UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

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

For the quarterly period ended September 30, 2009

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: 71,924,496 shares of common stock outstanding as of November 16, 2009.

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

PART I Financial Information

Item 1 Financial Statements

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Condensed Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 4,141,358**	$ 369,130
Marketable securities	**-**	2,999,750
Prepaid expenses and other current assets (note 3)	**220,283**	366,765
Total Current Assets	**4,361,641**	3,735,645
Restricted Cash Equivalents (note 13)	**2,100,533**	-
Equipment, Net (note 4)	**179,737**	92,212
Intangible Asset, Net (note 5)	**272,774**	286,132
Total Assets	**$ 6,914,685**	$ 4,113,989
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses (note 6)	**$ 474,289**	$ 358,894
Deferred Revenue (note 7)	**993,750**	1,050,000
Other liabilities (note 8)	**121,171**	-
Total Liabilities	**1,589,210**	1,408,894
Commitments and Contingencies (note 13)		
Stockholders' Equity (note 10):		
Preferred stock, par value $0.0001, 100,000 authorized shares, none issued and outstanding	**-**	-
Common stock, par value $0.0001, 500,000,000 authorized shares, 63,848,175 (2008 – 56,039,854) issued	**6,384**	5,604
Additional paid-in capital	**39,759,025**	33,184,860
Accumulated deficit during the development stage	**(34,411,524)**	(29,906,479)
Treasury stock, 14,205 shares, at cost	**(28,410)**	(28,410)
Accumulated other comprehensive (loss)	**-**	(550,480)
Total Stockholders' Equity	**5,325,475**	2,705,095
Total Liabilities and Stockholders' Equity	**$ 6,914,685**	$ 4,113,989

See the notes accompanying the condensed financial statements

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative from March 19, 2001 (Inception) to September 30, 2009
	2009	2008	**2009**	2008	
Revenues:					
Research	**$ 18,750**	$ 18,750	**$ 56,250**	$ 56,250	**$ 506,250**
Expenses:					
General and administrative	**724,067**	645,368	**2,285,804**	1,893,819	**17,150,243**
Research and development	**424,609**	567,905	**2,018,766**	1,419,077	**15,250,610**
Patent fees	**107,618**	57,574	**258,421**	163,778	**1,180,254**
Depreciation and amortization	**17,292**	13,875	**41,638**	41,574	**544,842**
Total Expenses	**1,273,586**	1,284,722	**4,604,629**	3,518,248	**34,125,949**
Loss from Operations	**(1,254,836)**	(1,265,972)	**(4,548,379)**	(3,461,998)	**(33,619,699)**
Other (Income) Expense:					
Realized loss (gain) on marketable securities	**-**	-	**(11,025)**	22,365	**9,341**
Interest (income)	**(17,407)**	(52,122)	**(32,309)**	(220,239)	**(1,143,663)**
Interest expense	**-**	-	**-**	-	**301,147**
Beneficial conversion feature	**-**	-	**-**	-	**1,625,000**
Total Other (Income) Expense	**(17,407)**	(52,122)	**(43,334)**	(197,874)	**791,825**
Net Loss Before Provision for Income Taxes	**(1,237,429)**	(1,213,850)	**(4,505,045)**	(3,264,124)	**(34,411,524)**
Provision for Income Taxes	**-**	-	**-**	-	**-**
Net Loss	**$ (1,237,429)**	$ (1,213,850)	**$ (4,505,045)**	$ (3,264,124)	**$ (34,411,524)**
Loss per share, basic and diluted	**$ (0.02)**	$ (0.02)	**$ (0.08)**	$ (0.06)	
Weighted average number of shares outstanding, basic and diluted	**61,027,293**	56,025,649	**58,440,503**	55,800,977	

See the notes accompanying the condensed financial statements

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,		Cumulative From March 19,2001 (Inception) to September 30, 2009
	2009	2008	
Cash Flows from Operating Activities:			
Net loss	**$ (4,505,045)**	$ (3,264,124)	$ (34,411,524)
Adjustments to reconcile net loss to net cash used in operating activities:			
Beneficial conversion feature	**-**	**-**	1,625,000
Compensatory stock	**-**	**-**	21,877
Depreciation and amortization	**41,638**	41,574	544,842
Stock option compensation expense	**489,094**	397,002	4,345,928
Amortization of deferred revenue	**(56,250)**	(56,250)	(506,250)
Realized (gains) losses on marketable securities	**(11,025)**	22,365	9,341
Amortization of deferred lease incentive	**(5,000)**	-	(5,000)
Deferred lease expenses	**26,171**	-	26,171
Changes in assets and liabilities:			
Prepaid expenses and other	**146,482**	(19,555)	(220,283)
Accounts payable and accrued expenses	**115,395**	(241,982)	474,289
Net Cash (Used in) Operating Activities	**(3,758,540)**	(3,120,970)	(28,095,609)
Cash Flows from Investing Activities:			
Restricted cash equivalents	**(2,100,533)**	-	(2,100,533)
Purchase of equipment	**(15,805)**	(25,697)	(541,137)
Purchase of marketable securities	**(1,196,824)**	(5,848,176)	(10,595,000)
Proceeds from sales of marketable securities	**4,758,079**	4,475,581	10,585,659
Payment of licensing fees	**-**	-	(356,216)
Net Cash Provided by (Used in) Investing Activities	**1,444,917**	(1,398,292)	(3,007,227)
Cash Flows from Financing Activities:			
Issuance of common stock and units, net of issuance costs	**6,085,851**	931,201	28,622,604
Proceeds from long-term debt	**-**	**-**	5,150,000
Proceeds from research contribution	**-**	**-**	1,500,000
Principal payments on long-term debt	**-**	-	(28,410)
Net Cash Provided by Financing Activities	**6,085,851**	931,201	35,244,194
Net Increase (Decrease) in Cash and Cash Equivalents	**3,772,228**	(3,588,061)	4,141,358
Cash and Cash Equivalents - beginning of period	**369,130**	3,809,571	-
Cash and Cash Equivalents - end of period	**$ 4,141,358**	$ 221,510	$ 4,141,358
Supplemental Cash Flow Information:			
Interest paid	**$ -**	$ -	$ 301,147
Non-cash financing and investing activities:			
Warrants issued	**$ 1,348,308**	$ -	$ 2,762,596
Leasehold improvement incentive	**$ 100,000**	$ -	$ 100,000

See the notes accompanying the condensed financial statements

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

1. Operations and Organization

Operations

Rexahn Pharmaceuticals, Inc. (the "Company", "Rexahn Pharmaceuticals", "we", or "us"), a Delaware corporation, is a development stage biopharmaceutical company dedicated to the discovery, development and commercialization of innovative treatments for cancer, central nervous system (CNS) disorders, sexual dysfunction and other medical needs. The Company had an accumulated deficit of $34,411,524 at September 30, 2009 and anticipates incurring losses through the remainder of fiscal 2009 and beyond. The Company has not yet generated commercial sales revenue and has been able to fund its operating losses to date through the sale of its common stock, units, issuance of long-term debt, and proceeds from reimbursed research and development costs. Management has the capability of managing the Company's operations within existing cash available by reducing research and development activities. This may result in slowing down clinical studies, but will conserve the Company's cash to allow it to operate for the next twelve months.

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2009 are not necessarily indicative of results that may be expected for the full fiscal year ending December 31, 2009. The accompanying condensed financial statements should be read in conjunction with the audited financial statements of the Company for the fiscal year ended December 31, 2008. The Company has evaluated subsequent events for recognition or disclosure through November 16, 2009, which was the date we filed this Form 10-Q with the SEC.

