2014 to January 21, 2019.

	2014		2013	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Balance, January 1	**24,968,868**	**$ 0.86**	21,656,142	$ 0.89
Issued during the period	**4,761,905**	**$ 1.28**	4,446,000	$ 0.59
Exercised during the period	**(12,058,871)**	**$ 0.52**	(2,798,950)	$ 0.47
Expired during the period	**(3,687,698)**	**$ 1.71**	(426,778)	$ 1.67
Balance, September 30	**13,984,204**	**$ 1.06**	22,876,414	$ 0.87

At September 30, 2014 and December 31, 2013, the average remaining contractual life of the outstanding warrants was 3.3 and 3.2 years, respectively.

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The warrants issued to investors in the June 2009, October 2009, June 2010, March 2011 and December 2012 offerings contain a provision for net cash settlement in the event that there is a fundamental transaction (contractually defined as a merger, sale of substantially all assets, tender offer or share exchange). If a fundamental transaction occurs in which the consideration issued consists principally of cash or stock in a non-public company, then the warrant holder has the option to receive cash, equal to the fair value of the remaining unexercised portion of the warrant. Due to this contingent redemption provision, the warrants require liability classification in accordance with ASC 480 and are recorded at fair value. The warrants issued to investors in the July 2013, October 2013 and January 2014 offerings contain a fundamental transaction provision, but the warrant holders only have an option as to the type of consideration received if the holders of common stock receive an option as to their consideration. In addition, the warrants issued in the June 2009, October 2009, June 2010, March 2011, December 2012, July 2013, October 2013, and January 2014 offerings contain a cashless exercise provision that is exercisable only in the event that a registration statement is not effective. That provision may not be operative if an effective registration statement is not available because an exemption under the U.S. securities laws may not be available to issue unregistered shares. As a result, net cash settlement may be required, and the warrants require liability classification.

ASC 820 provides requirements for disclosure of liabilities that are measured at fair value on a recurring basis in periods subsequent to the initial recognition. Fair values for warrants are determined using the Binomial Lattice ("Lattice") valuation technique. The Lattice model provides for dynamic assumptions regarding volatility and risk-free interest rates within the total period to maturity. Accordingly, within the contractual term, the Company provided multiple date intervals over which multiple volatilities and risk free interest rates were used. These intervals allow the Lattice model to project outcomes along specific paths that consider volatilities and risk free rates that would be more likely in an early exercise scenario.

Significant assumptions are determined as follows:
Trading market values—Published trading market values;
Exercise price—Stated exercise price;
Term—Remaining contractual term of the warrant;
Volatility—Historical trading volatility for periods consistent with the remaining terms;
Risk-free rate—Yields on zero coupon government securities with remaining terms consistent with the remaining terms of the warrants.

Due to the fundamental transaction provision, which could provide for early redemption of the warrants, the model also considered the probability the Company would enter into a fundamental transaction during the remaining term of the warrant. Because the Company is not yet achieving positive cash flow, management believes the probability of a fundamental transaction occurring over the term of the warrant is unlikely and therefore estimates the probability of entering into a fundamental transaction to be 5%. For valuation purposes, the Company also assumed that if such a transaction did occur, it was more likely to occur towards the end of the term of the warrants.

The significant unobservable inputs used in the fair value measurement of the warrants include management's estimate of the probability that a fundamental transaction may occur in the future. Significant increases (decreases) in the probability of occurrence would result in a significantly higher (lower) fair value measurement.

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The following table summarizes the fair value of the warrants as of the respective balance sheet dates:

	Fair Value as of:	
Warrant Issuance:	**September 30, 2014**	December 31, 2013
June 5, 2009 financing:		
Series III warrants	**$ -**	$ 11
Warrants to placement agent	**-**	1
October 23, 2009 financing:		
Warrants to institutional investors	**11,169**	19,689
June 30, 2010 financing		
Warrants to institutional investors	**-**	10
March 31, 2011 financing:		
Warrants to institutional investors	**734,147**	311,360
December 4, 2012 financing:		
Warrants to institutional investors	**122,573**	2,124,444
Warrants to placement agent	**20,474**	222,286
July 26, 2013 financing:		
Warrants to institutional investors	**1,052,856**	1,148,390
Warrants to placement agent	**50,056**	83,808
October 16, 2013 financing:		
Warrants to institutional investors	**1,252,183**	1,051,454
Warrants to placement agent	**160,718**	72,605
January 21, 2014 financing:		
Warrants to institutional investors	**1,977,833**	-
Total:	**$ 5,382,009**	$ 5,034,058

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The following table summarizes the number of shares indexed to the warrants as of the respective balance sheet or transaction dates:

	Number of Shares indexed as of:	
Warrant Issuance	**September 30, 2014**	December 31, 2013
June 5, 2009 financing:		
Series III warrants	**-**	1,555,555
Warrants to placement agent	**-**	132,143
October 23, 2009 financing:		
Warrants to institutional investors	**778,333**	1,228,333
June 30, 2010 financing		
Warrants to institutional investors	**-**	2,000,000
March 31, 2011 financing:		
Warrants to institutional investors	**3,333,333**	3,333,333
December 4, 2012 financing:		
Warrants to institutional investors	**221,600**	7,418,503
Warrants to placement agent	**40,000**	880,000
July 26, 2013 financing:		
Warrants to institutional investors	**2,000,000**	3,990,000
Warrants to placement agent	**124,032**	456,000
October 16, 2013 financing:		
Warrants to institutional investors	**2,317,309**	3,567,309
Warrants to placement agent	**407,692**	407,692
January 21, 2014 financing:		
Warrants to institutional investors	**4,761,905**	-
Total:	**13,984,204**	24,968,868

The assumptions used in calculating the fair values of the warrants are as follows:

June 5, 2009 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ -**	$ 0.51
Estimated future volatility	**-**	109%
Dividend	**-**	-
Estimated future risk-free rate	**-**	0.13%
Equivalent volatility	**-**	43-45%
Equivalent risk-free rate	**-**	0.05-0.06%

