

DELTA AIR LINES INC /DE/
Form 8-K
July 02, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 2, 2010

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

001-05424

58-0218548

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

P.O. Box 20706, Atlanta, Georgia 30320-6001

(Address of principal executive offices)

Registrant's telephone number, including area code: (404) 715-2600

Registrant's Web site address: www.delta.com

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01 Entry into a Material Definitive Agreement

Underwriting Agreement

On June 28, 2010, Delta Air Lines, Inc. (the Company) entered into an underwriting agreement (the Underwriting Agreement) with Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as representatives of the underwriters named therein (collectively, the Underwriters), in connection with the issuance and sale of a total of \$450,000,000 of Delta Air Lines, Inc. Pass Through Certificates, Series 2010-1A (the Certificates).

The Certificates are being offered pursuant to the Prospectus Supplement, dated June 28, 2010, to the Prospectus, dated June 28, 2010, which forms a part of the Company's automatic shelf registration statement on Form S-3 (Registration No. 333-167811) (the Registration Statement), filed with the Securities and Exchange Commission on June 28, 2010.

The Underwriting Agreement contains customary representations, warranties, covenants and closing conditions for a transaction of this type. The Underwriting Agreement also contains provisions pursuant to which the Company agrees to hold harmless and indemnify the Underwriters against damages under certain circumstances, which are customary for a transaction of this type.

Delivery of the Certificates was made under the Underwriting Agreement on July 2, 2010 with an interest rate of 6.20% per annum. The Certificates were issued by a pass through trust. The Underwriters purchased the Certificates from the pass through trust at 100% of the principal amount thereof.

As described below, the pass through trust will use the proceeds from the sale of Certificates to acquire equipment notes from the Company. The equipment notes will be secured by 24 Boeing aircraft owned by the Company. Payments on the equipment notes held in the pass through trust will be passed through to the certificateholders of the trust. The Company expects to use the proceeds from the issuance of the equipment notes to refinance, in part, 22 aircraft currently supporting its outstanding 2000-1 EETC after the final maturity in November 2010 (the 2000-1 Aircraft) and to finance, in part, 2 aircraft delivered earlier in 2010 (the 2010 Aircraft). The Company will use any proceeds not used in connection with such refinancing or financing to pay fees and expenses related to the offering and for general corporate purposes.

The foregoing description of the Underwriting Agreement is qualified in its entirety by reference to the Underwriting Agreement, a copy of which is filed herewith as Exhibit 1.1 and is incorporated herein by reference.

From time to time in the ordinary course of their respective business, the Underwriters and certain of their affiliates have engaged, and in the future may engage in, investment and commercial banking or other transactions of a financial nature with the Company and its affiliates, including the provision of certain advisory services, making loans to the Company and its affiliates and serving as counterparties to certain fuel hedging arrangements. The Underwriters and their affiliate have received and in the future may receive customary fees and expenses and commissions for these transactions.

Note Purchase Agreement

On July 2, 2010, the Company, U.S. Bank Trust National Association, as Subordination Agent and Pass Through Trustee under the pass through trust newly formed by the Company (the Trustee), U.S. Bank National Association, as Escrow Agent under the Escrow Agreement (as defined below), and U.S. Bank Trust National Association as Paying Agent under the Escrow Agreement, entered into a Note Purchase Agreement (the Note Purchase Agreement). The Note Purchase Agreement provides for future issuance by the Company of Series A equipment notes (the Series A Equipment Notes) in the aggregate principal amount of \$450,000,000 secured by the 2000-1 Aircraft, which were delivered new to the Company in 1999 and 2000, and the 2010 Aircraft, which

were delivered new to the Company in 2010 (collectively, the 2000-1 Aircraft and the 2010 Aircraft are referred to as the Aircraft). The Note Purchase Agreement also provides for the possible future issuance of another series of equipment notes to be secured by the Aircraft. Pursuant to the Note Purchase Agreement, the Trustee will purchase the Series A Equipment Notes by December 31, 2010 with respect to the 2000-1 Aircraft and within 90 days of the date of the execution of the Note Purchase Agreement with respect to the 2010 Aircraft. The Series A Equipment Notes will be issued under an Indenture and Security Agreement (each, an Indenture and, collectively, the Indentures) with respect to each such Aircraft to be entered into by the Company and U.S. Bank Trust National Association, as Loan Trustee.

Each Indenture contemplates the issuance of Series A Equipment Notes, bearing interest at the rate of 6.20% per annum in the aggregate principal amount (once all the Series A Equipment Notes have been issued) equal to \$450,000,000. The Series A Equipment Notes will be purchased by the Trustee, using the proceeds from the sale of the Certificates.

Pending the purchase of the Series A Equipment Notes, the proceeds from the sale of the Certificates were placed in escrow by the Trustee pursuant to an Escrow and Paying Agent Agreement, dated as of July 2, 2010, among U.S. Bank National Association, Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Banc of America Securities LLC, and the Trustee. The escrowed funds were deposited with the Bank of New York Mellon, under a Deposit Agreement.

The interest on the escrowed funds is payable on January 2, 2011 and interest on the Series A Equipment Notes is payable semiannually on each January 2 and July 2, beginning on January 2, 2011. The principal payments on the Series A Equipment Notes are scheduled on January 2 and July 2 of certain years, beginning on January 2, 2011. The final payments will be due on July 2, 2018. Maturity of the Series A Equipment Notes may be accelerated upon the occurrence of certain events of default, including failure by the Company (in some cases after notice or the expiration of a grace period, or both) to make payments under the applicable Indenture when due or to comply with certain covenants, as well as certain bankruptcy events involving the Company. The Series A Equipment Notes issued with respect to each Aircraft will be secured by a lien on such Aircraft and will also be cross-collateralized by the other Aircraft financed pursuant to the Note Purchase Agreement.

The foregoing descriptions of the Note Purchase Agreement and the other agreements described above are qualified in their entirety by reference to the respective agreements, copies of which are filed herewith as exhibits and are incorporated herein by reference.

This Current Report on Form 8-K is also being filed for the purpose of filing as exhibits to the Registration Statement the documents listed in Item 9.01 below, which are hereby incorporated by reference in the Registration Statement.

Item 2.03 Creation of Direct Financial Obligation.

