

## **REXAHN PHARMACEUTICALS, INC.**

### **AUDIT COMMITTEE CHARTER (as amended as of April 28, 2008)**

#### **Purpose**

The Audit Committee (the “Committee”) is appointed by the Board of Directors of Rexahn Pharmaceuticals, Inc. (the “Company”) to assist the Board in overseeing (1) the accounting and financial reporting processes of the Company, (2) the internal control and disclosure control systems of the Company, (3) the integrity and audits of the financial statements of the Company, (4) the compliance by the Company with legal and regulatory requirements, (5) the qualifications and independence of the Company’s independent auditors, and (6) the performance of the Company's internal audit function and independent auditors.

#### **Committee Membership**

The Committee shall consist of at least three members of the Board of Directors, one of whom shall be designated the chairman, and each of whom shall meet the independence, qualification and experience requirements of the American Stock Exchange (“AMEX”), Section 10(A)(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the applicable rules and regulations of the Securities and Exchange Commission (the “SEC”), subject to applicable effective dates and transition periods for compliance. All members of the Committee shall be able to read and understand fundamental financial statements. In addition, at least one member of the Committee must qualify as an “audit committee financial expert” as defined under the Exchange Act. If a Committee member simultaneously serves on the audit committees of more than three public companies, the Board of Directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and this determination will be disclosed in the annual meeting proxy statement.

The members and the chairman of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. Members of the Committee may be replaced by the Board.

#### **Meetings**

The Committee shall meet at least four times a year, with further meetings to occur, or action to be taken by unanimous written consent, when deemed necessary or desirable. The Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer) and the independent auditors, and have such other direct and independent action with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of

the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

For the transaction of any business at any meeting of the Committee, a majority of the members shall constitute a quorum. The Committee shall take action by the affirmative vote of a majority of the members present at a duly held meeting. The Committee may also take action by unanimous written consent to the fullest extent permitted by the Delaware General Corporation Law.

### **Fees**

The only compensatory fees that members of the Committee may receive from the Company shall be fees for service as a member of the Board of Directors and any Board committees, and such other amounts that may be permitted under the Exchange Act and the rules promulgated thereunder, and the applicable rules of the AMEX.

### **Committee Authority and Responsibilities**

The Committee shall have the sole authority to appoint or replace the independent auditors (subject, if applicable, to shareowner ratification) and approve all audit engagement fees and terms. The Committee shall be directly responsible for the compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services. The independent auditors shall report directly to the Committee.

The Committee shall preapprove all audit (including audit-related) services, internal control-related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more of its members, when appropriate, including the authority to preapprove audit (including audit-related) and permitted non-audit services, provided that decisions of any such member to preapprove shall be presented to the full Committee at its next scheduled meeting. Any approval by the Committee of non-audit services to be performed by the independent auditors shall be disclosed to investors in the Company's annual meeting proxy statement and Annual Report on Form 10-KSB filed with the SEC.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report, or performing other audit, review or attest services, compensation

to any consultants or advisors employed by the Committee, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall have direct responsibility to:

Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditors the Company's annual audited financial statements, including the Company's disclosures made in management's discussion and analysis of financial condition and results of operations, prior to the filing of the Annual Report on Form 10-KSB.
2. Recommend to the Board of Directors whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-KSB. Prepare and submit the audit committee report as required by the rules of the SEC for inclusion in the Company's annual proxy statement or annual report on Form 10-KSB filed with the SEC.
3. Review and discuss with management and the independent auditors (a) significant issues regarding accounting and auditing principles and practices and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and any major issues as to the adequacy of the Company's internal and disclosure controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effect of alternative Generally Accepted Accounting Principles ("GAAP") methods on the Company's financial statements; and (c) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the Company's financial statements.
4. Review and discuss with management and the independent auditors the quarterly earnings news releases prior to issuance.
5. Review and discuss with management and the independent auditors the Company's quarterly report on Form 10-QSB, including the Company's quarterly financial statements and the disclosures made in management's discussion and analysis of financial condition and results of operations. This review shall occur prior to the filing of the Quarterly Report on Form 10-QSB.
6. Discuss periodically with management financial information and earnings guidance provided to analysts and rating agencies for the Company. This responsibility may be performed generally (*i.e.*, by discussing the types of information to be disclosed and the type of presentation to be made). The

Committee need not discuss in advance each instance in which the Company may provide financial information, including earnings guidance, to analysts and rating agencies.

