Company Update

REXAHN PHARMACEUTICALS, INC.

Serdaxin Data Solid; Unwarranted Sell-off Creates Opportunity

Rob Goldman
rob@goldmanresearch.com

April 14, 2010

REXAHN PHARMACEUTICALS, INC. (AMEX – RNN - $1.76)

Target: $4.00 Rating: Speculative Buy

COMPANY SNAPSHOT

An emerging, innovative therapy developer, Rexahn Pharmaceuticals, Inc. is a clinical stage pharmaceutical company dedicated to commercializing first in class and market leading therapeutics for cancer, CNS (Central Nervous System) disorders, sexual dysfunction and other unmet medical needs. Rexahn currently has three drug candidates in Phase II clinical trials, *Archexin*™, *Serdaxin*®, and *Zoraxel*™ - all potential best in class therapeutics - and a robust pipeline of preclinical compounds to treat multiple cancers and CNS disorders. Rexahn also operates key R&D programs of nano-medicines, 3D-GOLD, and TIMES drug discovery platforms.

KEY STATISTICS

Price as of 4/9/10	$1.76
52 Wk High – Low	$3.68 -0.40
Est. FD Shares Out.	72.0M
Market Capitalization	126.7M
3 Mo Avg Volume	1,937,000
Exchange	AMEX

COMPANY INFORMATION

Rexahn Pharmaceuticals Inc.
15245 Shady Grove Road
Suite 455
Rockville, MD 20850
www.rexahn.com
Stephanie Ascher, Stern Investor Relations
stephanie@sternir.com
212-362-1200

INVESTMENT HIGHLIGHTS

Yesterday, we witnessed a day for the ages. Rexahn produced landmark *Serdaxin*® Phase IIa clinical trial results and the shareholders were rewarded with a massive sell-off. We rarely address short term trading activity as we are never long or short stocks we cover, and have an intermediate-to-long-term view of share price movement cycles. However, we believe that investors should take stock of the Company's achievements, upcoming milestones, yesterday's post-conference trading activity, and use current levels as a buying opportunity.

The trial was a success not a failure, as reported by some news outlets. Investors that look under the hood will see that the landmark subgroup data is key, not overall statistical significance, as short-sellers would lead one to believe**.** Furthermore, if the trial was a failure, would management hold a conference at the NASDAQ Marketsite or would they quietly release the news? Clearly, they believe it was a success, as do we.

The results showed significant improvement in patients with severe Major Depressive Disorder with fewer side effect complaints than those in placebo.

We maintain that a partnership with "Big Pharma" will occur in the coming months and according to management, the size of such a deal could be 4 times that of the Teva transaction, estimated at $200M.

There is only good news ahead this quarter. We expect *Zoraxel* ™Phase IIa results in the next 30 days, the launch of the *Serdaxin*® Parkinson's Phase II trial, and a MDD Phase IIb launch. Plus, we expect a Teva milestone payment of $3.5M by the end of the quarter as well.

We reiterate our rating and $4.00 pending a potential Serdaxin Big Pharma deal which we believe could be worth $4.00 per share alone.

THE DATA: OUR TAKE

According to the FDA filing, the title of the *Serdaxin*® Phase IIa clinical trial was "A Double-blinded, Randomized, Placebo-controlled, Dose-Exploring Study of RX-10100 When Given for Eight Consecutive Weeks to Subjects With Major Depression Disorder (MDD)" Thus, it is clear that the trial was a typical Phase IIa proof of concept trial to help determine dosage, both for safety and efficacy, with a typical 77 subject enrollment. Plus, the subjects were all afflicted with MDD and in fact 68% were diagnosed with severe MDD.

The trial's subgroup, the severe MDD subjects, demonstrated outstanding results when treated with the 5mg dosage, as noted by statistically significant data in key areas. Of the 14 patients treated with 5 mg of Serdaxin, MADRS scores improved by 55.6%, compared to only 34.0% in the placebo group which was statistically significant ($p<0.041$) on an intent to treat basis. Other key metrics included:

64.3% were considered Responders versus 28.6% in the placebo group
42.9% were in remission with a MADRS score of less than or equal to 12 after treatment, at 8 weeks vs.14.3%
20 side effect cases versus 36 with placebo

Rexahn achieved statistical significance in efficacy and treatment over placebo in a subgroup of severe MDD subjects, and in its safety/risk profile over all subjects. It is important to note, that this proof of concept event demonstrated better results than most of the similar trials for currently approved depression treatments such as Prozac, Zoloft, Paxil, and Lexapro. This is especially the case for the drug's safety/risk profile. With the tremendous data from the subgroup (severe MDD subjects), it is clear that the 5mg provided the best outcomes for the subjects, and will be used in the next trial with over 300 patients, where it is likely that the Serdaxin will again demonstrate strong results.