See Item 1.01

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

- 1.1 Underwriting Agreement, dated as of June 28, 2010, between Delta Air Lines, Inc. and the Underwriters
 - 4.2 Trust Supplement No. 2010-1A, dated as of July 2, 2010, between Delta Air Lines, Inc. and U.S. Bank Trust National Association, as Trustee, to Pass Through Trust Agreement dated as of November 16, 2000
 - 4.3 Form of Pass Through Trust Certificate, Series 2010-1A (included in Exhibit A to Exhibit 4.2)
 - 4.4 Intercreditor Agreement (2010-1), dated as of July 2, 2010, among U.S. Bank Trust National Association, as Trustee of the Delta Air Lines Pass Through Trust 2010-1A, Natixis S.A., acting via its New York Branch, as Class A Liquidity Provider, and U.S. Bank Trust National Association, as Subordination Agent
 - 4.5 Revolving Credit Agreement (2010-1A), dated as of July 2, 2010, between U.S. Bank Trust National Association, as Subordination Agent, as agent and trustee for the trustee of Delta Air Lines Pass Through Trust 2010-1A and as Borrower, and Natixis S.A., acting via its New York Branch, as Class A Liquidity Provider
 - 4.6 Deposit Agreement (Class A), dated as of July 2, 2010, into between U.S. Bank National Association, as Escrow Agent, and The Bank of New York Mellon, as Depository
 - 4.7 Escrow and Paying Agent Agreement (Class A), dated as of July 2, 2010, among U.S. Bank National Association, as Escrow Agent, Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Banc of America Securities LLC, as Underwriters, U.S. Bank Trust National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Delta Air Lines Pass Through Trust 2010-1A, and U.S. Bank Trust National Association, as Paying Agent
 - 4.8 Note Purchase Agreement, dated as of July 2, 2010, Delta Air Lines, Inc., U.S. Bank Trust National Association, as Pass Through Trustee under the Pass Through Trust Agreement, and U.S. Bank Trust National Association, as Subordination Agent, U.S. Bank National Association, as Escrow Agent, and U.S. Bank Trust National Association, as Paying Agent
 - 4.9 Form of Participation Agreement (Participation Agreement among Delta Air Lines, Inc., U.S. Bank Trust National Association, as Pass Through Trustee under the Pass Through Trust Agreement, U.S. Bank Trust National Association, as Subordination Agent, U.S. Bank Trust National Association, as Loan Trustee, and U.S. Bank National Trust Association, in its individual capacity as set forth therein) (Exhibit B to the Note Purchase Agreement)
 - 4.10 Form of Indenture and Security Agreement (Indenture and Security Agreement between Delta Air Lines, Inc., and U.S. Bank Trust National Association, as Loan Trustee) (Exhibit C to the Note Purchase Agreement)
 - 4.11 Form of Series 2010-1 Equipment Notes (included in Exhibit 4.10)
 - 5.1 Opinion of Debevoise & Plimpton LLP, special counsel to Delta Air Lines, Inc.
 - 5.2 Opinion of Shipman & Goodwin LLP, Hartford, Connecticut, special counsel to U.S. Bank Trust National Association
-

- 5.3 Opinion of Leslie P. Klemperer, Esq. Vice President Deputy General Counsel of Delta Air Lines, Inc.
 - 8.1 Opinion of Debevoise & Plimpton LLP, special counsel to Delta Air Lines, Inc., with respect to certain tax matters
 - 23.1 Consent of Aircraft Information Systems, Inc.
 - 23.2 Consent of BK Associates, Inc.
 - 23.3 Consent of Morten Beyer & Agnew, Inc.
 - 23.4 Consent of Debevoise & Plimpton LLP, special counsel to Delta Air Lines, Inc. (included in Exhibit 5.1 and Exhibit 8.1)
 - 23.5 Consent of Shipman & Goodwin LLP, Hartford, Connecticut, special counsel to U.S. Bank Trust National Association (included in Exhibit 5.2)
 - 23.6 Consent of Leslie P. Klemperer, Esq. Vice President Deputy General Counsel of Delta Air Lines, Inc. (included in Exhibit 5.3)
-

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 hereunto duly authorized.

DELTA AIR LINES, INC.

By: /s/ Hank Halter
Hank Halter
Senior Vice President and Chief
Financial Officer

Date: July 2, 2010

EXHIBIT INDEX

Exhibit Number	Description
1.1	Underwriting Agreement, dated as of June 28, 2010, between Delta Air Lines, Inc. and the Underwriters
4.2	Trust Supplement No. 2010-1A, dated as of July 2, 2010, between Delta Air Lines, Inc. and U.S. Bank Trust National Association, as Trustee, to Pass Through Trust Agreement dated as of November 16, 2000
4.3	Form of Pass Through Trust Certificate, Series 2010-1A (included in Exhibit A to Exhibit 4.2)
4.4	Intercreditor Agreement (2010-1), dated as of July 2, 2010, among U.S. Bank Trust National Association, as Trustee of the Delta Air Lines Pass Through Trust 2010-1A, Natixis S.A., acting via its New York Branch, as Class A Liquidity Provider, and U.S. Bank Trust National Association, as Subordination Agent
4.5	Revolving Credit Agreement (2010-1A), dated as of July 2, 2010, between U.S. Bank Trust National Association, as Subordination Agent, as agent and trustee for the trustee of Delta Air Lines Pass Through Trust 2010-1A and as Borrower, and Natixis S.A., acting via its New York Branch, as Class A Liquidity Provider
4.6	Deposit Agreement (Class A), dated as of July 2, 2010, between U.S. Bank National Association, as Escrow Agent, and The Bank of New York Mellon, as Depository
4.7	Escrow and Paying Agent Agreement (Class A), dated as of July 2, 2010, among U.S. Bank National Association, as Escrow Agent, Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Banc of America Securities LLC, as Underwriters, U.S. Bank Trust National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Delta Air Lines Pass Through Trust 2010-1A, and U.S. Bank Trust National Association, as Paying Agent
4.8	Note Purchase Agreement, to be entered into among Delta Air Lines, Inc., U.S. Bank Trust National Association, as Pass Through Trustee under the Pass Through Trust Agreement, and U.S. Bank Trust National Association, as Subordination Agent, U.S. Bank National Association, as Escrow Agent, and U.S. Bank Trust National Association, as Paying Agent
4.9	Form of Participation Agreement (Participation Agreement among Delta Air Lines, Inc., U.S. Bank Trust National Association, as Pass Through Trustee under the Pass Through Trust Agreement, U.S. Bank Trust National Association, as Subordination Agent, U.S. Bank Trust National Association, as Loan Trustee, and U.S. Bank National Trust Association, in its individual capacity as set forth therein) (Exhibit B to the Note Purchase Agreement)
4.10	Form of Indenture and Security Agreement (Indenture and Security Agreement between Delta Air Lines, Inc., and U.S. Bank Trust National Association, as Loan Trustee) (Exhibit C to the Note Purchase Agreement)
4.11	Form of Series 2010-1 Equipment Notes (included in Exhibit 4.10)
5.1	Opinion of Debevoise & Plimpton LLP, special counsel to Delta Air Lines, Inc.
5.2	Opinion of Shipman & Goodwin LLP, Hartford, Connecticut, special counsel to U.S. Bank Trust National Association

Exhibit Number	Description
5.3	Opinion of Leslie P. Klemperer, Esq. Vice President Deputy General Counsel of Delta Air Lines, Inc.
8.1	Opinion of Debevoise & Plimpton LLP, special counsel to Delta Air Lines, Inc., with respect to certain tax matters
23.1	Consent of Aircraft Information Systems, Inc.
23.2	Consent of BK Associates, Inc.
23.3	Consent of Morten Beyer & Agnew, Inc.
23.4	Consent of Debevoise & Plimpton LLP, special counsel to Delta Air Lines, Inc. (included in Exhibit 5.1 and Exhibit 8.1)
23.5	Consent of Shipman & Goodwin LLP, Hartford, Connecticut, special counsel to U.S. Bank Trust National Association (included in Exhibit 5.2)
23.6	Consent of Leslie P. Klemperer, Esq. Vice President Deputy General Counsel of Delta Air Lines, Inc. (included in Exhibit 5.3)

33

Item 1A.

Risk Factors

33

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

33

Item 3.

Defaults Upon Senior Securities

34

Item 4.

Submission of Matters to a Vote of Security Holders

34

Item 5.

Other Information

34

Item 6.