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October 23, 2009 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ 0.81**	$ 0.51
Estimated future volatility	**109%**	109%
Dividend	**-**	-
Estimated future risk-free rate	**0.02%**	0.13%
Equivalent volatility	**84%**	57%
Equivalent risk-free rate	**0.01%**	0.07%

June 30, 2010 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ -**	$ 0.51
Estimated future volatility	**-**	109%
Dividend	**-**	-
Estimated future risk-free rate	**-**	0.13%
Equivalent volatility	**-**	49%
Equivalent risk-free rate	**-**	0.06%

March 31, 2011 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ 0.81**	$ 0.51
Estimated future volatility	**109%**	109%
Dividend	**-**	-
Estimated future risk-free rate	**1.03%**	1.58%
Equivalent volatility	**81%**	71%
Equivalent risk-free rate	**0.18%**	0.27%

December 4, 2012 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ 0.81**	$ 0.51
Estimated future volatility	**109%**	109%
Dividend	**-**	-
Estimated future risk-free rate	**0.83-2.13%**	1.58-2.72%
Equivalent volatility	**84-85%**	69-73%
Equivalent risk-free rate	**0.14-0.40%**	0.22-0.40%

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July 26, 2013 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ 0.81**	0.51
Dividend	**-**	-
Equivalent volatility	**83-84%**	69-77%
Equivalent risk-free rate	**0.14-0.53%**	0.22-0.62%

October 16, 2013 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ 0.81**	0.51
Dividend	**-**	-
Equivalent volatility	**83-84%**	69-76%
Equivalent risk-free rate	**0.14-0.57%**	0.20-0.52%

January 21, 2014 financing:	**September 30, 2014**	December 31, 2013
Trading market prices	**$ 0.81**	-
Dividend	**-**	-
Equivalent volatility	**81%**	-
Equivalent risk-free rate	**0.62%**	-

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Notes to Condensed Financial Statements
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Changes in the fair value of the warrant liabilities, carried at fair value, as reported as "unrealized gain (loss) on fair value of warrants" in the statement of operations:

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	**Nine Months Ended September 30, 2014**	Nine Months Ended September 30, 2013
Exercised and Expired Warrants	$ -	$ -	$ -	$ 144
June 5, 2009 financing:				
Series III warrants	**-**	(5,336)	**11**	24,733
Warrants to placement agent	**-**	(410)	**1**	2,392
October 23, 2009 financing:	**-**			
Warrants to institutional investors	**20,943**	2,580	**(288,960)**	28,620
June 30, 2010 financing				
Warrants to institutional investors	**-**	(4,600)	**10**	4,400
March 31, 2011 financing:				
Warrants to institutional investors	**325,303**	(33,334)	**(422,787)**	(53,334)
December 4, 2012 financing:				
Warrants to institutional investors	**17,395**	(464,181)	**(4,152,624)**	(1,301,502)
Warrants to placement agent	**3,131**	(11,880)	**(520,760)**	(60,368)
July 26, 2013 financing:				
Warrants to institutional investors	**162,082**	272,916	**(1,537,273)**	272,916
Warrants to placement agent	**10,238**	26,494	**(254,341)**	26,494
October 16, 2013 financing:				
Warrants to institutional investors	**192,613**	-	**(1,242,527)**	-
Warrants to placement agent	**33,955**	-	**(88,111)**	-
January 21, 2014 financing:				
Warrants to institutional investors	**435,734**	-	**1,713,596**	-
Total:	**$ 1,201,394**	$ (217,751)	**$ (6,793,765)**	$ (1,055,505)

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13. Income Taxes

No provision for federal and state income taxes was required for the three and nine months ended September 30, 2014 and 2013 due to the Company's operating losses and increased deferred tax asset valuation allowance. At September 30, 2014 and December 31, 2013, the Company had unused net operating loss carry-forwards of approximately $78,046,000 and $69,036,000, which expire at various dates through 2034. 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 September 30, 2014 and December 31, 2013, the deferred tax assets related to the aforementioned carry-forwards have been fully offset by valuation allowances, because significant utilization of such amounts is not presently expected in the foreseeable future.

Deferred tax assets and valuation allowances consist of:

	September 30, 2014	December 31, 2013
Net Operating Loss Carryforwards	**$ 30,438,000**	26,924,000
Stock Compensation Expense	**2,149,000**	2,028,200
Book tax differences on assets and liabilities	**302,000**	424,000
Valuation Allowance	**(32,889,000)**	(29,376,200)
Net Deferred Tax Assets	$ -	$ -

The Company files income tax returns in the U.S. federal and Maryland state jurisdictions. Tax years for fiscal 2011 through 2014 are open and potentially subject to examination by the federal and Maryland state taxing authorities.

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14. Commitments and Contingencies

a) The Company has contracted with various vendors for research and development services. The terms of these agreements usually require an initial fee and monthly or periodic payments over the term of the agreement, ranging from two months to 36 months. The costs to be incurred are estimated and are subject to revision. As of September 30, 2014, the total estimated cost to be incurred under these agreements was approximately $30,000,000, and the Company had made approximate payments of $22,720,000 since inception under the terms of the agreements. All of these agreements may be terminated by either party upon appropriate notice as stipulated in the respective agreements.

b) 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. As of September 30, 2014, the milestone has not occurred.

c) On June 29, 2009, the Company signed a five-year commercial lease agreement for 5,466 square feet of office space in Rockville, Maryland. The lease agreement required annual base rent with increases over the next five years. Under the lease 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 three months September 30, 2014 and 2013, including the amendments' terms described below, was $42,367 and $18,789, respectively, and rent paid during the nine months ended September 30, 2014 and 2013 was $104,999 and $99,187, respectively.

On June 7, 2013, the Company entered into the first amendment to the lease agreement. According to the terms of this amendment, the Company extended the lease term until June 30, 2019. The amendment term began on July 1, 2013 with a base rent of $100,210 and requires annual base rent increases over the remaining term of the lease.