Marketing and Development Relationships

As we have noted and as was mentioned in yesterday's release, the Company is currently in discussions with several major pharmaceutical companies with the goal of identifying a potential strategic partner to assist in the development and commercialization of Serdaxin. We believe that there may be a sense of urgency among these firms to close a deal before Phase IIb results occur. Otherwise, the price tag of a strategic relationship could be high. This is clearly would be a positive for Rexahn and its shareholders.

A possible hit list could include those firms with existing anti-depression treatments off-patent or soon-to-be off-patent that are SSRI and SNRIs, which generally have greater side effects. Several of the drugs on this list are off-patent and Lexapro comes off patent on March 14, 2012. These would include Forest Labs (producer of Lexapro and Celexa), Pfizer (Zoloft and SNRI-based Pristiq) Eli Lilly (Prozac and Cymbalta), and GlaxoSmithKline (Paxil).

Management believes that if it can secure a partnership, the value of a combination licensing, development, and investment would be 4 times that of the Teva deal, due to the later-stage nature of the drug development. We preliminarily estimate that such a deal would be worth $800M to Rexahn, or $4.00 alone, on a Net Present value basis per share, if a deal were struck today. That excludes the value of all other clinical and pre-clinical Rexahn products.

WHAT LIES AHEAD: 3-6 Months

Zoraxel Phase IIa full-study results
Zoraxel Phase IIb trial launch
Serdaxin Phase IIb Depression trial launch
Serdaxin Phase IIb Parkinson's trial launch
Teva $3.5M milestone payment
Teva $4M milestone payment
One Phase IIb top-line trial results
Top-Line Phase IIa Archexin results (6-9 mos)
Serdaxin strategic partnership

Our original Rexahn investment thesis ($1.22 share price in February 2010) was that the Company was not a one-trick pony and had its IP validated by virtue of the Teva relationship. That is still the case.

In the next 30 days, Rexahn will release Phase IIa Zoraxel results, which we believe will be very favorable. Initial top-line study results demonstrated that *Zoraxel™* significantly improved sexual performance, sexual motivation and arousal. Unlike existing treatments which target erectile organ function, *Zoraxel* is a Central Nervous System-based (CNS) treatment. This treatment's mechanism acts as a dual serotonin and dopamine enhancer in the brain, where these neurotransmitters play a key role in sexual activity. In fact, management believes that *Zoraxel™* may be the first ED drug to affect all three of these phases of the sexual activity .These phases are sexual motivation/arousal, erection and release.

The 3 drugs that dominate the market are phosphodiesterase (PDE)-5 inhibitors, with Pfizer's *Viagra* dominating the market with a 50% share of the $3.5 billion global market. Interestingly, the product comes off patent in March of 2012, which could be good timing for Rexahn as it seeks out partners. As mentioned with Serdaxin, drug manufacturers will surely seek to replace lost revenue from off-patent therapies through licensing or other transactions. A protocol for a 320 subject Phase IIb trial has been submitted and we expect enrollment for the 12 week trial to begin in the coming months. Management has already budgeted the cost for this event. Given that the drug is an ED treatment, it likely that enrollment will be swift.

In addition to the Phase IIb depression treatment trial, Rexahn is launching a Phase II Serdaxin Parkinson's treatment trial, which has demonstrated favorable treatment indications as well. Given management's moves on this front, there is a great deal of promise here.

FINANCIALS

Rexahn is comfortably capitalized at this time, despite its involvement in ongoing trials. Due to some warrant exercise, we anticipate that the Company will close 2Q10 with around $13M in cash, with the help of a Teva milestone payment, and an expected future payment in 2H10.

CONCLUSION

Despite the major price swings of the past few days, our thesis has not changed. In fact, with solid Phase IIa Serdaxin results and expected strong Phase IIa Zoraxel results in the coming weeks, our sentiment has been bolstered and our confidence in management has not wavered. In our view, a Company with Rexahn's IP and several potentially blockbuster treatments in its clinical and pre-clinical portfolio, warrants a higher valuation. As Rexahn achieves its milestones, the shares will rise accordingly and begin to reach much higher prices when a Big Pharma deal is announced in the coming months, validating the Firm's efforts.

REXAHN PHARMACEUTICALS, INC. (AMEX: - RNN)

Chart 3. Recent Trading History For RNN
(Source: Stockta.com)

Analyst: Robert Goldman

Rob Goldman has 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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