Exhibits

35

Signatures

36

2

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****China Sky One Medical, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet****September 30, 2008 December 31, 2007 ***
(Unaudited)

ASSETS		
Current Assets		
Cash and cash equivalents	\$ 50,948,530	\$ 9,190,870
Accounts receivable	9,288,941	10,867,106
Other receivables	-	40,200
Inventories	1,803,429	371,672
Prepaid expenses	28,470	17,707
Total current assets	62,069,370	20,487,555
Property and equipment, net	17,752,876	6,861,432
Land Deposit	8,003,205	8,003,205
Intangible assets, net	7,181,577	1,933,014
	\$ 95,007,028	\$ 37,285,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,246,767	\$ 2,845,308
Wages payable	640,019	381,482
Welfare payable	177,574	221,911
Taxes payable	4,042,230	1,567,188
Deferred revenues	-	24,504
Total current liabilities	9,106,590	5,040,393
Stockholders' Equity		
Preferred stock (\$0.001 par value, 5,000,000 shares authorized, none issued and outstanding)	-	-
Common stock (\$0.001 par value, 20,000,000 shares authorized, 15,884,939 and 12,228,363 issued and outstanding, respectively)	15,885	12,228
Additional paid-in capital	34,153,060	9,572,608
Accumulated other comprehensive income	9,424,346	2,271,843
Retained earnings	42,307,147	20,388,134
Total stockholders' equity	85,900,438	32,244,813
	\$ 95,007,028	\$ 37,285,206

See accompanying summary of accounting policies and notes to the condensed consolidated financial statements.

*Derived from December 31, 2007 audited financial statements included in our annual report for the year ended December 31, 2007 filed by us with the SEC

China Sky One Medical, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Revenues	\$ 29,699,282	\$ 16,770,570	\$ 65,861,304	\$ 36,594,933
Cost of Goods Sold	7,366,059	3,669,012	15,748,801	8,104,355
Gross Profit	22,333,223	13,101,558	50,112,503	28,490,578
Operating Expenses				
Selling, general and administrative	7,596,953	5,100,408	18,140,807	12,798,383
Depreciation and amortization	308,023	55,565	523,375	276,507
Research and development	2,677,142	1,355,784	4,719,554	1,751,624
Total operating expenses	10,582,118	6,511,757	23,383,736	14,826,514
Other Income (Expense)				
Other income	810,733	2,282	838,242	14,309
Interest expense	(1,494)		(135,136)	(16,494)
Total other income (expense)	809,239	2,282	703,106	(2,185)
Net Income Before Provision for Income Tax	12,560,344	6,592,083	27,431,873	13,661,879
Provision for Income Taxes				
Current	2,616,909	1,145,812	5,512,860	2,433,964
Net Income	\$ 9,943,435	\$ 5,446,271	\$ 21,919,013	\$ 11,227,915
Basic Earnings Per Share	\$ 0.64	\$ 0.45	\$ 1.50	\$ 0.93
Basic Weighted Average Shares Outstanding				
	15,464,084	12,110,201	14,657,059	12,077,491
Diluted Earnings Per Share	\$ 0.60	\$ 0.44	\$ 1.39	\$ 0.90
Diluted Weighted Average Shares Outstanding				
	16,492,414	12,502,332	15,745,542	12,468,186
The Components of Other Comprehensive Income				
Net Income	\$ 9,943,435	\$ 5,446,271	\$ 21,919,013	\$ 11,227,915
Foreign currency translation adjustment	1,788,369	288,267	7,152,503	874,804
Comprehensive Income	\$ 11,731,804	\$ 5,734,538	\$ 29,071,516	\$ 12,102,719

See accompanying summary of accounting policies and notes to the condensed consolidated financial statements.

China Sky One Medical, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2008	2007
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net Income	\$ 21,919,013	\$ 11,227,915
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	523,375	355,811
Share-based compensation expense	30,351	225,351
Net change in assets and liabilities		
Accounts receivables and other receivables	1,618,365	(4,562,183)
Inventories	(1,431,757)	(695,618)
Prepaid expenses and other	(10,763)	84,714
Accounts payable and accrued liabilities	1,375,209	2,229,397
Advances by customers		(67,541)
Wages payable	258,537	119,678
Welfare payable	(44,337)	54,232
Taxes payable	2,475,042	1,238,456
Deferred revenue	(24,504)	-
Net cash provided by operating activities	26,688,531	10,210,212
Cash flows from investing activities		
Purchases of fixed assets	(784,137)	(280,168)
Land deposit		(7,780,234)
Increase in construction in progress		(2,056,063)
Purchases of subsidiaries	(10,917,280)	-
Purchase of intangible assets	(7,139)	(54,095)
Net cash used in investing activities	(11,708,556)	(10,170,560)
Cash flows from financing activities		
Sale of common stock for cash, net of offering costs	23,487,963	-
Proceeds from warrants conversion	1,044,169	116,256
Proceeds from short-term loan		(511,672)
Net cash provided by (used in) financing activities	24,532,132	(395,416)
Effect of exchange rate	2,245,553	751,585
Net increase in cash	41,757,660	395,821
Cash and cash equivalents at beginning of period	9,190,870	6,586,800
Cash and cash equivalents at end of period	\$ 50,948,530	\$ 6,982,621
Supplemental disclosure of cash flow information		
Interest paid	\$ 135,136	\$ 5,940
Taxes paid	\$ 5,512,860	\$ -

On April 3, 2008, the Company acquired a 100% ownership interest in Heilongjiang Tianlong Pharmaceutical. Approximate net assets acquired (see note 2) consisted of the following:

Fixed assets	\$ 6,314,871
Intangible assets	1,786,990
Other	170,000
Net assets acquired	\$ 8,271,861

On April 18, 2008, the Company acquired Heilongjiang Haina ("Haina") Pharmaceutical Inc. Approximate net assets acquired (see note 2) consisted of the following:

Intangible assets	\$ 437,375
-------------------	------------

On September 5, 2008, the Company acquired a 100% ownership interest in Peng Lai Jin Chuang Company. Approximate net assets acquired (see note 2) consisted of the following:

Fixed assets	\$ 4,176,922
Intangible assets	2,917,386
Net assets acquired	\$ 7,094,308

See accompanying summary of accounting policies and notes to the condensed consolidated financial statements.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of Business

The accompanying unaudited condensed consolidated financial statements of China Sky One Medical, Inc., a Nevada corporation, and subsidiaries have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statement presentation. The financial statements for the periods ended September 30, 2008 and 2007 are unaudited and include all adjustments necessary to a fair statement of the results of operations for the periods then ended. All such adjustments are of a normal recurring nature. The results of the company's operations for any interim period are not necessarily indicative of the results of the company's operations for a full fiscal year. For further information, refer to the financial statements and footnotes thereto included in the company's annual report on Form 10-K for the year ended December 31, 2007, as filed with the Securities and Exchange Commission ("SEC") on March 31, 2008.

China Sky One Medical, Inc. ("China Sky One" or the "Company"), a Nevada corporation, was formed on February 7, 1986, and formerly known as Comet Technologies, Inc. ("Comet"). On July 26, 2006, the change in the name of the reporting company from "Comet Technologies, Inc." to "China Sky One Medical, Inc.," became effective.

American California Pharmaceutical Group, Inc. ("ACPG"), our non operating United States holding company subsidiary, was incorporated on December 16, 2003, in the State of California, under the name "QQ Group, Inc." It changed its name to "American California Pharmaceutical Group, Inc." in anticipation of the Stock Exchange Agreement with China Sky One (then known as "Comet Technologies, Inc.") and TDR, described herein. On December 8, 2005, ACPG completed a stock exchange transaction with TDR a PRC based operating company and TDR's subsidiaries (the "TDR Acquisition"), each of which were fully operating companies in the PRC. Under the terms of the agreement, ACPG exchanged 100% of its issued and outstanding common stock for 100% of the capital stock of TDR and its subsidiaries, described below.

Thereafter, on May 11, 2006, ACPG entered into a Stock Exchange Agreement (the "Exchange Agreement") with the shareholders of China Sky One. The terms of the Exchange Agreement were consummated and the acquisition was completed on May 30, 2006. As a result of the transaction, the Company issued a total of 10,193,377 shares of its common voting stock to the stockholders of ACPG, in exchange for 100% of the capital stock of ACPG resulting in ACPG becoming our wholly-owned subsidiary. The transaction is treated as a reverse merger for accounting purposes.