On July 26, 2014 the Company entered into the second amendment to the lease agreement. According to the terms of this amendment, the Company leased an additional 1,637 square feet of office space, beginning on September 1, 2014 and ending on August 31, 2015.

Future rental payments over the next five years are as follows:

For the remaining three months ending December 31:	2014	$ 50,058
For the year ending December 31:	2015	186,764
	2016	159,881
	2017	163,871
	2018	167,970
	2019	85,024
	Total	**$ 813,568**

In connection with the lease agreement, the Company issued a letter of credit of $100,000 in favor of the lessor. On August 2, 2010, and July 1, 2011 the letter of credit was amended and reduced to $50,000 and $37,500, respectively. The Company has restricted cash equivalents of the same amount for the letter of credit.

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d) The Company has established a 401(k) plan for its employees. The Company has elected to match 100% of the first 3% of an employee's compensation plus 50% of an additional 2% of the employee's deferral. Expense related to this matching contribution aggregated to $24,574 and $21,837 for the three months ended September 30, 2014 and 2013, respectively, and $69,858 and $60,084 for the nine months ended September 30, 2014 and 2013, respectively.

e) On August 26, 2014 and June 24, 2013, the Company signed a one-year renewal to use laboratory space commencing on July 1, 2014 and 2013, respectively. The lease requires monthly rental payments of $4,554. Rent paid under the Company's lease during the three and nine months ended September 30, 2014 and 2013 was $13,662 and $40,986, respectively.

f) In July 2013, the Company entered into an exclusive license agreement with the University of Maryland, Baltimore for a novel drug delivery platform, Nano-Polymer Drug Conjugate Systems. RX-21101 is the Company's first drug candidate utilizing this platform. The agreement requires the Company to make payments to the University of Maryland if RX-21101 or any products from the licensed delivery platform achieve development milestones. As of September 30, 2014, no development milestones have occurred.

g) In October 2013, the Company signed an exclusive license agreement with the Ohio State Innovation Foundation, for a novel oligonucleotide drug delivery platform, Lipid-Coated Albumin Nanoparticle ("LCAN"). The agreement requires the Company to make payments to the Ohio State Innovation Foundation or any products from the licensed delivery platform achieve development milestones. As of September 30, 2014, no development milestones have occurred.

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15. Fair Value Measurements

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 are 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 following tables present assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. There have been no changes in the methodologies used at September 30, 2014 and December 31, 2013.

	Fair Value Measurements at September 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Restricted Cash Equivalents	**37,500**	**-**	**37,500**	**-**
Certificates of Deposit	**15,473,585**	**-**	**15,473,585**	**-**
Commercial Paper	**2,996,110**	**-**	**2,996,110**	**-**
Corporate Bonds	**2,044,190**	**-**	**2,044,190**	**-**
State and municipal obligations	**100,000**	**100,000**	**-**	**-**
Total Assets:	**$ 20,651,385**	**$ 100,000**	**$ 20,551,385**	**$ -**
Liabilities:				
Warrant Liabilities	**$ 5,382,009**	**-**	**-**	**$ 5,382,009**

	Fair Value Measurements at December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Restricted Cash Equivalents	$ 196,130	$ 158,630	$ 37,500	$ -
State and municipal obligations	100,000	100,000	-	-
Total Assets:	$ 296,130	$ 258,630	$ 37,500	$ -
Liabilities:				
Warrant Liabilities	$ 5,034,058	-	-	$ 5,034,058

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As of September 30, 2014, the Company's restricted cash equivalents are comprised of a certificate of deposit valued based upon the underlying terms of a letter of credit, as disclosed in Note 14 and classified within Level 2 of the fair value hierarchy. As of December 31, 2013, the Company's restricted cash equivalents also included money market funds valued at net asset value of shares held by the Company and classified within level 1 of the fair value hierarchy.

The fair value of the Company's Level 2 marketable securities is determined by using quoted prices from independent pricing services that use market data for comparable securities in active or inactive markets. A variety of data inputs, including benchmark yields, interest rates, known historical trades and broker dealer quotes are using with pricing models to determine the quoted prices.

The fair value methodology for the warrant liabilities is disclosed in Note 12.

The carrying amounts reported in the financial statements for cash and cash equivalents (Level 1), prepaid expenses, and other current assets and accounts payable and accrued expenses approximate fair value because of the short term maturity of these financial instruments.

The following table sets forth a reconciliation of changes in the nine months ended September 30, 2014 and 2013 in the fair value of the liabilities classified as Level 3 in the fair value hierarchy:

	Warrant Liabilities
Balance at January 1, 2014	$ 5,034,058
Additions	3,691,429
Unrealized losses, net	6,793,765
Unrealized gains on expiration	-
Transfers out of level 3	(10,137,243)
Balance at September 30, 2014	$ 5,382,009

	Warrant Liabilities
Balance at January 1, 2013	$ 2,842,065
Additions	1,406,441
Unrealized losses, net	1,055,505
Unrealized gains on expiration	-
Transfers out of level 3	(1,111,795)
Balance at September 30, 2013	$ 4,192,216

Additions consist of the fair value of warrant liabilities upon issuance. Transfers out of Level 3 for warrant liabilities consist of warrant exercises, where the liability is converted to additional paid-in capital upon exercise. The Company's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer.

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

OVERVIEW

The following discussion should be read in conjunction with the unaudited condensed financial statements and notes thereto set forth in Item 1 of this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Except for the historical information contained herein, the matters discussed in this Quarterly Report on Form 10-Q may be deemed to be forward-looking statements that involve risks and uncertainties. We make such forward-looking statements, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. In this Quarterly Report on Form 10-Q, words such as "believe," "estimate," "expect," "anticipate," "may," "intend" and other similar expressions, are intended to identify forward-looking statements. We caution that forward-looking statements are based largely on our expectations, and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors that are, in many instances, beyond our control. Actual results, performance or achievements may differ materially from those contemplated, expressed, or implied by the forward-looking statements.