Use of Estimates

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

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

2. Recent Accounting Pronouncements Affecting the Company

In April 2009, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably determined. If the fair value of such assets or liabilities cannot be reasonably determined, then they would generally be recognized in accordance with certain other pre-existing accounting standards. This guidance also amends the subsequent accounting for assets and liabilities arising from contingencies in a business combination and certain other disclosure requirements. This guidance becomes effective for assets or liabilities arising from contingencies in business combinations that are consummated during the Company's fiscal 2010 and it is not expected to have an impact on the Company's September 30, 2009 interim financial statements.

In June 2009, the FASB issued authoritative guidance to eliminate the exception to consolidate a qualifying special-purpose entity, change the approach to determining the primary beneficiary of a variable interest entity and require companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This guidance becomes effective for the Company's fiscal 2011 year-end and interim reporting periods thereafter. The Company does not expect this guidance to have a material impact on its financial statements.

In June 2009, the FASB established the FASB Accounting Standards CodificationTM (the "Codification") as the single source of authoritative U.S. generally accepted accounting principles ("U.S. GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The Codification did not have a material impact on the Company's financial statements upon adoption. Accordingly, the Company's notes to the financial statements will explain accounting concepts rather than cite the topics of specific U.S. GAAP.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

3. Prepaid Expenses and Other Current Assets

	September 30, 2009	December 31, 2008
Deposits on contracts	**$ 162,862**	$ 294,337
Other assets	**57,421**	72,428
	$ 220,283	$ 366,765

4. Equipment

	September 30, 2009	December 31, 2008
Furniture and fixtures	**$ 31,713**	$ 31,713
Office equipment	**70,276**	70,276
Lab and computer equipment	**428,436**	421,343
Leasehold improvements	**110,712**	2,000
	641,137	525,332
Less accumulated depreciation and amortization	**(461,400)**	(433,120)
Net carrying amount	**$ 179,737**	$ 92,212

Depreciation and amortization expense was $12,839 and $9,422 for the three months ended September 30, 2009 and 2008, respectively and $28,280 and $28,215 for the nine months ended September 30, 2009 and 2008, respectively.

5. Intangible Asset, Net

On February 10, 2005, the Company entered into a licensing agreement with Revaax Pharmaceuticals LLC ("Revaax"), whereby the Company received an exclusive, worldwide, royalty bearing license, with the right to sub-license Revaax's licensed technology and products. The agreement called for an initial licensing fee of $375,000 to be payable to Revaax in eight quarterly installments ending on November 10, 2006. Accordingly, the Revaax license was measured at fair value at the date the licensing agreement was entered into. The fair value of the license component of $356,216 was determined by discounting the stream of future quarterly payments of $46,875 at 6%, the prevailing market rate for a debt instrument of comparable maturity and credit quality. The asset is amortized on a straight-line basis over an estimated useful life of 20 years. The discount was accreted over the term of the liability, calculated based on the Company's estimated effective market interest rate of 6%. Amortization expense was $4,453 for each of the three months ended September 30, 2009 and 2008 and $13,358 and $13,359 for the nine months ended September 30, 2009 and 2008.

Management does not believe that there is an impairment of intangible asset at September 30, 2009.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

The following table sets forth the intangible assets:

	September 30, 2009	December 31, 2008
Revaax license, original cost	**$ 356,216**	$ 356,216
Less accumulated amortization	**(83,442)**	(70,084)
Balance	**$ 272,774**	$ 286,132

Amortization over the next five (5) years and thereafter is as follows:

2009	$ 4,452
2010	17,811
2011	17,811
2012	17,811
2013	17,811
Thereafter	197,078
	$ 272,774

6. Accounts Payable and Accrued Expenses

	September 30, 2009	December 31, 2008
Trade payables	**$ 171,555**	$ 136,906
Accrued expenses	**210,232**	98,486
Payroll liabilities	**92,502**	123,502
	$ 474,289	$ 358,894

7. Deferred Revenue

In 2003, the Company entered into a collaborative research agreement with Rexgene Biotech Co., Ltd. ("Rexgene"), a minority shareholder. Rexgene is engaged in the development of pharmaceutical products in Asia and has agreed to assist the Company with the research, development and clinical trials necessary for registration of the Company's drug candidate, RX-0201, in Asia. This agreement provides Rexgene with exclusive rights to license, sublicense, make, have made, use, sell and import RX-0201 in Asia. A one-time contribution to the joint development and research of RX-0201 of $1,500,000 was paid to the Company in 2003 in accordance with the agreement. The amount of revenue from this contribution is being recognized as income over the term of the agreement which terminates at the later of 20 years or the term of the patent on the licensed product. The Company is using 20 years as its basis for recognition and accordingly $56,250 was included in revenues for the nine months ended September 30, 2009 and 2008. The remaining $993,750 at September 30, 2009 (December 31, 2008 - $1,050,000) is reflected as deferred revenue on the balance sheet. The contribution is being used in the cooperative funding of the costs of development of RX-0201. Royalties of 3% of net sales of licensed products will become payable to the Company on a quarterly basis once commercial sales of RX-0201 begin. The product is still under development and commercial sales are not expected to begin until at least 2012.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

8. Other Liabilities

Deferred Lease Incentive

On June 29, 2009, the Company entered into a five year office lease agreement with The Realty Associates Fund V, LP ("lessor"), as discussed in note 13. The lessor agreed to grant a leasehold improvement allowance of $100,000 to the Company to be used for construction cost of the improvements, architectural and engineering fees, government agency plan check, permit and other fees, sales and use taxes, testing and inspection costs, construction fees and telephone and data cabling and wiring in the premises. As at September 30, 2009, the full amount of leasehold improvement allowance has been used up by the Company. The Company accounts for the benefit of the leasehold improvement allowance as a reduction of rental expense over the term of the lease which is 5 years.

The following table sets forth the deferred lease incentive:

	September 30, 2009	December 31, 2008
Deferred lease incentive	**$ 100,000**	$ -
Less accumulated amortization	**(5,000)**	-
Balance	**$ 95,000**	$ -

Deferred Office Lease Expense

The office lease agreement, as discussed above, requires an initial annual base rent of $76,524 with increases over the next five years. The Company recognizes rental expense on a straight-line basis over the term of the lease, which results in a deferred rent liability of $15,835 as at September 30, 2009.

Deferred Lab Lease Expense

On May 21, 2009, the Company entered into a 1 year agreement to use lab space commencing on July 1, 2009. The lessor granted free rent to the Company for the period from July 1, 2009 to September 30, 2009. The Company recognizes rental expense on a straight-line basis over the term of the lease, which results in a deferred rent liability of $10,336 as at September 30, 2009.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

9. Net Loss per Common Share

We compute basic loss per share by dividing net loss by the weighted average number of common shares outstanding and excluding any potential dilution. Net loss per common share assuming dilution was computed by reflecting potential dilution from the exercise of stock options and warrants. As of September 30, 2009 and 2008, there were stock options and warrants to acquire 13,455,267 and 7,402,943 shares of our common stock respectively. These shares were excluded from the computations of diluted loss per share because their effect would be anti-dilutive.

10. Stockholders' Equity

The following transactions have occurred from March 19, 2001 (inception) to September 30, 2009:

a) On May 10, 2001, the Company issued 3,600,000 shares of common stock to the Company's founders for $1.

b) On August 10, 2001, the Company issued:

i) 1,208,332 shares of common stock to the directors of the Company for cash of $1,450,000.

ii) 958,334 shares of common stock to Rexgene for cash of $550,000.

iii) 360,000 shares of common stock in a private placement to individual investors for cash of $1,080,000.

