

# **REXAHN PHARMACEUTICALS, INC.**

## **AUDIT COMMITTEE CHARTER (reviewed and amended as of December 3, 2015)**

### **I. Purpose**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Rexahn Pharmaceuticals, Inc. (the “Company”) to assist the Board in overseeing (1) the accounting and financial reporting processes of the Company, (2) the risk management, internal control, and disclosure control processes and 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, performance and independence of the Company’s independent auditors, and (6) the performance of the Company's internal audit function, if any.

Consistent with the Board’s and the Committee’s oversight roles, the Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee shall encourage open communication among the independent auditors, financial and senior management and the Board.

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.

### **II. Committee Membership**

The Committee shall consist of at least three members of the Board, one of whom shall be designated the chairman, and each of whom shall meet the independence, qualification and experience requirements of the NYSE MKT exchange (“NYSE MKT”), 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 must determine whether 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 Company’s annual meeting proxy statement.

The members of the Committee shall be appointed by the Board taking into account the recommendation of the Nominating and Corporate Governance Committee. Members of the Committee may be replaced by the Board. Unless a chairman is appointed by the Board, the members of the Committee may designate a chairman by majority vote.

### **III. 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. Meetings may be called by the chairman of the Committee, at the request of any member of the Committee, or by any member of the Board. 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 legal 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. If less than a quorum is available for a given meeting, the Board may, in its discretion, delegate the responsibilities of the Committee to the available members of the Committee and/or any substitute members who meet the qualifications for membership for the purposes of such meeting, including the delegation of its authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions made under such authority shall be presented to the full Committee at its next meeting.

The Committee shall report regularly to the Board concerning its actions. The Committee may invite members of management and outside parties, including the Company's independent and internal auditors, if any, legal counsel and other advisors, to its meetings as it deems appropriate.

### **IV. Fees**

The only compensation that members of the Committee may receive from the Company shall be fees for service as a member of the Board 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 NYSE MKT.

### **V. Committee Authority and Responsibilities**

The following processes of the Committee are designed to assist it in carrying out its oversight responsibilities. These processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities.

1. The Committee shall have the sole authority to appoint, retain, evaluate, compensate, oversee, terminate and replace the independent auditors (subject, if applicable, to shareowner ratification) and approve all audit engagement terms. The Committee shall be directly responsible for the oversight of the work of the independent auditors (including resolving 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.

2. The Committee shall preapprove all services to be performed for the Company by the independent auditors, including audit services, internal control-related services and permitted non-audit services (such as tax services), including the fees and terms thereof, 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-K, or 10-KSB (as applicable, the "Annual Report"), filed with the SEC.

#### Financial Statement and Disclosure Matters

3. 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 Periodic Report.
4. Recommend to the Board whether the annual audited financial statements should be included in the Company's Annual Report. 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.
5. 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.
6. Review and discuss with management and the independent auditors the quarterly earnings news releases prior to issuance.
7. Review and discuss with management and the independent auditors the Company's quarterly report on Form 10-Q, or 10-QSB (as applicable, the "Quarterly Report"), 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.

8. Review and discuss with management financial guidance provided to analysts and rating agencies prior to issuance.
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 the Annual Report, a periodic report, 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 (including PCAOB inspections), 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 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 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. The Committee shall assist the Board in its oversight of risk, which includes overseeing the management of financial risks, such as those risks related to accounting matters, liquidity and credit risks, corporate tax positions, insurance coverage, and cash investment strategy and results, and risks related to the performance of the Company's internal audit function, if any, and its independent registered public accounting firm, as well as the Company's systems of internal controls and disclosure controls and procedures.
21. 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.
22. Review with the independent auditors, management and the internal auditors (if any), the adequacy and effectiveness of the Company's internal controls.
  - a. Make inquiries that controls and required approvals are in place to prevent the Company from engaging the independent auditors in any services that might impact their independence.
  - b. The Audit Committee shall review disclosures about any significant deficiencies or material weaknesses in the design or operation of the Company's system of internal controls and any fraud involving management or employees playing a significant role in the Company's system of internal controls, including, to the extent applicable, any disclosures made by the Company's chief executive officer and chief financial officer during their certification process for the Annual Report and Quarterly Reports.
  - c. Review any special steps or remedial measures adopted in light of material control weaknesses or significant deficiencies, if any.
  - d. Review, to the extent applicable, the Company's internal controls report and the independent auditors' internal controls report prior to the filing of any reports, including without limitation, any Annual Report required to be filed by the Company with the SEC.
  - e. Review with management the Company's procedures and practices designed to provide reasonable assurance that: (i) the Company's books, records, accounts and internal accounting controls are established and maintained in compliance with the Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and similar laws and regulations to which the Company is subject, and (ii) there are adequate company-level controls in place to prevent or detect (A) any improper or illegal disbursement of corporate funds or property of value or (B) the making

of any arrangement on behalf of the Company which may provide for or result in the improper or illegal disbursement of funds or property of value, in order that the Company be in compliance with such laws and regulations.

23. Report regularly to the Board, and review with the Board, 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

24. Have the authority, without seeking approval from the Board, to retain independent legal, financial, accounting or other advisors. The Committee shall have the sole discretion to retain, oversee, compensate and terminate such advisors. The Company will provide for appropriate funding, as determined by the Committee in its sole discretion, for payment of compensation to any advisors retained by the Committee. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all steps reasonably necessary to preserve the privileged nature of those communications.
25. The Committee shall oversee the integrity of the Company's information technology systems, processes and data, and shall periodically, at its discretion, (a) review and assess with management the adequacy of controls and security for the Company's information technology systems, processes and data, and (b) the Company's contingency plans in the event of a breakdown or security breach affecting the Company's information technology systems.
26. Review any other matter brought to its attention within the scope of its duties and report to the Board as appropriate.
27. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
28. 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.
29. Annually conduct an evaluation of the performance of its duties under this Charter.
30. The Committee will maintain written minutes of its meetings and copies of its actions by written consent.

#### **VI. Reliance.**

To the fullest extent permissible under applicable law, each member of the Committee is entitled to rely in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Committee by any of the Company's officers, employees, or committees, the independent auditors or any other person as to matters the members reasonable believe are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

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