The following factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements:

- *our lack of profitability and the need for additional capital to operate our business;*
- *our drug candidates being in early stages of development, including pre-clinical development;*
- *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;*
- *our ability to identify partners and collaborators for the development of certain of our drug candidates and, if identified, to enter into mutually agreeable relationships with those partners and collaborators;*
- *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").*

The following information and any forward-looking statements should be considered in light of factors discussed elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2013, and in our other filings with 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.

We are a clinical biopharmaceutical company dedicated to the discovery, development and commercialization of innovative treatments for cancer patients that target specific proteins that are over expressed in cancer cells and not present in normal healthy tissues. This approach differs from existing chemotherapeutic agents that inhibit the growth of both cancer cells and normal healthy tissues at similar doses. Our pipeline features one oncology candidate in Phase II clinical trials, two oncology candidates in Phase I clinical trials, two drug candidates not currently being actively developed and several other drug candidates in pre-clinical development. Our strategy is to continue building a significant product pipeline of innovative drug candidates that we will commercialize alone or with partners. We intend to initially develop drug candidates for cancers that are orphan indications and then expand into more highly prevalent cancers.

Since our inception, our efforts and resources have been focused primarily on developing our pharmaceutical technologies, raising capital and recruiting personnel. We 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.

Recently Issued Accounting Standards

In June 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-10, "Development Stage Entities: Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation." ASU 2014-10 eliminates several of the reporting requirements for development stage entities, including the requirement to present inception to date information in the statements of income, comprehensive income, cash flows, and shareholder equity, and to label the financial statements as those of a development stage entity. ASU 2014-10 also clarifies that the guidance in Accounting Standards Codification ("ASC") Topic 275, "Risks and Uncertainties", is applicable to entities that have not commenced principal operations, and eliminates an exception to the sufficiency-of-equity risk criterion for development stage entities, and will require all reporting entities that have an interest in development stage enterprises to apply consistent consolidation guidance for variable interest entities. ASU 2014-10 is effective for all annual reporting periods beginning after December 15, 2014, with early adoption permitted. We adopted ASU 2014-10 during the nine months ended September 30, 2014, and removed the incremental reporting requirements for development stage entities from the financial statements for the three and nine months ended September 30, 2014.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under US Generally Accepted Accounting Principles. The standard's core principle is that a company should recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services, and provides a revenue recognition framework in accordance with this principle. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 and interim periods therein. We are currently evaluating the impact that the adoption of this guidance will have on our financial statements and future operating results.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2014 and September 30, 2013

Total Revenues

We had no revenues for the three and nine months ended September 30, 2014 or 2013.

General and Administrative Expenses

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

General and administrative expenses increased $279,080, or 29.9%, to $1,211,842 for the three months ended September 30, 2014 from $932,762 for the three months ended September 30, 2013. General and administrative expenses increased $1,326,327, or 44.2%, to $4,327,787 for the nine months ended September 30, 2014 from $3,001,460 for the nine months ended September 30, 2013. The year over year increases for both the three and nine month periods ended September 30, 2014 is primarily attributable to an increase in professional fees and personnel expenses.

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.

Research and development expenses increased $1,043,459, or 133.6%, to $1,824,740 for the three months ended September 30, 2014, from $781,281 for the three months ended September 30, 2013. Research and development expenses increased $2,538,844, or 112.4%, to $4,797,721 for the nine months ended September 30, 2014 from $2,258,877 for the nine months ended September 30, 2013. The increase in both the three and nine months ended September 30, 2014 is primarily attributable to the advancement of our drug candidates. During the nine months ended September 30, 2014, one of our drug candidates, Archexin, entered a Phase IIa clinical trial to study its safety and efficacy in patients with metastatic renal cell carcinoma (“RCC”), and another drug candidate, RX-3117, entered a Phase Ib clinical trial to study its safety and efficacy in patients with solid tumors.

Patent Fees

Patent fees remained essentially flat, increasing $1,181, or $1.2% to $101,380 for the three months ended September 30, 2014, from $100,199 for the three months ended September 30, 2013. Patent fees decreased $89,906, or 24.9%, to $268,810 for the nine months September 30, 2014, from $357,906 for the nine months ended September 30, 2013. The decrease is primarily attributable to a partial reduction of our patent fees related to our central nervous system patents.

Depreciation and Amortization

Depreciation and amortization expense decreased $5,901, or 61.2% to $3,744 for the three months ended September 30, 2014, from $9,645 for the three months ended September 30, 2013. Depreciation and amortization expense decreased $5,778, or 20.5% to $22,418 for the nine months ended September 30, 2014, from $28,196 for the nine months ended September 30, 2013. The decrease is attributable to assets that became fully depreciated during the nine months ended September 30, 2014.

Interest Income

Interest income increased $21,571, or 162.3% to $34,864 for the three months ended September 30, 2014 from $13,293 for the three months ended September 30, 2013. Interest income increased $70,446, or 202.8% to $105,190 for the nine months ended September 30, 2014 from $34,744 for the nine months ended September 30, 2013. The increase for both the three and nine months ended September 30, 2014 is primarily attributable to higher cash and cash equivalents and marketable securities balances due to our registered direct offering in January, 2014 and the exercise of stock warrants in 2014.

Unrealized Gain/ (Loss) on Fair Value of Warrants

Our warrants are recorded as liabilities at fair value, and the warrants are valued using a lattice model. Changes in the fair value of warrants are recorded as an unrealized gain or loss in our statement of operations. During the three months ended September 30, 2014 and 2013, we recorded an unrealized gain (loss) on the fair value of our warrants of $1,201,394 and $(217,751), respectively. During the nine months ended September 30, 2014 and 2013, we recorded unrealized losses on the fair value of our warrants of ($6,793,765) and ($1,055,505), respectively. Estimating fair values of warrants requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the warrant with related changes to external market factors. The large unrealized gain for the three months ended September 30, 2014 primarily resulted from a decreased stock price of the underlying common stock at September 30, 2014, compared to June 30, 2014, while the large unrealized loss for the nine months ended September 30, 2014 primarily resulted from an increased stock price of the underlying common stock at September 30, 2014 compared to December 31, 2013.