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

c) On October 10, 2001, the Company issued 400,000 shares of common stock to Chong Kun Dang Pharmaceutical Corp. ("CKD") for cash of $479,991 and 400,000 shares of common stock to an individual investor for cash of $479,991.

d) On October 10, 2001, the Company issued 200,000 shares of common stock to CKD for cash of $479,985.

e) Since inception, the Company's founders have transferred 800,000 shares of the common stock described in a) to officers and directors of the Company.

f) In July 2003, the shareholders described in b)(iii) and e) transferred an aggregate of 1,268,332 shares of common stock to a voting trust. The trust allows for the unified voting of the stock by the trustees. The appointed trustees are senior management of the Company who, together with their existing shares, control a majority of the voting power of the Company.

g) On August 20, 2003, the Company issued 500,000 shares of common stock to KT&G Corporation for cash of $2,000,000.

h) On October 29, 2004, an option holder exercised options to purchase shares of the Company's common stock for cash of $1,800 and the Company issued an aggregate of 1,500 shares.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

i) Pursuant to the agreement and plan of merger which occurred on May 13, 2005, (i) each share of the issued and outstanding common stock of Rexahn, Corp ("Rexahn") (other than dissenting shares) was converted into the right to receive five shares of Rexahn Pharmaceuticals common stock; (ii) each issued, outstanding and unexercised option to purchase a share of Rexahn common stock was converted into an option to purchase five shares of Rexahn Pharmaceuticals common stock and (iii) the par value of Rexahn's common stock was adjusted to reflect the par value of Corporate Road Show. Com Inc. ("CRS") common stock. In the acquisition merger, 289,780,000 CRS pre-reverse stock split shares were converted into 2,897,802 post-reverse stock split Rexahn Pharmaceuticals shares, and an additional 500,000 post-reverse stock split Rexahn Pharmaceuticals shares were issued to a former executive of CRS. All shares and earnings per share information has been retroactively restated in these financial statements.

j) On August 8, 2005, the Company issued, in a transaction exempt from registration under the Securities Act, 4,175,000 shares of common stock at a purchase price of $2.00 per share.

k) On October 3, 2005, the Company issued 7,000 shares of common stock for $21,877 and $7,500 cash in exchange for services.

l) On December 2, 2005, the holders of a convertible note, representing $1,300,000 aggregate principal amount, exercised their option to convert the entire principal amount of the note into the Company's common stock. Based on a $2.00 per share conversion price, the holders received an aggregate of 650,000 shares.

m) On December 27, 2005, option holders exercised options to purchase shares of the Company's common stock for cash of $9,600 and the Company issued an aggregate of 40,000 shares.

n) On February 22, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of $1,200 and the Company issued an aggregate of 5,000 shares.

o) On April 12, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of $3,409 and the Company issued an aggregate of 14,205 shares. On the same date, the Company agreed to repurchase common stock from the option holder based on the then market price for treasury in exchange for the aggregate purchase price of $28,410 in cash.

p) On May 13, 2006, holders of the $3,850,000 convertible notes issued on February 28, 2005, exercised their rights to convert the entire principal amount of the notes into shares of the Company's common stock. Based on a $1.00 per share conversion price, the Company issued 3,850,000 shares of common stock in connection with the conversion.

q) On October 9, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of $2,400 and the Company issued an aggregate of 10,000 shares.

r) On November 19, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of $1,800 and the Company issued an aggregate of 7,500 shares.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

s) On December 19, 2006, an option holder exercised options to purchase shares of the Company's common stock for cash of $6,000 and the Company issued an aggregate of 25,000 shares.

t) On April 18, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of $14,400 and the Company issued an aggregate of 18,000 shares.

u) On July 23, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of $12,000 and the Company issued an aggregate of 15,000 shares.

v) On September 27, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of $15,600 and the Company issued an aggregate of 19,500 shares.

w) On December 18, 2007, the Company issued 4,857,159 units at a price of $1.40 per share for total gross proceeds of $6,800,023. Investors also were issued one warrant for every five shares purchased. One warrant will entitle the holder to purchase an additional share of common stock at a purchase price of $1.80 at any time over a period of three years from the date of the closing of the private placement valued at $1,103,164 on closing and were charged to additional paid-in-capital. Private placement closing costs of $139,674, including 107,144 warrants issued, valued at $91,119, were recorded as a reduction of the issuance proceeds.

x) On December 27, 2007, an option holder exercised options to purchase shares of the Company's common stock for cash of $18,000 and the Company issued an aggregate of 75,000 shares.

y) On March 20, 2008, the Company issued 642,858 units consisting of one share of the Company’s common stock and one warrant for every five common shares purchased in a private placement at a price of $1.40 per unit for total gross proceeds of $900,001. One warrant will entitle the holder to purchase an additional share of common stock at a price of $1.80 at any time over a period of three years from the date of the private placement. The warrants were valued at $220,005 and were charged to additional paid-in-capital.

z) On May 30, 2008, an option holder exercised options to purchase shares of the Company's common stock for cash of $7,200 and the Company issued an aggregate of 30,000 shares.

aa) On June 2, 2008, an option holder exercised options to purchase shares of the Company's common stock for cash of $12,000 and the Company issued an aggregate of 50,000 shares.

ab) On June 30, 2008, an option holder exercised options to purchase shares of the Company's common stock for cash of $12,000 and the Company issued an aggregate of 10,000 shares.

ac) On May 19, 2009 the Company entered into a purchase agreement to issue 2,857,143 shares of common stock at a price of $1.05 per share to an institutional investor for total proceeds of $2,710,910, net of $289,090 stock issuance costs. The investor was also issued:

1) Series I warrants to purchase 2,222,222 shares of common stock at a purchase price of $1.05 per share at any time before September 3, 2009;

2) Series II warrants to purchase 1,866,666 shares of common stock at a purchase price of $1.25 per share at any time from December 3, 2009 to June 5, 2012; and

3) Series III warrants to purchase 1,555,555 shares of common stock at a purchase price of $1.50 per share at any time from December 3, 2009 to June 5, 2014.

These warrants have been valued at $1,142,925 and recorded in additional paid-in-capital. The closing costs included 142,857 warrants valued at $35,398 and were recorded as a reduction of the gross proceeds. Series I warrants to purchase 2,222,222 shares of common stock at a purchase price of $1.05 per share have been expired.

ad) On June 9, 2009, the Company issued 1,833,341 shares of common stock and 862,246 warrants to purchase common stock at a purchase price of $1.05 per share to existing stockholders pursuant to the anti-dilution protection provisions of the private placements transacted on December 24, 2007 and March 20, 2008. The warrants were valued at $169,985 and recorded as a reduction in issuance proceeds of the May 19, 2009 transaction as described above.

ae) On September 4, 2009, an option holder exercised options to purchase shares of the Company's common stock for cash of $3,600 and the Company issued an aggregate of 15,000 shares.

af) On September 21, 2009, the Company issued 3,102,837 shares of common stock at a purchase price of $1.13 per share to an institutional investor for total proceeds of $3,371,341, net of $128,659 stock issuance costs.

ag) During the nine month period ended September 30, 2009, the Company sold all of its marketable securities for which it previously recorded an unrealized loss of ($550,480) to accumulated other comprehensive (loss) at December 31, 2008. The sale of the Company's investments in marketable securities resulted in a realized gain of $11,025 during the nine month period ended September 30, 2009.

11. Stock-Based Compensation

On August 5, 2003, the Company established a stock option plan (the "Plan"). Under the Plan, the Company grants stock options to key employees, directors and consultants of the Company. For all grants prior to September 12, 2005 and grants to employees of the Company after September 12, 2005, the vesting period is 30% on the first anniversary of the grant date, an additional 30% on the second anniversary and the remaining 40% on the third anniversary. Options expire between 5 and 10 years from the date of grant.