TDR, formerly known as "Harbin City Tian Di Ren Medical Co.," was originally formed in 1994 and maintained its principal executive office in Harbin City of Heilongjiang Province, in the PRC. TDR was reorganized and incorporated as a limited liability company on December 29, 2000, under the "Corporation Laws and Regulations" of the PRC. At the time of the TDR Acquisition by ACPG in December of 2005, TDR had two wholly-owned subsidiaries, Harbin First Bio-Engineering Company Limited and Kangxi Medical Care Product Factory, until July, 2006, when the two were merged, with Harbin First Bio-Engineering Company Limited ("First") as the surviving subsidiary of TDR. The principal activities of TDR and First are the research, manufacture and sale of over-the-counter non-prescription health care products. TDR commenced its business in the sale of branded nutritional supplements and over-the-counter pharmaceutical products in the Heilongjiang Province. TDR has subsequently evolved into an integrated manufacturer, marketer, and distributor of external use natural Chinese medicine products sold primarily to and through China's various domestic pharmaceutical chain stores.

China Sky One is a holding company whose principal operations are through its subsidiaries; it has no revenues separate from its subsidiaries, and has nominal expenses related to its status as a public reporting company and to its ownership interest in ACPG, TDR and TDR's subsidiaries in the PRC.

On September 30, 2008 (the "Record Date"), we obtained the written consent of the holders of 8,158,251 shares of our common stock, which as of the Record Date represented 51.3% of our outstanding voting securities, to increase our number of authorized shares of common stock from twenty million (20,000,000) shares to fifty million (50,000,000) shares. The increase will take effect at such time as we file a Certificate of Amendment (the "Amendment") to our Articles of Incorporation with the Secretary of State of the State of Nevada. We expect the effective date of the Amendment to be on or around November 10, 2008.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

2. Acquisition of Businesses

On April 3, 2008, TDR completed an acquisition pursuant to an Equity Transfer Agreement dated February 22, 2008, between TDR and Heilongjiang Tianlong Pharmaceutical, Inc., a corporation with a multitude of SFDA approved medicines and new medicine applications, organized under the laws of the PRC (“Tianlong”), which is in the business of manufacturing external-use pharmaceuticals. Our TDR subsidiary previously acquired the Beijing sales office of Tianlong in mid 2006. Pursuant to the Equity Transfer Agreement, TDR acquired 100% of the issued and outstanding capital stock of Tianlong from Heilongjiang’s sole stockholder Wu Jiechen, a resident of China, in consideration for an aggregate purchase price of approximately \$8,300,000, consisting of (i) \$8,000,000 in cash, and (ii) 23,850 shares of China Sky One (fair value at April 3, 2008 of \$277,861). The acquisition received regulatory approval and closed on April 3, 2008.

The following table summarizes the approximate estimated fair values of the assets acquired in the Tianlong acquisition.

Fixed assets	\$ 6,314,871
Intangible assets	1,786,990
Other	170,000
Net assets acquired	\$ 8,271,861

On April 18, 2008, China Sky One through its subsidiary Harbin TDR consummated a share acquisition pursuant to an Equity Transfer Agreement with the shareholders of Heilongjiang Haina Pharmaceutical Inc., a recently formed corporation organized under the laws of the PRC (“Haina”) licensed as a wholesaler of TCD, bio-medicines, bio-products, medicinal devices, antibiotics and chemical medicines. Haina Pharmaceutical does not have an established sales network and was acquired for its primary asset, a Good Supply Practice (GSP) license (License No. A-HLJ03-010) issued by the Heilongjian office of the SFDA. The SFDA recently started issuing such licenses to resellers of medicines that maintain certain quality controls. The GSP license was issued as of December 21, 2006 and will expire on January 29, 2012 and will enable the Company to expand its sales of medicinal products without having to go through a lengthy license application process.

The following table summarizes the approximate estimated fair values of the assets acquired in the Haina acquisition.

Intangible assets	\$ 437,375
-------------------	------------

Pursuant to the Equity Transfer Agreement, TDR acquired 100% of the issued and outstanding capital stock of Haina from its three stockholders in consideration for payment of 3,000,000 RMB (approximately \$437,375). TDR has been overseeing the operations of Haina Pharmaceutical since January of 2008 as part of its due diligence prior to closing of this acquisition.

On June 9, 2008, Harbin Tian Di Ren Medical Science and Technology Company, a limited liability company organized under the laws of the People’s Republic of China (“TDR”), which is a wholly-owned subsidiary of American California Pharmaceutical Group, Inc., a California corporation wholly-owned by China Sky One Medical, Inc., a Nevada corporation (the “Registrant”), entered into a Merger and Acquisition Agreement (the “Acquisition Agreement”) with Peng Lai Jin Chuang Pharmaceutical Company, a corporation organized under the laws of the People’s Republic of China (“Jin Chuang”), which was recently organized to develop, manufacture and distribute pharmaceutical, medicinal and diagnostic products in the PRC. On September 5, 2008, TDR acquired Jin Chuang in consideration for an aggregate of approximately (i) US\$2.5 million in cash, and (ii) 381,606 shares of common stock of the Registrant

with a fair value of approximately \$4.6 million at \$12 per share.

7

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

2. Acquisition of Businesses (Continued)

The following table summarizes the approximate estimated fair values of the assets acquired in the Jin Chuang acquisition.

Fixed assets	\$ 4,176,922
Intangible assets	2,917,386
Net assets acquired	\$ 7,094,308

The following table contains pro forma condensed consolidated income statement information assuming the Tianlong, Haina and Jin Chuang transactions closed on January 1, 2007, for the nine months ended September 30, 2008 and 2007. Jin Chuang had dormant operations until October 2008.

	2007	2008
Revenue	\$ 38,106,980	\$ 66,422,689
Operating income	\$ 12,561,224	\$ 26,816,131
Net income	\$ 10,094,819	\$ 21,995,680
Basic EPS	\$ 0.83	\$ 1.50
Diluted EPS	\$ 0.76	\$ 1.40

3. Basis of Preparation of Financial Statements

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, ACPG, TDR, First, Haina, Tianlong, and Jin Chuang. All significant inter-company transactions and balances were eliminated.

The accompanying financial statements are stated in U.S. Dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America. This basis of accounting differs from that used under applicable accounting requirements in the PRC. No material adjustment was required.

4. Summary of Significant Accounting Policies

Use of estimates - The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reported periods.

Significant estimates included values and lives assigned to acquired tangible and intangible assets, reserves for customer returns and allowances, uncollectible accounts receivable, valuation of equity issuances such as shares of the Company's common stock and stock options and warrants to purchase shares of the Company's common stock, and slow moving and/or obsolete/damaged inventory. Actual results may differ from these estimates.

Earnings per share - Basic net earnings per common share is computed by dividing net earnings applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options and warrants.

Cash and cash equivalents - The Company considers all highly liquid debt instruments purchased with maturity period of six months or less to be cash equivalents. The carrying amounts reported in the accompanying consolidated balance sheets for cash and cash equivalents approximate their fair value.

8

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

4. Summary of Significant Accounting Policies (Continued)

Accounts receivable - Accounts receivable are stated at net realizable value, net of an allowance for doubtful accounts. Provision of allowance is made for estimated bad debts based on a periodic analysis of individual customer balances including an evaluation of days of sales outstanding, payment history, recent payment trends, and perceived credit worthiness. At September 30, 2008, the Company's allowance for doubtful accounts was \$10,742. At December 31, 2007, the Company had no allowance for doubtful accounts.