Financing Expense

We incurred $206,172 and $112,559 of financing expenses during the nine months ended September 30, 2014, and 2013, respectively, related to our registered direct offerings in January 2014, and July 2013, respectively. There were no financing expenses incurred during the three months ended September 30, 2014.

Net Loss

As a result of the above, net loss for the three and nine months ended September 30, 2014 was $1,905,448, and $16,311,483 or $0.01 and $0.09 per share, respectively, compared to $2,140,904 and $6,779,759 or $0.02 and $0.06 per share, for the three and nine months ended September 30, 2013.

Research and Development Projects

Research and development costs are expensed as incurred. Research and development costs 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 that have no alternative future uses are expensed as incurred. Our research and development programs are related to our oncology clinical stage drug candidates, Archexin, RX-3117 and Supinoxin, and our pre-clinical stage drug candidates, RX-0047-Nano, Archexin-Nano and RX-21101. 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, RX-3117 and Supinoxin, is uncertain, and because RX-0047-Nano, Archexin-Nano, and RX-21101 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 any. If these projects are not completed as planned, our results of operations and financial condition would be negatively affected.

Archexin®

Archexin is a potential best-in-class, potent inhibitor of the protein kinase phosphorylated Akt-1, which is over expressed in cancer cells and which we believe plays a critical role in cancer cell proliferation, survival, angiogenesis, metastasis and drug resistance. Archexin has received “orphan drug” designation from the FDA, for RCC, glioblastoma, ovarian cancer, stomach cancer and pancreatic cancer. That designation provides tax incentives for clinical research and a waiver of user fees. In addition, a drug that is approved for its orphan-designated use receives seven years of exclusivity after approval, during which the FDA generally cannot approve another product with the same active moiety for the same indication.

In August 2012, we announced top line results of an open label 2-stage Phase IIa clinical trial for Archexin that was designed to assess the safety and efficacy of Archexin in combination with gemcitabine. Gemcitabine is used to treat pancreatic, breast, ovarian and lung cancers. Gemcitabine is a member of a group of chemotherapy drugs known as anti-metabolites. It prevents cells from making DNA and RNA, which stops cell growth and causes cells to die. Stage 1 was the dose-finding portion of the study, and Stage 2 was the dose-expansion portion of the study using the dose identified in Stage 1 administered with gemcitabine. The study enrolled 31 subjects aged 18 to 65 with metastatic pancreatic cancer at nine centers in the United States and India. The primary endpoint was overall survival following four cycles of therapy with a six month follow-up. For those evaluable patients, the study demonstrated that treatment with Archexin in combination with gemcitabine provided a median survival rate of 9.1 months compared to the historical survival data of 5.65 months for standard single agent gemcitabine therapy. The most frequent reported adverse events were constipation, nausea, abdominal pain and pyrexia, regardless of relatedness.

We initiated a Phase IIa clinical proof-of-concept clinical trial of Archexin in January 2014 to study its safety and efficacy in patients with metastatic RCC. In the trial, Archexin will be administered in combination with everolimus (Afinitor®), and will be conducted in two stages. The first stage will be dose ranging, with up to three dose groups with three RCC patients each, to determine its maximal tolerated dose (“MTD”) in combination with everolimus. Once the MTD has been determined, thirty RCC patients will be randomized to either Archexin in combination with everolimus or everolimus alone, in a ratio of 2:1. Rexahn plans to complete the initial safety component of this study in early 2015.

RX-3117

RX-3117 is a small molecule nucleoside compound with an anti-metabolite mechanism of action, and we believe it has therapeutic potential in a broad range of cancers including colon, lung, and pancreatic cancer. RX-3117 has received orphan drug designation for the treatment of patients with pancreatic cancer. RX-3117 has also been shown to be effective in inhibiting the growth of gemcitabine-resistant human cancers and in improving overall survival in pre-clinical animal models. We completed an exploratory Phase I clinical study of RX-3117 in 2012 that demonstrated the oral bioavailability of RX-3117 in humans with no adverse effects reported in the study.

In January 2014, we initiated a Phase Ib clinical trial to study the safety, tolerability, dose-limiting toxicities and MTD of RX-3117 in patients with solid tumors. Secondary endpoints will include characterizing the pharmacokinetic profile of RX-3117 and evaluating the preliminary anti-tumor effects of RX-3117. Patient enrollment has been completed in five dose groups (30mg, 60mg, 100mg, 150mg and 200mg) and patients are now enrolling for the sixth dose group (500mg). The MTD of RX-3117 has not yet been achieved. We expect to complete patient enrollment late in the first quarter of 2015. Based on the progress of the RX-3117 clinical development program and the level of interest expressed from a number of oncology-focused pharmaceutical companies, Rexahn is continuing its discussions with multiple companies to explore collaborative business structures in an effort to maximize the potential upside value of the program.

Supinoxin (RX-5902)

Supinoxin is a potential first-in-class small molecule that inhibits the phosphorylation of p68 RNA helicase, a protein that we believe plays a key role in cancer growth, progression and metastasis. Phosphorylated p68, which is highly expressed in cancer cells, but not in normal cells, results in up-regulation of cancer-related genes and a subsequent proliferation or tumor growth of cancer cells. Supinoxin selectively blocks phosphorylated p68, thereby decreasing the proliferation or growth of cancer cells. In pre-clinical tissue culture models and in-vivo xenograft models, Supinoxin has demonstrated single-agent tumor growth inhibition synergism with cytotoxic agents and activity against drug resistant cancer cells. In particular, in in-vivo xenograft models of human RCC and pancreatic cancer, treatment with Supinoxin on days 1 to 20 in mouse models produced a survival benefit beyond 65 days. In July 2012, we submitted an investigational new drug application, or IND, to the FDA for Supinoxin. We initiated a Phase I clinical trial in August 2013 to study Supinoxin's safety and efficacy in patients with solid tumors. Patients in five dose groups (25mg, 50mg, 100mg, 150mg, and 225mg) have been enrolled and the MTD of Supinoxin has not yet been reached. We are currently enrolling patients for the sixth dose group (300 mg). Depending on the number of dose groups needed to determine the MTD, we expect to complete this trial in the first quarter of 2015. Based on the progress of the Supinoxin clinical development program and the level of interest expressed from a number of oncology-focused pharmaceutical companies, Rexahn is continuing its discussions with multiple companies to explore collaborative business structures in an effort to maximize the potential upside value of the program.