For grants to non-employee consultants of the Company after September 12, 2005, the vesting period is between 1 to 3 years, subject to the fulfillment of certain conditions in the individual stock option grant agreements, or 100% upon the occurrence of certain events specified in the individual stock option grant agreements. Options authorized for issuance under the Plan total 17,000,000 after giving effect to an amendment to the Plan approved at the Annual Meeting of the Stockholders of the Company on June 2, 2006. At September 30, 2009, 8,837,500 shares of common stock were available for issuance.

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

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

Accounting for Employee Awards

The Company's results of operations for the three and nine months ended September 30, 2009 include share-based employee compensation expense totaling $141,009 and $473,791, respectively and for the three and nine months period ended September 30, 2008, include share-based employee compensation expense totaling $59,325 and $174,122, respectively. Such amounts have been included in the Statements of Operations in general and administrative and research and development expenses. No income tax benefit has been recognized in the Statements of Operations for share-based compensation arrangements as the Company has provided for a 100% valuation allowance on its deferred tax assets.

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

Accounting for Non-Employee Awards

Stock compensation expenses related to non-employee options were $6,057 and $15,303 for the three and nine months period ended September 30, 2009 and $19,766 and $223,880 for the three and nine months period ended September 30, 2008. Such amounts have been included in the Statements of Operations in general and administrative and research and development expenses.

Summary of Stock Compensation Expenses Recognized

Total stock-based compensation recognized by the Company in the nine months ended September 30, 2009 and 2008, and the period from inception (March 19, 2001) to September 30, 2009, all of which relates to stock options and warrants, is as follows:

	September 30, 2009	September 30, 2008	Inception (March 19, 2001) to September 30, 2009
Income statement line item:			
General and administrative			
Payroll	**$ 339,960**	$ 27,600	$ 1,497,038
Consulting and other professional fees	**15,278**	134,448	749,298
Research and development:			
Payroll	**133,831**	146,523	811,049
Consulting and other professional fees	**25**	88,431	1,288,543
Total	**$ 489,094**	$ 397,002	$ 4,345,928

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

Summary of Stock Option Transactions

There were 30,000 stock options granted at an exercise price of $1.05 with a fair value of $6,989 and 100,000 stock options granted at an exercise price of $1.28 with a fair value of $100,769 during the nine months ended September 30, 2009. A total of 750,000 stock options were granted in the same period last year. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is based upon historical volatility of the Company's stock. The expected term is based upon the simplified method.

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

	Nine Months Ended September 30,	
	2009	2008
Black-Scholes weighted average assumptions:		
Expected dividend yield	**-**	-
Expected volatility	**106%-108%**	100% - 114%
Risk free interest rate	**0.56%-2.55%**	1.60%-4.99%
Expected term (in years)	**0.71 - 5 years**	0.52 - 5 years

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

	2009		2008	
	Shares Subject to Options	**Weighted Avg. Option Prices**	**Shares Subject to Options**	**Weighted Avg. Option Prices**
Outstanding at January 1st	7,760,795	$ 1.01	6,045,795	$ 0.97
Granted	130,000	1.23	750,000	1.71
Exercised	(15,000)	0.24	(90,000)	0.35
Cancelled	(55,000)	1.29	(50,000)	1.34
Outstanding at September 30th	**7,820,795**	**$ 1.00**	6,655,795	$ 1.05

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

The following table summarizes information about stock options outstanding as of September 30, 2009 and 2008:

	Shares Subject to Options	Weighted Avg. Option Prices	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at September 30, 2009	**7,820,795**	**$ 1.00**	**6.3 years**	**$ 921,509**
Exercisable at September 30, 2009	**5,882,795**	**$ 0.99**	**5.7 years**	**$ 796,509**

	Shares Subject to Options	Weighted Avg. Option Prices	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at September 30, 2008	6,655,795	$ 1.05	7.0 years	$ 2,655,485
Exercisable at September 30, 2008	4,996,795	$ 1.11	6.5 years	$ 2,486,567

As of September 30, 2009 and 2008, there was $2,030,132 and $1,851,934 of total unrecognized compensation cost, respectively, related to all unvested stock options, which is expected to be recognized over a weighted average vesting period of 1.91 years and 1.68 years, respectively.

12. Income Taxes

No provision for Federal or state income taxes was required for the period ended September 30, 2009, due to the Company's operating losses. At September 30, 2009, the Company has unused net operating loss carry-forwards of approximately $34,411,000 which expire at various dates through 2029. Most of this amount is subject to annual limitations under certain provisions of the Internal Revenue Code related to "changes in ownership".

As of September 30, 2009, the deferred tax assets related to the aforementioned carry-forwards have been fully offset by valuation allowances, since utilization of such amounts is not presently expected in the foreseeable future.

Deferred tax assets and valuation allowances consist of:

	September 30, 2009	December 31, 2008
Net operating loss carry-forwards	**$ 13,076,379**	$ 11,364,336
Valuation allowance	**(13,076,379)**	(11,364,336)
Net deferred tax assets	**$ -**	$ -

We file income tax returns in the U.S. federal and Maryland state jurisdictions. Tax years for fiscal 2006 through 2008 are open and potentially subject to examination by the federal and Maryland state taxing authorities.

13. Commitments and Contingencies

a) The Company has contracted with various vendors to provide research and development services. The terms of these agreements usually require an initiation fee and monthly or periodic payments over the term of the agreement, ranging from 6 months to 24 months. The costs to be incurred are estimated and are subject to revision. As of September 30, 2009, the total contract value of these agreements was approximately $5,469,993 and the Company had made payments totaling $3,527,100 under the terms of the agreements as of September 30, 2009. All of these agreements may be terminated by either party upon appropriate notice as stipulated in the respective agreements.

b) The Company and three of its key executives entered into employment agreements. Each of these agreements was renewed on August 10, 2009 and expire on August 10, 2012. The agreements result in annual commitments of $200,000, $350,000 and $250,000.

c) Regulation by governmental authorities in the United States and in other countries constitutes a significant consideration in our product development, manufacturing and marketing strategies. The Company expects that all drug candidates will require regulatory approval by appropriate governmental agencies prior to commercialization and will be subjected to rigorous pre-clinical, clinical, and post-approval testing, as well as to other approval processes by the FDA and by similar health authorities in foreign countries. United States federal regulations control the ongoing safety, manufacture, storage, labeling, record keeping, and marketing of all biopharmaceutical products intended for therapeutic purposes. The Company believes that it is in compliance in all material respects with currently applicable rules and regulations.

d) On August 19, 2008, the Company entered into an agreement with KCSA Strategic Communications ("KCSA") for KCSA to provide investor relations services to the Company. Under this agreement, the Company agreed to a monthly fixed retainer amount of $7,000 commencing on August 19, 2008. In December 2008, the monthly retainer was reduced to $4,000 per month. In accordance with the agreement, the contract may be terminated by either party upon 30 days prior written notice to the other party.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

e) On April 6, 2009, the Company entered into an agreement with Rodman & Renshaw, LLC ("Rodman") for Rodman to serve as placement agent for the Company. Under this agreement, the Company agreed to pay a cash fee to Rodman immediately upon the closing of the placement equal to 6% of the aggregate gross proceeds raised in the placement plus a cash fee payable immediately on each exercise of the warrants issued to the purchasers in the placement that are solicited by Rodman equal to 6% of the aggregate proceeds received by the Company in connection with such exercise; and such number of warrants (the "Rodman Warrants") issuable to Rodman or its designees at the closing to purchase shares of common stock equal to 5% of the aggregate number of shares sold in the placement. In accordance with the agreement, the contract ended on July 31, 2009. The Company paid $180,000 and issued the placement agent warrants to purchase up to an aggregate of 142,857 shares of our common stock at an exercise price of $1.3125 per share.