7. Discuss periodically with management any use of “pro forma”, or “adjusted” non-GAAP, information (*i.e.*, non-GAAP financial measures) that may be included in a Form 10-KSB, Form 10-QSB, earnings release or financial information or earnings guidance provided to analysts and rating agencies. This responsibility may be performed generally (*i.e.*, by discussing the types of information to be disclosed).
8. Review, prior to the CEO and CFO quarterly or annual report certification submission to the SEC, (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 Company’s ability to record, process, summarize and report financial information; (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting; and (c) whether or not there was any change in internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

#### Oversight of Independent Auditors

9. Review and evaluate, at least annually, the lead partner of the Company’s independent auditor team.
10. Receive and review formal written reports from the independent auditors at least annually regarding (a) the independent auditors’ internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No. 1. Evaluate the qualifications, performance and independence of the independent auditors, including discussing with the independent auditors any disclosed relationship or service that may impact the objectivity and independence of the independent auditors, considering whether the auditors’ quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditors’ independence, and taking into account the opinions of management and internal auditors, and present to the

Board of Directors its conclusions and recommendations with respect to overseeing the independence of the independent auditors.

11. Review and discuss quarterly reports from the independent auditors related to (a) all critical accounting policies and practices used by the Company; (b) material alternative treatments of financial information permitted by GAAP that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (c) other material written communications between the independent auditors and management such as any management letter or schedule of unadjusted differences before the independent auditors' quarterly or annual report on the financial statements of the Company is filed with the SEC.
12. Ensure compliance with all audit partner rotation requirements required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
13. Review and approve the Company's policies for any hiring of employees or former employees of the independent auditors.
14. Meet with the independent auditors to review and approve the scope of the annual audit and quarterly reviews, including the planning and staffing.
15. Discuss with the independent auditors the matters required to be discussed by Statements on Auditing Standards Nos. 61 and 90 relating to the conduct of the audit.
16. Review with the independent auditors any difficulties the auditors may have encountered in the course of the audit or review work; any accounting adjustments that were noted or proposed by the independent auditors but were "passed" (as immaterial or otherwise); and any management or internal control letter issued or proposed to be issued by the independent auditors and the Company's response to that letter, including any restrictions on the scope of independent auditors' activities or access to required information, and any significant changes to the audit plan and any disagreements with management, which if not satisfactorily resolved, would have affected the independent auditors' opinion.

#### Compliance Oversight Responsibilities

17. Obtain from the independent auditors assurance that Section 10A(b) of the Exchange Act has not been implicated.

18. Obtain reports from management and the independent auditors that the Company and its subsidiary and controlled affiliated entities are in conformity with applicable legal requirements and the Company's standards of business conduct and conflict of interest policies. Advise the Board of Directors with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's standards of business conduct and conflict of interest policies.
19. Review with management legal matters that may have a material effect on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
20. Review and approve the Company's procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
21. Review management's report related to the effectiveness of the internal control over financial reporting and the independent auditors' report attesting to, and reporting on, the internal control assessment made by management.
22. Report regularly to the Board of Directors, and review with the Board of Directors, any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements or the qualifications, performance and independence of the independent auditors.

#### Other Responsibilities

23. Have the authority, without seeking approval from the Board of Directors, to retain independent legal, financial, accounting or other advisors.
24. Make regular reports to the Board of Directors.
25. Review any other matter brought to its attention within the scope of its duties and report to the Board of Directors as appropriate.
26. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.
27. Review and approve all proposed transactions between the Company and any director, officer or other employee of the Company, and any holder of five percent or more of the Company's voting capital stock, in order to ensure that any such transaction is on an arm's length basis and in accordance with all applicable

laws and regulations and the requirements of any exchange on which the Company's securities may be listed from time to time.

28. Annually review its own performance.

#### **Limitations of Audit Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These duties are the responsibility of management and the independent auditors.