Pre-clinical Pipeline

Archexin-Nano, RX-0047-Nano and RX-21101 are all in a pre-clinical stage of development.

Research and Development Process

We have engaged third-party contract research organizations and other investigators and collaborators, such as universities and medical institutions, to conduct our pre-clinical studies, toxicology studies and clinical trials. Engaging third-party contract research organizations is typical practice in our industry. However, relying on such organizations means that the clinical trials and other studies described above are being conducted at external locations and that the completion of these trials and studies is not within our direct control. Trials and studies may be delayed due to circumstances outside our control, and such delays may result in additional expenses for us.

Collaboration and License Agreements

In July 2013, we entered into an exclusive license agreement with the University of Maryland, Baltimore for a novel drug delivery platform, Nano-Polymer-Drug Conjugate Systems. This platform combines existing chemotherapeutic agents with a proprietary polymer carrier that contains a signaling moiety to direct the agents into a tumor. RX-21101 is our first drug candidate utilizing this platform and is a conjugated form of docetaxel, a common chemotherapy agent.

In October 2013, we entered into an exclusive license agreement with the Ohio State Innovation Foundation, an affiliate of the Ohio State University, for a novel oligonucleotide drug delivery platform, Lipid-Coated Albumin Nanoparticle ("LCAN"). The LCAN platform incorporates both cationic lipid and cationized albumin that can form an electrostatic complex with oligonucleotides and be co-encapsulated by lipids. Archexin-Nano is our first drug candidate to be developed with this platform.

Liquidity and Capital Resources

Cash Flows

Cash used in operating activities was $8,129,391 for the nine months ended September 30, 2014. The operating cash flows during the nine months ended September 30, 2014 reflect our net loss of $16,311,483, which includes an unrealized loss on fair value of warrants of $6,793,765 and a net increase of cash components of working capital and other non-cash charges totaling $1,388,327. Cash used in operating activities was $5,735,966 for the nine months ended September 30, 2013, which reflects our net loss of $6,779,759 and a net increase of cash components of working capital and non-cash charges totaling $1,043,793.

Cash used in investing activities was $20,427,450 for the nine months ended September 30, 2014, which consisted of $20,555,926 and $30,154 for the purchases of marketable securities and equipment, respectively, offset by a decrease in restricted cash equivalents of $158,630. Cash provided by investing activities for the nine months ended September 30, 2013 was $536,163, which consisted of a decrease of restricted cash equivalents of $582,622, offset by $46,459 for the purchase of equipment.

Cash provided by financing activities was $24,840,470 for the nine months ended September 30, 2014, which consisted of net proceeds of $18,634,247 from our registered direct public offering in January 2014, $258,955 from the exercise of stock options and $5,947,268 from the exercise of stock warrants. Cash provided by financing activities was $6,584,260 for the nine months ended September 30, 2013, which consisted of net proceeds of $5,173,155 from our registered direct public offering in July 2013, $90,000 from the exercise of stock options, and $1,321,105 from the exercise of stock warrants.

We will need to raise additional capital through public or private equity or debt offerings or through arrangements with strategic partners or other sources in order to continue to develop our drug candidates. There can be no assurance that additional capital will be available when needed or on terms satisfactory to us, if at all. If we are not able to raise sufficient additional capital, we will have to reduce our research and development activities. We will first reduce research and development activities associated with our pre-clinical 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 a variety of contractual obligations, as more fully described in our annual report on Form 10-K. These obligations include, but are not limited to, contractual obligations in connection with license agreements (including related milestone payments), lease payments, employee compensation and incentive program expenses, and contracts with various vendors for research and development services. As of September 30, 2014, the total contract value of our agreements with vendors for research and development services was approximately $30,000,000, and we had made payments totaling approximately $22,720,000 under the terms of the agreements. All of these agreements may be terminated by either party upon appropriate notice as stipulated in the respective agreements.

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. We will need to raise additional capital through public or private equity or debt offerings or through arrangements with strategic partners or other sources in order to continue to develop our drug candidates. There can be no assurance that additional capital will be available when needed or on terms satisfactory to us, if at all. If we are not able to raise sufficient additional capital, we will have to reduce our research and development activities. The Company believes that its cash, cash equivalents, and marketable securities will be sufficient to cover its cash flow requirements for its current activities for at least the next 24 months.

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

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") along with our Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO along with the CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Our management, including the CEO and CFO, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Pursuant to a consulting agreement, we issued 100,000 shares of common stock on August 1, 2014, to a privately held investor relations firm in consideration for investor relations services. The shares of common stock were not registered under the Securities Act of 1933, as amended (the "Securities Act") pursuant to the exemptions from registration requirements provided by Section 4(a)(2) of the Securities Act, as a transaction not involving a public offering.

Item 6. Exhibits.

Exhibit No	Description
10.1	Second Amendment to Lease Agreement, dated July 26, 2014 by and between Rexahn Pharmaceuticals, Inc. and SG Plaza Holdings, LLC
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) / 15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) / 15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Rexahn Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q, formatted in Extensible Business Reporting Language ("XBRL"): i) Condensed Balance Sheet, ii) Condensed Statement of Operations, iii) Condensed Statement of Comprehensive Loss, iv) Condensed Statement of Cash Flows and (v) Notes to the Financial Statements.