f) On April 20, 2009, Amarex, LLC filed suit against us in the Circuit Court of Montgomery County, Maryland, seeking damages for an alleged breach of a contract between the Company and Amarex, LLC entered into on January 6, 2006. Amarex, LLC claims damages of $93,156 plus interest. On May 22, 2009, the Company filed an answer and an affirmative defense to the complaint denying the claims of damages made by Amarex, LLC. On June 16, 2009, the Company filed a counterclaim against Amarex, LLC for breach of the same contract in the amount of $354,824 plus interest.

g) On April 27, 2009, we added a Change Order to the original Single Service Agreement, dated March 15, 2006 with Aptuit, Inc. for packaging and labeling of Archexin™ for our Phase II pancreatic cancer study. The total cost of the Change Order is $16,800, none of which was paid as of September 30, 2009.

h) On May 4, 2009, the NYSE Amex (the "Exchange") accepted the Company's proposed compliance plan which addresses how the Company intends to regain compliance with the continued listing standards within a maximum of 18 months. On July 7, 2009, the Company received a notice from the Exchange indicating that it had regained compliance with the requirements of the NYSE Amex Company Guide for the continued listing of its common stock on the Exchange, and that its common stock therefore was no longer subject to delisting.

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

j) On May 22, 2009, we were notified by the Financial Industry Regulatory Authority ("FINRA") that FINRA, on behalf of the NYSE Amex, is conducting a review of trading in our common stock surrounding the May 12, 2009 announcement of the results of an animal study that further demonstrates that our drug candidate Zoraxel is a potential new-class of therapeutic for the effective treatment of sexual dysfunction. On October 9, 2009, FINRA notified the Company that it has closed the review of the trading activity without further action.

k) On June 10, 2009, we entered into a Research Services Agreement with University of Maryland, Baltimore to evaluate melanoma research. The total cost of these services is $27,951, of which $20,964 was paid as of September 30, 2009.

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

l) On June 16, 2009, we contracted with Baptist Cancer Institute as a clinical site for our Phase IIa clinical study for Archexin(TM) for pancreatic cancer. The estimated cost for the study is $83,250, none of which was paid as of September 30, 2009.

m) On June 22, 2009, we entered into a License Agreement with 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 September 30, 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.

n) On June 26, 2009, the Company entered into a securities purchase agreement with Teva Pharmaceutical Industries Limited ("Teva"). Contemporaneous with the execution and delivery of this agreement, the parties executed a research and exclusive license option agreement ("RELO") pursuant to which the Company shall use $2,000,000 of the gross proceeds of the issuance and sale of shares to Teva to fund a research and development program for the pre-clinical development of RX-3117 and has included this amount in restricted cash equivalents. The Company will be eligible to receive royalties on net sales of RX-3117 worldwide. As at September 30, 2009, no work has been started on the RX-3117 research and development program.

o) On June 29, 2009, the Company signed a five year lease for 5,466 square feet of office space in Rockville, Maryland commencing on June 29, 2009. The lease requires annual base rents of $76,524 with increases over the next five years. Under the leasing agreement, the Company pays its allocable portion of real estate taxes and common area operating charges. Rent paid under the Company's former lease during the nine months period ended September 30, 2009 was $112,973 (2008 - $132,104).

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

2009	$	52,044
2010		135,982
2011		148,593
2012		158,835
2013		162,806
Thereafter		82,408
	$	740,668

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

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

14. Fair Value Measurements

The Company adopted Statement of Financial Accounting Standards ("FAS") No.157, "Fair Value Measurements" ("FAS 157") as of January 1, 2008. FAS 157 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. FAS 157 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels are described below:

Level 1 Inputs — Unadjusted quoted prices in active markets for identical assets or liabilities that is accessible by the Company;
Level 2 Inputs — Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3 Inputs — Unobservable inputs for the asset or liability including significant assumptions of the Company and other market participants.

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

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

	Fair Value Measurements as of September 30, 2009			
	Total	Level 1	Level 2	Level 3
Assets:				
Restricted cash equivalents	$ 2,100,533	$ 2,000,533	$ 100,000	-
Total Assets	$ 2,100,533	$ 2,000,533	$ 100,000	$ -

As of September 30, 2009, the Company's restricted cash equivalents, comprises of the following:

a) monies held in money market in accordance with the RELO agreement, as discussed in noted 13, and classified within level 1 of the fair value hierarchy; and

b) a certificate of deposit and valued based upon the underlying terms of a letter of credit, as discussed in note 13, and classified within level 2 of the fair value hierarchy

REXAHN PHARMACEUTICALS, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
Nine Months Ended September 30, 2009 and 2008
(Unaudited)

	Fair Value Measurements as of December 31, 2008			
	Total	Level 1	Level 2	Level 3
Assets:				
State Authority Auction Rate Bonds	$ 2,999,750	-	$ 2,999,750	-
Total Assets	$ 2,999,750	$ -	$ 2,999,750	$ -

As of December 31, 2008, the investments, at fair value, consists of state authority auction rate bonds which are valued at market and classified within level 2 of the fair value hierarchy.

15. Subsequent Events

On October 26, 2009, the Company received gross proceeds of $5,000,000 for the sale to five institutional investors of 6,072,383 shares of common stock at $0.8234 per share and warrants to buy an additional 2,125,334 shares of common stock at an exercise price of $1.00 per share. Rodman acted as the exclusive placement agent for this transaction and received warrants to purchase 245,932 shares of common stock at an exercise price of $1.029 per share. The Company is planning to use the proceeds from the offering for research and development and general corporate purposes. The Company will have 71,924,496 shares outstanding.

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

OVERVIEW

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our lack of profitability and the need for additional capital to operate our business;
- our ability to obtain the necessary U.S. and worldwide regulatory approvals for our drug candidates;
- successful and timely completion of clinical trials for our drug candidates;
- demand for and market acceptance of our drug candidates;
- the availability of qualified third-party researchers and manufacturers for our drug development programs;
- our ability to develop and obtain protection of our intellectual property; and
- other risks and uncertainties, including those detailed from time to time in our filings with the Securities and Exchange Commission (the "SEC").

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

CRITICAL ACCOUNTING POLICIES

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

Use of Estimates

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2009, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably determined. If the fair value of such assets or liabilities cannot be reasonably determined, then they would generally be recognized in accordance with certain other pre-existing accounting standards. This guidance also amends the subsequent accounting for assets and liabilities arising from contingencies in a business combination and certain other disclosure requirements. This guidance becomes effective for assets or liabilities arising from contingencies in business combinations that are consummated during the Company's fiscal 2010 and it is not expected to have an impact on the Company's September 30, 2009 interim financial statements.

In June 2009, the FASB issued authoritative guidance to eliminate the exception to consolidate a qualifying special-purpose entity, change the approach to determining the primary beneficiary of a variable interest entity and require companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This guidance becomes effective for the Company's fiscal 2011 year-end and interim reporting periods thereafter. The Company does not expect this guidance to have a material impact on its financial statements.

In June 2009, the FASB established the FASB Accounting Standards CodificationTM (the "Codification") as the single source of authoritative U.S. generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The Codification did not have a material impact on the Company's financial statements upon adoption. Accordingly, the Company's notes to the financial statements will explain accounting concepts rather than cite the topics of specific U.S. GAAP.

RESULTS OF OPERATIONS

Comparison of Three Months and Nine Months Ended September 30, 2009 and 2008:

Total Revenues

For each of the three and nine month periods ended September 30, 2009, we recorded revenues of $18,750 and $56,250, respectively. We recorded the same amounts in the periods of 2008. In all periods, the revenue reflects the recognition of deferred revenue from a collaborative research agreement with Rexgene Biotech Co., Ltd., a minority stockholder.