Inventories - Inventories include finished goods, raw materials, freight-in, packing materials, labor, and overhead costs accounted for using the weighted average method. Provisions are made for slow moving, obsolete and/or damaged inventory based on a periodic analysis of individual inventory items including an evaluation of historical usage and/or movement, age, expiration date, and general conditions. There was no inventory reserve provision recorded at September 30, 2008 and December 31, 2007..

Property and equipment - Property and equipment are stated at the historical cost less accumulated depreciation. Depreciation on property, plant, and equipment is provided using the straight-line method over the estimated useful lives of the assets. An estimated residual value of 5% of cost, or valuation, was made for each items for both financial and income tax reporting purposes. The estimated lengths of useful lives are as follows:

	30
Buildings	years
	50
Land use rights	years
Furniture &	5 to 7
Equipments	years
	5 to
Transportaion	15
Equipment	years
	7 to
	14
Machinery	years

Expenditures for renewals and betterments is capitalized while repairs and maintenance costs are normally charged to the statement of operations in the year in which they were incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to obtain from the use of the asset, the expenditure is capitalized as an additional cost of the asset. Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset are removed from their respective accounts, and any gain or loss is recorded in the Consolidated Statements of Operations.

Property and equipment are evaluated for impairment annually or whenever an event or change in circumstances indicates that the carrying values may not be recoverable. If such an event or change in circumstances occurs and potential impairment is indicated because the carrying values exceed the estimated future undiscounted cash flows of the asset, the Company will measure the impairment loss as the amount by which the carrying value of the asset exceeds its fair value.

Construction-in-progress - Properties currently under development are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including land rights cost, development expenditures,

professional fees, and the interest expenses for the purpose of financing the project capitalized during the course of construction.

Upon completion and readiness for use of the project, the cost of construction-in-progress is to be transferred to the facility. In the case of construction-in-progress, management takes into consideration the estimated cost to complete the project when making the lower of cost or market calculation.

Intangible assets - Intangible assets consists of patents, distribution rights and customer lists. Patent costs are being amortized over a total life of ten years. Distribution rights and customer lists are being amortized over 10 years.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

4. Summary of Significant Accounting Policies (Continued)

Intangible assets are accounted for in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). Intangible assets with finite useful lives are amortized while intangible assets with indefinite useful lives are not amortized. As prescribed by SFAS 142, goodwill and intangible assets are tested periodically for impairment. The Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. Accordingly, the Company reviews its long-lived assets, including property and equipment and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows will be less than the carrying amount of the assets. Impairment costs, if any, are measured by comparing the carrying amount of the related assets to their fair value. There were no impairments during the nine months ended September 30, 2008 and 2007.

Foreign Currency - The Company's principal country of operations is in The People's Republic of China. The financial position and results of operations of the Company are recorded in RMB as the functional currency. The results of operations denominated in foreign currency are translated at the average rate of exchange during the reporting period.

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the market rate of exchange ruling at that date. The registered equity capital denominated in the functional currency is translated at the historical rate of exchange at the time of capital contribution. All translation adjustments resulting from the translation of the financial statements into the reporting currency ("US Dollars") are recorded as accumulated other comprehensive income, a component of stockholders' equity.

Revenue recognition - Revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. The Company believes that these criteria are satisfied upon shipment from its facilities. Revenue is reduced by provisions for estimated returns and allowances as well as specific known claims, if any, which are based on historical averages that have not varied significantly for the periods presented.

The Company occasionally applies to various government agencies for research grants. Revenue from such research grants is recognized when earned. In situations where TDR receives payment in advance for the performance of research and development services, such amounts are deferred and recognized as revenue as the related services are performed.

Deferred revenues - The Company recognizes revenues as earned. Amounts billed in advance of the period in which goods are delivered are recorded as a liability under "Deferred revenue."

Research and development - Research and development expenses include the costs associated with the Company's internal research and development as well as research and development conducted by third parties. These costs primarily consist of salaries, clinical trials, outside consultants, and materials. All research and development costs are expensed as incurred.

Third-party expenses reimbursed under non-refundable research and development contracts are recorded as a reduction to research and development expense in the statement of operations.

The Company recognizes in-process research and development in accordance with FASB Interpretation No. 4, *Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method* and the AICPA Technical Practice Aid, *Assets Acquired in a Business Combination to be used in Research and Development Activities: A Focus on Software, Electronic Devices, and Pharmaceutical Industries*. Assets to be used in research and development activities, specifically, compounds that have yet to receive new drug approval and would have no alternative use, should approval not be given, are immediately charged to expense when acquired.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

4. Summary of Significant Accounting Policies (Continued)

For the nine months ended September 30, 2008, the Company incurred \$4,719,554 in research and development costs and \$1,751,624 for the nine months ended September 30, 2007.

Advertising - Advertising and promotion costs are expensed as incurred. Total advertising costs for the nine months ended September 30, 2008 and 2007 was \$5,257,228 and \$3,939,645, respectively. Advertising costs are reported as part of selling, general and administrative expenses in the statements of operations.

Taxation - The Company uses the asset and liability method of accounting for deferred income taxes. The Company's provision for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The Company records liabilities for income tax contingencies based on our best estimate of the underlying exposures.

The Company periodically estimates its tax obligations using historical experience in tax jurisdictions and informed judgments. There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which the Company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to, or further interpretations of, regulations. The Company adjusts income tax expense in the period in which these events occur.

Provision for the PRC's enterprise income tax is calculated at the prevailing rate based on the estimated assessable profits less available tax relief for losses brought forward.

Provision for the PRC enterprise income tax is calculated at the prevailing rate based on the estimated assessable profits less available tax relief for losses brought forward. The Company does not accrue taxes on unremitted earnings from foreign operations as it is the Company's intention to invest these earnings in the foreign operations indefinitely.

Enterprise income tax

Under the Provisional Regulations of PRC Concerning Income Tax on Enterprises promulgated by the PRC, income tax is payable by enterprises at a rate of 25% of their taxable income. Preferential tax treatment may, however, be granted pursuant to any law or regulations from time to time promulgated by the State Council.

According to "Enterprise Income Tax and Certain Preferential Policies Notice" published by the Ministry of Finance and the National Tax Affairs Bureau, if the enterprise is authorized by the State Council as a special entity, the enterprise income tax rate is reduced to 15%. The income tax rate for TDR and Tianlong is 15% based on State Council approval.

Value added tax

The Provisional Regulations of PRC Concerning Value Added Tax promulgated by the State Council came into effect on January 1, 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Value Added Tax, value added tax is imposed on goods sold in, or imported into, the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided, but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

According to “Agriculture Product Value Added Tax Rate Adjustment and Certain Items’ Value Added Tax Waiver” published by the Ministry of Finance and the National Tax Affairs Bureau, the value added tax for agriculture related products is to be taxed at 13%. Furthermore, traditional Chinese medicine and medicinal plant are by definition agriculture related products.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

4. Summary of Significant Accounting Policies (Continued)

Comprehensive Income - Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under generally accepted accounting principles are excluded from net income. For the Company, such items consist entirely of foreign currency translation gains and losses.

Related companies - A related company is a company in which the director has beneficial interests in and in which the Company has significant influence.

Retirement benefit costs - According to the PRC regulations on pension plans, the Company contributes to a defined contribution retirement plan organized by municipal government in the province in which the Company was registered and all qualified employees are eligible to participate in the plan.

Contributions to the pension or retirement plan are calculated at 23.5% of the employees' salaries above a fixed threshold amount. The employees contribute between 2% to 8% to the pension plan, and the Company contributes the balance. The Company has no other material obligations for the payment of retirement benefits beyond the annual contributions under this plan.

Fair value of financial instruments - The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses, and other payables approximate their fair values as at September 30, 2008 and December 31, 2007 because of the relatively short-term maturity of these instruments.