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)

By: /s/ Peter D. Suzdak
Peter D. Suzdak
Chief Executive Officer
(principal executive officer)

Date: November 12, 2014

By: /s/ Tae Heum Jeong
Tae Heum Jeong
Chief Financial Officer and Secretary
(principal financial and accounting officer)

Date: November 12, 2014

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Quarterly Report on Form 10-Q
Dated September 30, 2014

Exhibit No	Description	Location
10.1	Second Amendment to Lease Agreement, dated July 26, 2014 by and between Rexahn Pharmaceuticals, Inc. and SG Plaza Holdings, LLC	Filed herewith
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32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith

Exhibit 10.1

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (the "Second Amendment") is made and entered into this 26th day of July, 2014, by and between **SG PLAZA HOLDINGS, LLC,** a Delaware limited liability company ("Landlord"), and **REXAHN PHARMACEUTICALS, INC.,** a Delaware corporation ("Client").

WHEREAS, The Realty Associates Fund V, L.P., as landlord ("Original Landlord"), and Client entered into a Standard Office Lease and Addendum thereto ("Addendum"), both dated June 5, 2009; and Landlord, as successor in interest to Original Landlord, and Client entered into a First Amendment to Lease dated June 7, 2013 ("First Amendment") (collectively, with the Standard Office Lease and Addendum, the "Lease"), under which Client leases approximately five thousand four hundred sixty-six (5,466) rentable square feet of space known as Suite 455 (the "Current Premises") in the building located at 15245 Shady Grove Road, Rockville, Maryland 20850, and known as Shady Grove Plaza (the "Building"); and

WHEREAS, the Lease is scheduled to expire on June 30, 2019; and

WHEREAS, Landlord and Client wish, among other matters, to amend the Lease to expand the premises leased by Client in the Building, all on the terms hereinafter contained.

NOW THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties, the parties agree as follows:

1. Expansion Premises. Commencing on September 1, 2014 (the "Expansion Premises Commencement Date"), Landlord hereby demises and leases to Client and Client hereby leases and accepts from Landlord, for a term and upon the conditions hereinafter provided, approximately one thousand six hundred thirty-seven (1,637) rentable square feet of space on the fourth (4^{th}) floor of the Building, known as Suite 475, outlined on the floor plan attached hereto and incorporated herein by reference as Exhibit A (the "Expansion Premises"). After the Expansion Premises Commencement Date and during the Expansion Premises Term (including the Expansion Premises Renewal Term (defined below), if applicable), any references in the Lease and this Second Amendment shall mean the Current Premises and the Expansion Premises, a total of approximately seven thousand one hundred three (7,103) rentable square feet of space.

2. Expansion Premises Term/Option to Renew.

a. The Expansion Premises Term shall commence on the Expansion Premises Commencement Date and shall expire on August 31, 2015.

b. Client shall have the right to extend the term of the Lease for the Expansion Premises for one (1) additional one (1) year lease term (the "Expansion Premises Renewal Term"), provided that (i) Client has not been in default under the Lease at any time during the Expansion Premises Term; (ii) Client has not previously assigned the Lease or sublet any part or all of the Premises; (iii) Client has delivered to Landlord written notice of its intention to exercise this option, not less than six (6) full months prior to the end of the Expansion Premises Term; (iv) all lease terms for the Expansion Premises Renewal Term shall be the same as in the Lease, as amended by this Second Amendment, except that the Base Rent payable for the Expansion Premises during the Expansion Premises Renewal term shall be as set forth in Section 3 below; and (v) if Landlord and Client fail to agree as to all terms and sign an amendment to the Lease extending the Term of the Lease for the Expansion Premises as provided in this Section 2 at least 120 days prior to the end of the Expansion Premises Term, all time periods for Client herein being of the essence, then, at Landlord's option, Client's option to extend the term of this Lease for the Expansion Premises shall lapse and Client's renewal option shall be of no force and effect. The renewal option for the Expansion Premises is personal to Client and is non-transferable. Client's option to renew with respect to the Current Premises under Section 4 of the Addendum shall not apply with respect to the Expansion Premises.

3. **Base Rent Payable for Expansion Premises during Expansion Premises Term.** Effective as of the Expansion Premises Commencement Date, Client shall pay to Landlord Base Rent for the Expansion Premises at the same rate as that payable for the Current Premises, namely Twenty-eight and 19/100 Dollars ($28.19) per rentable square foot of space, in legal tender, at Landlord's office, the annual sum of Forty-Six Thousand One Hundred Forty-seven and 08/100 Dollars ($46,147.08), payable in equal monthly installments of Three Thousand Eight Hundred Forty-five and 59/100 Dollars ($3,845.59), in advance, promptly on the first day of each calendar month of the Expansion Premises Term, without notice or demand, the same being hereby waived, and without any setoff, deduction, or recoupment whatsoever. In the event that Client exercises its option to renew the term of the Lease for the Expansion Premises in accordance with the provisions of Section 2.b. above, then, effective September 1, 2015, the Base Rent payable for the Expansion Premises shall be increased by two and one-half percent (2.5%) to Twenty-eight and 89/100 Dollars ($28.89) per rentable square foot of space, in legal tender, at Landlord's office, the annual sum of Forty-Seven Thousand Two Hundred Ninety-two and 96/100 Dollars ($47,292.96), payable in equal monthly installments of Three Thousand Nine Hundred Forty-one and 08/100 Dollars ($3,941.08) in accordance with the provisions of this Section 3. The Base Rent payable under this Section 3 is for the Expansion Premises only and is in addition to the Base Rent payable for the Current Premises.

4. Operating Expenses and Real Property Taxes Payable for Expansion Premises During Expansion Premises Term. Effective as of the Expansion Premises Commencement Date and during the Expansion Premises Term (including the Expansion Premises Renewal Term, if applicable), Client shall pay to Landlord Client's Share of increased Operating Expenses and Client's Share of increased Real Property Taxes in accordance with the provisions of the Lease, as amended by the First Amendment, except that Client's Share with respect to the Expansion Premises only shall mean *0.90%.*

5. Improvements to Expansion Premises. Client agrees to accept the Expansion Premises in its then "as is" condition as of the Expansion Premises Commencement Date; provided, however, Landlord shall, at its cost, on or before the Expansion Premises Commencement Date, demise the Expansion Premises, install one (1) sink and construct one (1) door, all as reflected on Exhibit A. Section 5 of the First Amendment ("Improvements to the Premises") shall not be applicable to the Expansion Premises.