General and Administrative Expenses

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

General and administrative expenses increased $78,699, or 12.2%, to $724,067 for the three months ended September 30, 2009 from $645,368 for the three months ended September 30, 2008. General and administrative expenses increased $391,985, or 20.7% to $2,285,804 for the nine months ended September 30, 2009 from $1,893,819 for the nine months ended September 30, 2008. The increase in both periods was primarily due to higher stock option compensation, investor relation expenses, audit fees, including fees to comply with Sarbanes-Oxley, and investor relation 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 decreased $143,296, or 25.2%, to $424,609 for the three months ended September 30, 2009 from $567,905 for the three months ended September 30, 2008. The decrease was primarily due to a decrease of clinical studies for our drug candidates, drug manufacturing, and lab supplies. Research and development expenses increased $599,689, or 42.3%, to $2,018,766 for the nine months ended September 30, 2009 from $1,419,077 for the nine months ended September 30, 2008. The increase was primarily due to an increase of multiple clinical studies for our drug candiates.

Patent Fees

Our patent fees increased $50,044, or 86.9%, to $107,618 for the three months ended September 30, 2009 from $57,574 for the three months ended September 30, 2008. Patent fees increased $94,643, or 57.8%, to $258,421 for the nine months ended September 30, 2009 from $163,778 for the nine months ended September 30, 2008. The increases in both periods were primarily due to the filing of additional patent applications and documentation and attorney fees related to the increased filings.

Interest Income

Interest income decreased $34,715, or 66.6%, to $17,407 for the three months ended September 30, 2009 from $52,122 for the three months ended September 30, 2008. Interest income decreased $187,930, or 85.3%, to $32,309 for the nine months ended September 30, 2009 from $220,239 for the nine months ended September 30, 2008. The decreases in both periods were primarily due to decrease in interest-bearing investments and lower interest rates.

Depreciation and Amortization

Depreciation and amortization expenses increased by $3,417, or 24.6%, to $17,292 for the three months ended September 30, 2009 from $13,875 for the three months ended September 30, 2008. The increase was primarily due to higher amortization recorded on equipment due to new additions. Depreciation and amortization expenses increased $64, or 0.2%, to $41,638 for the nine months ended September 30, 2009 from $41,574 for the nine months ended September 30, 2008.

Net Loss

As a result of the above, the net loss for the three months and nine months ended September 30, 2009 was $1,237,429 and $4,505,045, respectively, or $0.02 and $0.08 per share, respectively, compared to a net loss of $1,213,850 and $3,264,124, respectively, or $0.02 and $0.06 per share, respectively, for the three months and nine months ended September 30, 2008.

Research and Development Projects

Research and development costs are expensed as incurred. Research and development expenses consist primarily of salaries and related personnel costs, costs to acquire pharmaceutical products and product rights for development and amounts paid to contract research organizations, hospitals and laboratories for the provision of services and materials for drug development and clinical trials. Costs incurred in obtaining the license rights to technology in the research and development stage and that have no alternative future uses are expensed as incurred. Our research and development programs are related to our three clinical stage lead drug candidates, Archexin™, Serdaxin™ and Zoraxel™ and pre-clinical stage oncology drug candidates RX-0183, RX-3117 and RX-5902. Each of our lead drug candidates is in various stages of completion as described below. As we expand our clinical studies, we will enter into additional development agreements. Significant additional expenditures will be required if we complete our clinical trials, start new trials, apply for regulatory approvals, continue development of our technologies, expand our operations and bring our products to market. The eventual total cost of each clinical trial is dependent on a number of uncertainties such as trial design, the length of the trial, the number of clinical sites and the number of patients. The process of obtaining and maintaining regulatory approvals for new therapeutic products is lengthy, expensive and uncertain. Because the successful development of our most advanced drug candidates, Archexin™, Serdaxin™ and Zoraxel™, is uncertain, and because RX-0183, RX-3117 and RX-5902 are in early-stage development, we are unable to estimate the costs of completing our research and development programs, the timing of bringing such programs to market and, therefore, when material cash inflows could commence from the sale of these drug candidates. If these projects are not completed as planned, our results of operations and financial condition could be negatively affected and if we are unable to obtain additional financing to fund these projects, we may not be able to continue as a going concern.

Archexin™

In October 2006, we announced the conclusion of the Phase I clinical trial of Archexin™, our leading drug candidate. The costs incurred for the clinical trial were approximately $1,500,000.

The Phase I clinical trial of Archexin™, which took place at Georgetown University's Lombardi Cancer Center beginning in September 2004 and at the University of Alabama at Birmingham beginning in August 2005, was primarily to determine the safety and tolerability of the drug in patients with advanced cancer. As the main purpose of the clinical trial was to establish the safety of Archexin ™, the parameters that determined the completion of this project were a direct function of the safety profile of this compound in humans. As this was the first time that Archexin™ had been administered to humans, the safety profile in humans was unknown and, therefore, the number of doses required to determine the dosage at which the FDA safety endpoints would be met was estimated.

The Phase II clinical trial of Archexin™ began in the third quarter of 2007 in patients with advanced renal cell carcinoma who have failed previous treatments. The trial is the first of multiple trials planned for Archexin™. Phase II clinical trials for pancreatic cancer began in the first quarter of 2009. We estimate that the Phase II trials of each indication will be completed in 2010 and will require approximately $5,000,000. In January 2005, we received "orphan drug designation" from the FDA for Archexin™ for five cancer indications, including renal cell carcinoma, ovarian cancer, glioblastoma, stomach cancer, and pancreatic cancer. The orphan drug program is intended to provide patients with faster access to drug therapies for diseases and conditions that affect fewer than 200,000 people. Companies that receive orphan drug designation are provided an accelerated review process, tax advantages, and seven years of market exclusivity in the United States. In the future, we plan to apply Archexin™ to the treatment of other orphan indications and other cancers.

Serdaxin™

Serdaxin™ is being developed to treat depression and mood disorders, and has proven and well-established safety in humans. Phase II trials began in the first quarter of 2009. We currently estimate that Phase II trials will require $2,000,000 through the end of 2011.

Zoraxel™

Zoraxel™ is a CNS-based sexual dysfunction drug that has extensive and excellent safety in humans. Zoraxel™ entered Phase II trials in the first half of 2008. We currently estimate that these studies will require approximately $1,500,000 through the end of 2010.

Pre-clinical pipeline

Our early stage cancer candidates, RX-0183, RX-3117 and RX-5902 are in a pre-clinical stage of development and the next scheduled program for each compound is a pre-clinical toxicology study required prior to submission of an Investigational New Drug ("IND") application to the FDA. The estimated cost to complete pre-clinical toxicology and Phase I clinical trials is estimated to be approximately $1,500,000 per each compound for a total of $4,500,000. Pursuant to a research and exclusive license option with Teva Pharmaceutical Industries Limited (“Teva”), the Company must use $2 million of the gross proceeds from the issuance and sale of shares of common stock to Teva to fund a research and development program for the pre-clinical development and drug manufacturing of RX-3117. These compounds may enter Phase I clinical trials in 2010.

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was $3,758,540 for the nine months ended September 30, 2009 compared to cash used in operating activities of $3,120,970 for the same period ended September 30, 2008. The operating cash flows during the nine months ended September 30, 2009 reflect our loss from operations of $4,505,045 and a net increase in cash components of working capital and non-cash charges totaling $746,505.