Recent accounting pronouncements:

- In February 2007, the FASB issued Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). This statement permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159, effective January 1, 2008, did not have a material impact on the Company's financial statements.

- In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). The statement provides enhanced guidance for using fair value to measure assets and liabilities and also responds to investors' requests for expanded information about the extent to which company's measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. While the standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, it does not expand the use of fair value in any new circumstances. Statement No. 157 is effective for financial statements issued for fiscal periods beginning after November 15, 2007. This statement did not have a material impact on the Company's financial statements.

- In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) will change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141(R) will impact the Company in the event of any acquisition after December 31, 2008.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

4. Summary of Significant Accounting Policies (Continued)

- In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not believe that SFAS 160 will have a material impact on the Company's financial statements.

- In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). This Statement will require enhanced disclosures about derivative instruments and hedging activities to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are assessing the impact of the adoption of this Statement.

5. Concentrations of Business and Credit Risk

The Company maintains certain bank accounts in the PRC which are not protected by FDIC insurance or other insurance. As of September 30, 2008 the Company held \$2,355,276 of cash balances within the United States of which \$2,105,276 was in excess of FDIC insurance limits. At September 30, 2008, the Company had approximately \$48,593,254, in China bank deposits, which may not be insured. Historically, the Company has not experienced any losses in such accounts.

Nearly all of the Company's sales are concentrated in China. Accordingly, the Company is susceptible to fluctuations in its business caused by adverse economic conditions in this country. Difficult economic conditions in other geographic areas into which the Company may expand may also adversely affect its business, operations and finances.

The Company provides credit in the normal course of business. Substantially all customers are located in PRC. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information.

Substantially all of the Company's fixed assets and operations are located in the PRC.

The Company is self-insured for all risks and carries no liability or property insurance coverage of any kind.

Substantially all of the Company's business are generated from operations in mainland China.

Major Customers

For the three and nine months ended September 30, 2008 and 2007 no individual customer accounted for more than 10% of sales revenues.

Major Suppliers

Heilongjiang Kangda Medicine Co. accounted for approximately 45% of the Company's inventory purchases for the nine months ended September 30, 2008. There were no major single suppliers during the nine months ended September 30, 2007.

Payments of dividends may be subject to some restrictions due to the Company's operating subsidiaries all being located in the PRC.

13

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

6. Earnings per Share

We have applied SFAS No. 128, "Earnings Per Share" in its calculation and presentation of earnings per share - "basic" and "diluted". Basic earnings per share are computed by dividing net earnings available to common shareholders (the numerator) by the weighted average number of common shares (the denominator) for the period presented. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Stock warrants and options to purchase 1,539,147 shares of common stock were outstanding and exercisable during the nine months ended September 30, 2008. Stock warrants and options to purchase 1,791,000 shares of common stock, all but 113,500 of which were exercisable and outstanding during the nine months ended September 30, 2007 were included in the computation of diluted earnings per share because the option exercise prices were less than the average market price of our common stock during these periods.

The dilutive potential common shares on warrants and options is calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all warrants and options are used to repurchase common stock at market value. The amount of shares remaining after the proceeds are exhausted represents the potential dilutive effect of the securities.

The following table sets forth our computation of basic and diluted net income (loss) per share:

	Three months ended September 30,	
	2008	2007
<u>Numerator:</u>		
Net income used in calculation of basic and diluted earnings per share	\$ 9,943,435	\$ 5,446,271
<u>Denominator:</u>		
Weighted-average common shares outstanding used in calculation of basic earnings per share	15,464,084	12,110,201
Effect of dilutive securities:		
Stock options and equivalents	1,028,330	392,131
Weighted-average common shares used in calculation of diluted earnings (loss) per share	16,492,414	12,502,332
Basic	\$ 0.64	\$ 0.45
Diluted	\$ 0.60	\$ 0.44

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

6. Earnings per Share (Continued)

	Nine months ended September 30,	
	2008	2007
<u>Numerator:</u>		
Net income used in calculation of basic and diluted earnings per share	\$ 21,919,013	\$ 11,227,915
<u>Denominator:</u>		
Weighted-average common shares outstanding used in calculation of basic earnings per share	14,657,059	12,077,491
Effect of dilutive securities:		
Stock options and equivalents	1,088,483	390,495
Weighted-average common shares used in calculation of diluted earnings per share	15,745,542	12,468,186
Net income per share:		
Basic	\$ 1.50	\$ 0.93
Diluted	\$ 1.39	\$ 0.90

7. Equity and Share-based Compensation

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123R, Share-Based Payment (“SFAS No. 123R”), for options granted to employees and directors, using the modified prospective transition method, and therefore have not restated results from prior periods. Compensation cost for all stock-based compensation awards granted is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Under the fair value recognition provisions of SFAS No. 123R, we recognize stock-based compensation net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest on a straight-line prorated basis over the requisite service period of the award. In March 2005, the SEC issued Staff Accounting Bulletin (“SAB”) No. 107, Share-Based Payment (“SAB No. 107”), regarding the SEC’s guidance on SFAS No. 123R and the valuation of share-based payments for public companies. We have applied the provisions of SAB No. 107 in the adoption of SFAS No. 123R. Under SFAS 123R, the company remeasures the intrinsic value of the options at the end of each reporting period until the options are exercised, cancelled or expire unexercised.

In July 2006, the Company’s stockholders approved the 2006 Stock Incentive Plan (the “2006 Plan”). The 2006 Plan, provides for the grant of stock options, restricted stock awards, and performance shares to qualified employees, officers, directors, consultants and other service providers. The 2006 Plan originally authorized the Company to grant options and/or rights to purchase up to an aggregate of 1,500,000 shares of common stock. As of September 30, 2008, non-qualified options to purchase a total of 113,500 shares have been granted under the 2006 Stock Incentive Plan. All options were granted in October 2006. All options have an exercise price of \$3.65 per share, the weighted fair market value on the date of grant was \$4.25 per share. Of these 113,500 options a total of 60,500 were granted to employees and a total of 53,000 were granted to consultants. These options were valued under the following Black-Scholes assumptions: no dividends; risk-free interest rate of 4%; a contractual life of 5 years and volatility of 39%. An additional 50,000 shares registered under the 2006 Plan were issued outright to employees of the company. All 113,500 options vest over various periods for the various options granted to employees and consultants. There were no options granted in the nine months ended September 30, 2008. As of September 30, 2008, these options have a remaining life of approximately 4 years, and remain outstanding and continue to be remeasured at the intrinsic value

over their remaining vesting period ranging from 6 months to 2 years.

15

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

7. Equity and Share-based Compensation (Continued)

Compensation expense in any given period is calculated as the difference between total earned compensation at the end of the period, less total earned compensation at the beginning of the period. Compensation earned is calculated on a straight line basis over the requisite service period for any give option award. The effect of adoption of the new standard for the nine months ended September 30, 2008 and 2007 related to stock options to employees were additional non-cash expenses of \$10,117.

Options or stock awards issued to non-employees and consultants are recorded at their fair value as determined in accordance with SFAS No. 123R and EITF No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", and recognized over the related vesting or service period. In connection with closing of the Stock Exchange Agreement, the Company agreed to grant warrants to advisors for the services they already performed for the reverse merger in July 2006, entitling them to purchase up to 500,000 shares on or before July 31, 2009, at a price of US\$2.00 per share and options to purchase up to 50,000 shares on or before December 20, 2008 at a price of US\$3.00 per share. The fair value of these warrants and options were determined to be \$772,275 and deducted as expenses using the Black-Scholes option-pricing model with the following weighted assumptions: no dividends; risk-free interest rate of 4%; the contractual life of 2.5-3.5 years and volatility of 39%. The Company based its estimate of expected volatility on the historical, expected or implied volatility of similar entities whose share or option prices are publicly available.