6. Parking. As of the Expansion Premises Commencement Date and during the Expansion Premises Term (including the Expansion Premises Renewal Term, if applicable), Client shall have the right to use up to twenty-three (23) unreserved parking spaces in the parking facility at the Project (based on a ratio of 3.3 spaces per 1,000 rentable square feet in the Premises) at no expense to Client during the Expansion Premises Term (including the Expansion Premises Renewal Term, if applicable), such parking spaces to be used by Client in accordance with and subject to the provisions of Section 16 of the Lease.

7. **Brokerage.** Client warrants that it has had no dealings with any broker or agent other than Studley, Inc., Client's agent, and Lincoln Property Company, Landlord's agent, in connection with the negotiation or execution of this Second Amendment, and Client agrees to indemnify Landlord against all costs, expenses, attorneys' fees or other liability for commissions or other compensation or charges claimed by any other broker or agent claiming the same by, through or under Client.

8. **Defined Terms.** Except as otherwise expressly provided herein, all defined terms shall have the same meanings as provided in the Lease.

9. **Headings.** Headings contained in this Second Amendment are for convenience only and are not substantive to the provisions of this Second Amendment.

10. **Lease Terms Ratified.** Except as otherwise expressly provided herein, and unless inconsistent with the terms hereof, all other terms, conditions and covenants of the Lease are hereby ratified and confirmed, and shall apply to the Expansion Premises and Expansion Premises Term. Client certifies to Landlord that the Lease is in full force and effect, that Landlord is not in default or breach of any of Landlord's obligations under the Lease, and that Client is unaware of any condition or circumstance which, but for the passage of time or delivery of notice, would constitute a default by Landlord under the Lease.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Second Amendment by affixing their hands and seals as of the date noted above.

Client:

WITNESS/ATTEST:

REXAHN PHARMACEUTICALS, INC., a Delaware corporation

Mark Lee

By: /s/ RICK SONI [SEAL]

Mark Lee

Name: RICK SONI
Title: PRESIDENT & COO

Landlord:

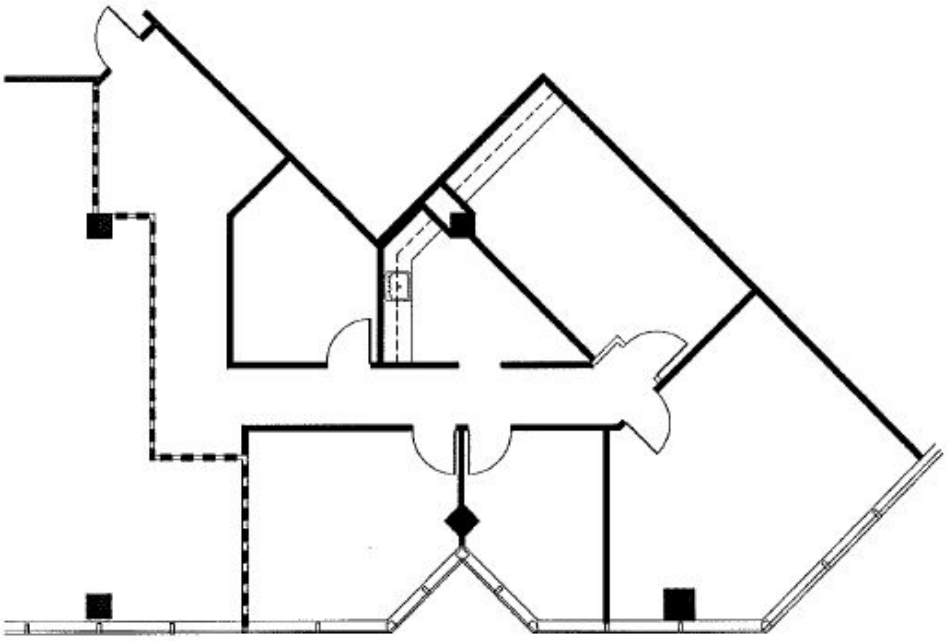
WITNESS/ATTEST:

SG PLAZA HOLDINGS, LLC, a Delaware limited liability company

Kim Harvey

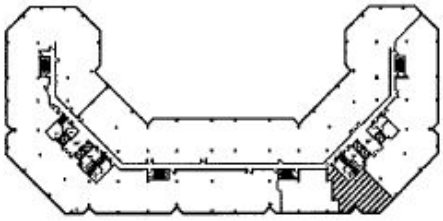
By: /s/ Andrew Nathan, CEO

Andrew Nathan, CEO



PARTITION LEGEND

- NEW DEMISING PARTITION
- EXISTING PARTITION
- NEW CEILING HEIGHT PARTITION WITH DOOR



KEY PLAN

N.T.S.

SHADY GROVE PLAZA 15245 SHADY GROVE ROAD ROCKVILLE, MARYLAND	NOT TO SCALE 16 JULY 2014 NOORALIAN NELSON & ASSOCIATES	SUITE 475 - REXAHN LEASE EXHIBIT

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULES 13A-14(A)
AND 15D-14(A)**

I, Peter D. Suzdak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 quarter 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: November 12, 2014
/s/ Peter D. Suzdak
Peter D. Suzdak
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULES 13A-14(A)
AND 15D-14(A)**

I, Tae Heum Jeong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 quarter 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: November 12, 2014
/s/ Tae Heum Jeong
Tae Heum Jeong
Chief Financial Officer

Exhibit 32.1

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 fiscal quarter ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter D. Suzdak, 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 results of operations of the Company.

Dated: November 12, 2014

By: /s/ Peter D. Suzdak
Peter D. Suzdak,
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.

Exhibit 32.2

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 fiscal quarter ended September 30, 2014 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 results of operations of the Company.

Dated: November 12, 2014

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.