Cash provided by investing activities of $1,444,917 during the nine months ended September 30, 2009 consisted of $2,100,533 classified as restricted cash equivalents, $15,805 used in the purchase of equipment, $1,196,824 used in the purchase of marketable securities and $4,758,079 from the proceeds from the sales of marketable securities. Cash used in investing activities was $1,398,292 during the nine months ended September 30, 2008.

Cash provided by financing activities of $6,085,851 during the nine months ended September 30, 2009 consisted of net proceeds from the offering of units and the issuance of common stock.

For the nine months ended September 30, 2009, we experienced net losses of $4,505,045. Our accumulated deficit as of September 30, 2009 was $34,411,524.

The Company has not yet generated commercial sales revenue and has been able to fund its operating losses to date through the sale of its common stock, convertible debt financings, interest income from investments of cash and cash equivalents and proceeds from reimbursed research and development costs. During the nine months ended September 30, 2009, we had a net increase in cash and cash equivalents of $3,772,228. Total cash as of September 30, 2009 were $4,141,358 compared to $369,130 as of December 31, 2008. The Company believes that its existing cash will be sufficient to cover its cash flow requirements through September 30, 2010. Management has the capability of managing the Company's operations within existing cash and marketable securities available by reducing research and development activities and general and administrative expenses. This may result in slowing down clinical studies, but will conserve the Company's cash to allow it to operate for the next twelve months.

On October 26, 2009, the Company received gross proceeds of $5,000,000 for the sale to five institutional investors of 6,072,383 shares of common stock at $0.8234 per share and warrants to buy an additional 2,125,334 shares of common stock at an exercise price of $1.00 per share. Rodman acted as the exclusive placement agent for this transaction and received warrants to purchase 245,932 shares of common stock at an exercise price of $1.029 per share. The Company is planning to use the proceeds from the offering for research and development and general corporate purposes. Upon completion of the offering on October 26, 2009, the Company had 71,924,496 shares outstanding and stockholders' equity in excess of $9 million.

CONTRACTUAL OBLIGATIONS

Contractual Obligations

On October 2, 2003, we contracted with Amarex, LLC to conduct Phase I clinical studies for Archexin™ (then RX-0201). Of the $239,337 to be paid under this contract, $194,461 was paid as of September 30, 2009. The balance will be paid when the final report is accepted, which is expected to be in 2009. Since 2003, additional services were added to the study. These services were contracted for $200,043, all of which was paid as of September 30, 2009.

On January 6, 2006, we contracted with Amarex, LLC to conduct Phase II clinical studies for Archexin™. In accordance with the agreement, the estimated contract duration is 24 months for a total cost of $596,244 plus pass through expenses. The service costs are payable in 24 monthly payments of $18,633 plus an up front payment of $149,061 due upon signing. In 2007, we added additional services to the Phase II clinical studies. The cost of these services totals $106,220, all of which was paid as of December 31, 2008. We paid $614,876 towards the cost of the study as of September 30, 2009. On April 20, 2009 Amarex, LLC filed a lawsuit against us for breach of contract claims due to a billing dispute. On May 22, 2009, the Company filed an answer and an affirmative defense to the complaint denying the claims of damages made by Amarex, LLC. On June 16, 2009, the Company filed a counterclaim against Amarex, LLC for breach of the same contract in the amount of $354,824 plus interest.

From April 3, 2006 through 2009, we have contracted with UPM Pharmaceuticals, Inc. to develop several release formulations for Serdaxin™ and Zoraxel™ drug manufacturing. In accordance with the agreements, the estimated total cost is $1,179,480, of which $883,230 was paid as of September 30, 2009. The service costs are payable based upon a payment schedule related to certain milestones.

On May 18, 2007, we contracted with LabConnect to provide sample management and central laboratory services for Phase II clinical studies for Archexin™. The total amount of the original contract was estimated to be $197,220. On March 16, 2009, we entered into a new contract that replaces the May 18, 2007 contract. The total amount to be paid is estimated to be $133,914, of which $59,277 (including $36,944 prepaid from the previous contract) was paid as of September 30, 2009.

On June 13, 2007, we contracted with Formatech to test the stability of the Archexin™ package. The total amount to be paid for this contract is $21,500, of which $14,500 was paid in 2007. The balance will be paid when the final report is submitted, which is expected to be in 2010.

On April 14, 2008, we contracted with Myron I Murdock M.D. LLC as a clinical site for our 12 month Phase IIa erectile dysfunction study for Zoraxel™. The estimated amount of this contract, without lab costs, is $104,559, of which $47,210 was paid as of September 30, 2009.

On April 15, 2008, we entered into a 24 month contract with Radiant Development CRO to manage clinical trials for our Phase IIa erectile dysfunction study for Zoraxel™. The total contract amount is estimated to be $125,629, of which $125,629 was paid as of September 30, 2009.

On May 6, 2008, we contracted with Delaware Valley Urology, LLC as a clinical site for our Phase IIa erectile dysfunction study for Zoraxel™. In accordance with the agreement, the estimated contract duration is 17 months for an estimated cost of $57,365, with lab costs included. A total of $47,596 has been paid as of September 30, 2009.

On September 5, 2008, we contracted with Radiant Research - Greer as a clinical site for our Phase IIa clinical study for Zoraxel™ for erectile dysfunction. The initial estimated cost for the 12 month study was $62,532, of which $128,510 was paid as of September 30, 2009. The study exceeded the initial estimated cost. We estimate that the cost for the study will be $130,000.

On December 23, 2008, we entered into a 12 month contract with Radiant Development CRO to manage clinical trials for our Phase IIa major depressive disorder study for Serdaxin™. The total contract amount is estimated to be $169,343, of which $131,970 was paid as of September 30, 2009.

On December 29, 2008, we contracted with LabConnect to provide sample management and central laboratory services for Phase II clinical studies for Serdaxin™. The total of the contract amount is estimated to be $35,899, of which $46,942 was paid as of September 30, 2009. The study exceeded the initial estimated cost. We estimate that the cost for the study will be $47,000.

On January 7, 2009, we contracted with Atlanta Center for Medical Research as a clinical site for our Phase IIa clinical study for Serdaxin™ for major depressive disorder. The estimated cost for the 18 month study has increased from $167,713 to $303,922, of which $258,369 was paid as of September 30, 2009.

On January 9, 2009, we contracted with Radiant Research - Denver as a clinical site for our Phase IIa clinical study for Serdaxin™ for major depressive disorder. The estimated cost for the 18 month study has increased from $131,600 to $142,800, of which $111,901 was paid as of September 30, 2009.

On February 5, 2009, we contracted with Capital Clinical Research Associates, LLC as a clinical site for our Phase IIa clinical study for Serdaxin™ for major depressive disorder. The estimated cost for the 18 month study has increased from $129,568 to $168,314, of which $134,616 was paid as of September 30, 2009.

On March 18, 2009, we contracted with SIRO Clinpharm Pvt. Ltd and SIRO Clinpharm, USA to manage clinical trials for our Phase II pancreatic cancer study for Archexin™. The estimated cost for the study has increased from $362,708 to $608,961, of which $108,821 was paid as of September 30, 2009.

On May 21, 2009, we contracted with MEDCO for a one year license agreement to use lab space at the Germantown Innovation Center commencing on July 1, 2009. The one year obligation is $41,346, of which $4,554 was paid as of September 30, 2009.

On June 5, 2009, we signed a 5-year lease with The Realty Associates Fund V, L.P. for 5,466 square feet of office space in Rockville, Maryland commencing June 2009. The lease requires annual base rents of $76,524. Under the leasing agreement, the monthly rent is $6,377 the first year, with increases over the next five years. We also pay our allocable portion of real estate taxes and common area operating charges.