One January 3, 2007, the holder of 50,000 warrants dated March 11, 1999, granted prior to the May 30, 2006 company reorganization, stock exchange exercised the warrants by electing to use cashless conversion provision of the warrants and acquired 5,160 shares of the Company common stock (after giving effect to the 8-to 1 reverse stock split effected after the warrant was issued).

At various times during the nine months ended September 30, 2008 warrant holders exercised 550,834 warrants, at various exercise prices, for total proceeds of approximately \$1,044,169, of which \$26,250 or 7,500 shares have not been issued as of September 30, 2008.

8. Securities Purchase Agreement and Related Transaction

On January 31, 2008 China Sky One entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with certain accredited investors, for the purchase and sale of units consisting of: (i) one (1) share of the Company's common stock, \$.001 par value per share ("Common stock"); and (ii) 750,000 Class A Warrants exercisable at \$12.50 per share, and expiring on July 31, 2011 (the "Class A Warrants"), for a purchase price of \$10.00 per Unit (the "January 2008 Offering"), and gross offering proceeds of \$25,000,000.

Holders of the 2,500,000 shares of common stock sold in our January 2008 Offering have certain put rights and rights to receive additional shares from the Company if we sell low priced securities or from certain key shareholders in the event that certain thresholds are not met, in addition to registration rights. Specifically, these investors have:

- The right to receive additional shares of common stock from China Sky One in the event that we sell shares (or convertible securities or warrants convertible into or exercisable for common stock) prior to January 31, 2009 at per share price (or exercise or conversion price) of less than \$10.00, in such amount so as to reduce the average price paid by such shareholder to the price per share being paid by the new investors,

- The right to receive up to 3,000,000 shares deposited into escrow by our principal shareholder, in the event that the Company fails to attain Earnings Per Share, as adjusted of at least (i) \$1.05 per share for fiscal year ended December 31, 2007 based on fully diluted shares outstanding before the January 2008 offering (an aggregate of 13,907,696), and/or (ii) \$1.75 per share for fiscal year ending December 31, 2008 based on fully diluted shares outstanding after the January 2008 Offering (an aggregate of 16,907,696 shares). While the Company has satisfied the criterion of (i) above for 2007, no assurance can be made that we will satisfy our earnings goal for 2008.

China Sky One Medical, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

8. Securities Purchase Agreement and Related Transaction (Continued)

The Class A Warrants represent the right to purchase an aggregate of 750,000 shares of common stock, at an exercise price of \$12.50 per share. Additional information relating to these Class A Warrants is provided in Note 9 to this Quarterly Report on Form 10-Q.

9. Outstanding Warrants and Options

		Weighted average Exercise Price underlying Warrants	Shares underlying Options	Weighted average Exercise Price Options				
Outstanding as of January 1, 2006		25,000 \$ 1.50	-					
Granted		1,650,000	2.58	163,500	\$ 3.45			
Exercised		-	-	-	-			
Expired or cancelled		-	-	-	-			
Outstanding as of December 31, 2006		1,675,000	2.57	163,500	\$ 3.45			
Granted		-	-	-	-			
Exercised		-	-	-	-			
Expired or cancelled		(161,667)	3.19	-	-			
Outstanding as of December 31, 2007		1,513,333	\$ 2.48	163,500	\$ 3.45			
Granted		750,000	12.50	-	-			
Exercised		(828,336)	3.03	-	529,000	\$-\$1,164,455	\$641,148	\$32,189 \$2,
	2014	504,000		25,000	1,108,998	614,8865	2,296,759	
	2013	480,000		—	572,134	469,8004	1,567,378	
Thomas Trubiana	2015	355,350	—		700,007	381,6969	1,452,012	
President	2014	345,000	22,000		624,996	3719,084	1,386,785	
	2013	330,000	—		408,665	3182,591	1,079,506	
Edwin B. Brewer, Jr. ⁽⁵⁾	2015	285,000	—		230,005	316,282	836,488	
Executive Vice President, Chief Financial Officer and Treasurer	2014	116,740	100,000		—	—432	217,172	
Christine Richards	2015	285,000	—		230,005	3072,483	835,032	
Executive Vice President and Chief Operating Officer	2014	220,000	10,000		200,001	2310,905	676,306	
	2013	200,000	—		147,118	139,5806	498,434	
Lindsey Mackie ⁽⁶⁾								
Senior Vice President and Chief Accounting Officer	2015	119,504	5,000		—	66,3000	192,014	
Drew Koester ⁽⁶⁾	2015	183,955	—		70,008	88,2992	347,854	
Senior Vice President - Capital Markets and Investor Relations	2014	178,602	23,900		64,996	86,5333	359,434	
	2013	173,400	—		49,040	79,5371	307,342	

- (1) The amounts listed in this column represent cash bonuses earned by the NEO during the fiscal year covered.
- (2) The amounts listed in this column represent the grant date fair value of awards of LTIP Units in 2015 and restricted stock and RSUs for 2013 and 2014, as computed under ASC 718 granted during the fiscal year indicated. For Performance Awards and RSUs, grant date fair value is calculated based on the probable outcome of the performance result for each of the performance periods, excluding the effect of estimated forfeitures. Refer to Note 9, "Incentive Plans," to the consolidated audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for a discussion of the relevant assumptions used to determine the grant date fair value of these awards. These amounts do not necessarily reflect the actual amounts that were paid to, or may be realized by, the NEOs for any of the fiscal years reflected.
- (3) The amounts listed in this column for 2015 reflect the dollar amount paid to our NEOs pursuant to the Annual Incentive Plan related to fiscal 2015. For more information regarding payments made to our NEOs under the Annual Incentive Plan, see the discussion and table under the caption "Compensation Discussion and Analysis – Elements of EdR's Compensation Program – 2015 Annual Incentive Compensation" above.
- (4) The amounts listed in this column reflect, for each NEO, the sum of (i) the amounts contributed by EdR to our 401(k) Retirement Savings Plan and Deferred Compensation Plan, (ii) the dollar value of dividends on unvested restricted shares of common stock and (iii) distributions received on outstanding time-vesting LTIP Units. Listed in the table below are the dollar values of the amounts reported in this column for 2015.
- (5) Mr. Brewer joined the Company in August 2015 and, as a result, his compensation for 2014 shown above represents compensation for a partial year of service.
- (6) Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

The following table shows the details of all other compensation earned during 2015:

NEO	Company Match in 401(k) and Deferred Compensation Plan (\$)	Dividends on Unvested Restricted Shares (\$)	Dividends on Time-Vesting LTIP Units (\$)	Total All Other Compensation (\$)
Randy Churchey	9,000	13,934	9,255	32,189
Thomas Trubiana	—	8,415	5,564	13,979
Edwin B. Brewer, Jr.	3,206	1,168	1,828	6,202
Christine Richards	7,956	2,799	1,828	12,583
Lindsey Mackie ⁽¹⁾	1,210	—	—	1,210
J. Drew Koester ⁽¹⁾	4,117	918	557	5,592

⁽¹⁾ Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

Supplemental Compensation Table

To supplement the SEC-required disclosure in the Summary Compensation Table set forth above, we have included the additional table below, which shows “Total Realized Compensation” representing the total compensation realized by each NEO in each of the years shown. Total compensation as calculated under SEC rules and, as shown in the Summary Compensation Table, includes several items that are driven by accounting and actuarial assumptions, which are not necessarily reflective of compensation actually realized by each of the NEOs in a particular year.