On June 10, 2009, we entered into a Research Services Agreement with University of Maryland, Baltimore to evaluate melanoma research. The total cost of these services has increased from $27,951 to $55,902, of which $20,964 was paid as of September 30, 2009.

On June 12, 2009, we contracted with Cirrus Pharmaceuticals, Inc. to test the solubility of RX-8243. The cost for the study is $9,360, all of which was paid as of September 30, 2009. On June 15, 2009, we entered into another contract for the lipid extrusion of LIPO-ASO. The cost of the study is $6,480, all of which was paid as of September 30, 2009.

On June 16, 2009, we contracted with Baptist Cancer Institute as a clinical site for our Phase IIa clinical study for Archexin™ for pancreatic cancer. The estimated cost for the study is $83,250, none of which was paid as of September 30, 2009.

On June 22, 2009, we entered into a License Agreement with KRICT to acquire 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 September 30, 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.

On June 26, 2009, we entered into a research and exclusive license option agreement with Teva to use $2,000,000 of the gross proceeds of $3,500,000 from the issuance and sale of shares to Teva on June 26, 2009 to fund a research and development program for the pre-clinical development of RX-3117.

On June 29, 2009, we contracted with Almac Pharma Services for GMP drug manufacturing for our Phase IIb clinical trial for Zoraxel™. The estimated cost for the study is $45,472, of which $25,237 was paid as of September 30, 2009.

On August 15, 2009, we entered into a contract research agreement with NetQem, LLC for the synthesis of RX-8243. The cost for the study is $17,800, of which $8,914 was paid as of September 30, 2009.

CURRENT AND FUTURE FINANCING NEEDS

We have incurred negative cash flow from operations since we started our business. We have spent, and expect to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development efforts, our clinical trials, and our research and development efforts. Based on our current plans and our capital resources, we believe that our cash and cash equivalents will be sufficient to enable us to meet our minimum planned operating needs for at least the next 12 months, which would entail focusing our resources on Phase II clinical trials of Archexin™, Serdaxin™ and Zoraxel™.

Over the next twelve months we expect to spend a minimum of approximately $2 million on clinical development for Phase II clinical trials of Archexin™, Serdaxin™ and Zoraxel™ (including our commitments described under "Contractual Obligations" of this Item 2), $600,000 on development of our pre-clinical pipeline compounds, $3.8 million on general corporate expenses, and approximately $170,000 on facilities rent. Pursuant to a research and exclusive license option with Teva, the Company must use $2 million of the gross proceeds from the issuance and sale of shares of common stock to Teva to fund a research and development program for the pre-clinical development of RX-3117. We will need to seek additional financing to implement and fund other drug candidate development, clinical trial and research and development efforts to the maximum extent of our operating plan, including in-vivo animal and pre-clinical studies, Phase II clinical trials for new product candidates, as well as other research and development projects, which together with the minimum operating plan over the next twelve months, could aggregate up to $9 million. If we are not able to secure additional financing, we will not be able to implement and fund the research and development.

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

- the progress of our product development activities;
- the number and scope of our product development programs;
- the progress of our pre-clinical and clinical trial activities;
- the progress of the development efforts of parties with whom we have entered into collaboration agreements;
- our ability to maintain current collaboration programs and to establish new collaboration arrangements;
- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights; and
- the costs and timing of regulatory approvals.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

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

Item 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

- information required to be disclosed by the Company in this Quarterly Report on Form 10-Q and other reports that the Company files or submits under the Exchange Act would be accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;
- information required to be disclosed by the Company in this Quarterly Report on Form 10-Q and other reports that the Company files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- the Company's disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to the Company is made known to them, particularly during the period in which the periodic reports of the Company, including this Quarterly Report on Form 10-Q, are being prepared.

Changes in Internal Control over Financial Reporting

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

PART II

Item 1 Legal Proceedings

As previously described in Item 1 of our Quarterly Report on Form 10-Q for the period ending March 31, 2009, on April 20, 2009, Amarex, LLC filed suit against us in the Circuit Court of Montgomery County, Maryland, seeking damages for an alleged breach of a contract between the Company and Amarex, LLC entered into on January 6, 2006. Amarex, LLC claims damages of $93,156 plus interest. On May 22, 2009, the Company filed an answer and an affirmative defense to the complaint denying the claims of damages made by Amarex, LLC. On June 16, 2009, the Company filed a counterclaim against Amarex, LLC for breach of the same contract in the amount of $354,824 plus interest. Previous, the court ordered the Company and Amarex, LLC to proceed with non-binding mediation. The Company and Amarex, LLC were not able to reach a settlement during the non-binding mediation and will proceed with litigation.

Item 1A Risk Factors

In response to Item 1A of our 2008 Annual Report, we described a billing dispute between the Company and a pharmaceutical research provider, Amarex, LLC. The dispute has resulted in a legal proceeding as described in Item 1 above.

There were no other material changes in risk factors from those disclosed in the Company's Form 10-K for fiscal year ended December 31, 2008.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5 Other Information

None

Item 6 Exhibits

Exhibit No	Description	Location
10.1	Employment Agreement, dated as of August 10, 2009, by and between Rexahn Pharmaceuticals, Inc. and Chang Ho Ahn.	Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 10, 2009
10.2	Employment Agreement, dated as of August 10, 2009, by and between Rexahn Pharmaceuticals, Inc. and Rakesh Soni.	Filed as Exhibit 10.2 to the Current Report on Form 8-K filed on August 10, 2009
10.3	Employment Agreement, dated as of August 10, 2009, by and between Rexahn Pharmaceuticals, Inc. and Tae Heum Jeong.	Filed as Exhibit 10.3 to the Current Report on Form 8-K filed on August 10, 2009
10.4*	Research and Exclusive License Option Agreement, dated as of June 26, 2009, by and between Rexahn Pharmaceuticals, Inc. and Teva Pharmaceutical Industries Limited.	Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on September 21, 2009
10.5	Securities Purchase Agreement, dated as of June 26, 2009, by and between Rexahn Pharmaceuticals, Inc. and Teva Pharmaceutical Industries Limited.	Filed as Exhibit 10.2 to the Current Report on Form 8-K filed on September 21, 2009
10.6	Amendment No. 1 to Securities Purchase Agreement, dated as of September 16, 2009, by and between Rexahn Pharmaceuticals, Inc. and Teva Pharmaceutical Industries Limited.	Filed as Exhibit 10.3 to the Current Report on Form 8-K filed on September 21, 2009
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32.1**	Section 1350 Certificate (Principal Executive Officer)	Filed herewith
32.2**	Section 1350 Certificate (Principal Financial Officer)	Filed herewith

* Rexahn Pharmaceuticals, Inc. has applied for confidential treatment of certain provisions of this exhibit with the SEC. The confidential portions of this exhibit are marked by an asterisk and have been omitted and filed separately with the SEC pursuant to Company's request for confidential treatment.

** This exhibit is furnished rather than filed, and shall not be incorporated by reference into any filing of the registrant in accordance with Item 601 of Registration S-K

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/ Chang H. Ahn
Chang H. Ahn
Chairman and Chief Executive Officer

Date: November 16, 2009

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

Date: November 16, 2009

INDEX TO EXHIBITS
Quarterly Report on Form 10-Q
Dated September 30, 2009

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** This exhibit is furnished rather than filed, and shall not be incorporated by reference into any filing of the registrant in accordance with Item 601 of Registration S-K

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 of Rexahn Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 16, 2009

/s/ Chang H. Ahn
Chang H. Ahn
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 of Rexahn Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 16, 2009

/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 quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chang H. Ahn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: November 16, 2009

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

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

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

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 quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tae Heum Jeong, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: November 16, 2009

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.