NEO	Year	Total Realized Compensation ⁽¹⁾
Randy Churchey	2015	\$1,778,072
	2014	\$2,242,543
	2013	\$1,559,494
Thomas Trubiana	2015	\$1,022,627
	2014	\$1,381,394
	2013	\$934,953
Edwin B. Brewer, Jr. ⁽²⁾	2015	\$614,917
	2014	\$116,740
Christine Richards	2015	\$705,161
	2014	\$817,082
	2013	\$506,548
Lindsey Mackie ⁽³⁾	2015	\$190,804
J. Drew Koester ⁽³⁾	2015	\$309,630
	2014	\$334,576
	2013	\$293,057

⁽¹⁾ Amounts reported as Total Realized Compensation differ substantially from the amounts determined under SEC rules as reported in the Total column of the Summary Compensation Table. Total Realized Compensation is not a substitute for the total compensation as shown above in the “Total” column in the Summary Compensation Table. The Supplemental Table does not include all items required to be included as compensation in the Summary Compensation Table. Total Realized Compensation consists solely of (a) the actual salary paid for the indicated year, (b) the annual incentive cash bonus (as reported under the non-equity incentive compensation plan column), and (c) the market value of shares vested during the applicable year on the vesting date. For more information on total compensation as shown above in the “Total” column in the Summary Compensation Table under the SEC rules, see the notes accompanying the Summary Compensation Table and the section “Narrative to Summary Compensation Table

and Grants of Plan-Based Awards” below.

(2) Mr. Brewer joined the Company in August 2015 and, as a result, his compensation for 2014 shown above represents compensation for a partial year of service.

(3) Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

Grants of Plan-Based Awards

The following table summarizes grants of plan-based awards made to our NEOs in 2015.

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock (#) ⁽³⁾	Grant Date Fair Value of Stock Awards (\$) ⁽⁴⁾
	Grant Date	Approval Date	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)		
Randy Churchey								
	2/4/2015	2/4/2015	317,400	634,800	952,200			
	2/4/2015	2/4/2015					8,414	291,124
	2/4/2015	2/4/2015				17,800	35,600	53,400
Thomas Trubiana								
	2/4/2015	2/4/2015	195,443	390,885	586,328			
	2/4/2015	2/4/2015					5,058	175,007
	2/4/2015	2/4/2015				10,700	21,401	32,101
Edwin B. Brewer, Jr.								
	2/4/2015	2/4/2015	142,500	285,000	427,500			
	2/4/2015	2/4/2015					1,662	57,505
	2/4/2015	2/4/2015				3,516	7,032	10,548
Christine Richards								
	2/4/2015	2/4/2015	142,500	285,000	427,500			
	2/4/2015	2/4/2015					1,662	57,505
	2/4/2015	2/4/2015				3,516	7,032	10,548
Lindsey Mackie ⁽⁵⁾								
	6/1/2015		32,500	65,000	97,500			
J. Drew Koester ⁽⁵⁾								
	2/4/2015	2/4/2015	45,989	91,978	137,966			
	2/4/2015	2/4/2015					506	17,508
	2/4/2015	2/4/2015				1,070	2,140	3,210

⁽¹⁾ The amounts reported in the “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” column represent the “threshold”, “target” and “maximum” payouts to the NEOs pursuant to EdR’s Annual Incentive Plan. NEOs qualify for the (i) “threshold” amount if EdR meets 80% of its budget for Core FFO and individual NEOs meet 50% of their performance goals; (ii) “target” amount if EdR meets 100% of its budget for Core FFO and individual NEOs meet 100% of their performance goals; and (iii) “maximum” amount if EdR meets 120% of its budget for Core FFO and individual NEOs meet 150% of their performance goals. See “Compensation Discussion & Analysis – Elements of EdR’s Compensation Program – 2015 Annual Incentive Compensation” above.

⁽²⁾ The amounts reported in the “Estimated Future Payouts Under Equity Incentive Plan Awards” column represent the “threshold”, “target” and “maximum” LTIP Units granted to the NEOs pursuant to the 2015 LTIP. The vesting of such LTIP Units is based upon the Company’s achievement of six Performance Objectives over a three-year period ending on December 31, 2017. See “Compensation Discussion and Analysis – Elements of EdR’s Compensation Program – 2015 Long-Term Incentive Compensation” above.

(3) The amounts reported in the “All Other Stock Awards: Number of Shares of Stock” column represent the number of time vesting LTIP Units granted to the NEOs pursuant to EdR’s 2015 LTIP. The LTIP Units vest ratably over a period of three years on each anniversary date of the grant date as long as the respective NEO is employed by EdR on such vesting date. See “Compensation Discussion & Analysis – Elements of EdR’s Compensation Program – 2015 Long-Term Incentive Compensation” above.

(4) The amounts reported in the “Grant Date Fair Value of Stock Awards” column show the aggregate grant date fair value, computed in accordance with ASC 718, of the LTIP Units granted pursuant to the 2015 LTIP. Refer to Note 9, “Incentive Plans,” to the consolidated audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for a discussion of the relevant assumptions used to determine the grant date fair value of these awards.

(5) Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table

The following discussion should be read in conjunction with (i) the “Summary Compensation Table” and the “Grants of Plan-Based Awards Table” as well as the footnotes to such tables and (ii) the disclosure under the caption “Compensation Discussion and Analysis” above.

Employment Agreements

During 2015, the employment of each of our NEOs was governed by an executive employment agreement. We have summarized the material terms of these executive employment agreements under the caption “Compensation Discussion and Analysis – Employment Agreements” above and “Potential Payments Upon Termination or Change in Control” below.

Equity Awards

The equity awards granted to our NEOs during 2015 that appear in the tables above were granted pursuant to the 2015 LTIP, which is described in detail in the Compensation Discussion and Analysis section under the caption “Elements of EdR’s Compensation Program – 2015 Long-Term Incentive Compensation.” Shares granted under the 2015 LTIP were granted pursuant to the Omnibus Equity Incentive Plan. The Omnibus Equity Incentive Plan was approved by our Board of Directors on February 17, 2011 and by our stockholders on May 4, 2011. The Omnibus Equity Incentive Plan became effective as of January 1, 2011. The Omnibus Equity Incentive Plan provides for the grant of stock options, RSUs, restricted stock, stock appreciation rights and other stock-based incentive awards to our key officers, employees and directors providing services to us and our subsidiaries. The Omnibus Equity Incentive Plan replaced the Education Realty Trust, Inc. 2004 Incentive Plan (the “2004 Plan”) in its entirety and initially authorized the grant of the 105,000 shares that remained available for grant under the 2004 Plan as well as 1,049,167 additional shares (for a total of 1,154,167 shares reserved under the Omnibus Equity Incentive Plan). Any key officer, employee or director is eligible to be a designated participant, and the Omnibus Equity Incentive Plan is administered by a committee composed of at least two non-employee directors. The number of shares reserved under the Omnibus Equity Incentive Plan is also subject to any adjustments for changes in our capital structure, including share splits, dividends and recapitalizations. As of December 31, 2015, there were 589,240 shares available for issuance under the Omnibus Equity Incentive Plan. EdR intends that the incentive awards issued under the Omnibus Equity Incentive Plan will all be considered performance-based and therefore fully tax-deductible by EdR without regard to the limitation on deductibility imposed by Section 162(m) of the Code. Option repricing is expressly prohibited by the terms of the Omnibus Equity Incentive Plan, without stockholder approval.

Compensation Mix

As discussed in more detail in the section of this Proxy Statement entitled “Compensation Discussion and Analysis – Elements of EdR’s Compensation Program” above, in 2015, EdR’s compensation program was comprised of the following three elements: (i) base salary, (ii) annual incentive compensation and (iii) long-term equity incentive compensation. Although it does not allocate a fixed percentage of the NEO compensation packages to each of these elements, the Compensation Committee does seek to achieve an appropriate balance among these elements to incentivize our NEOs to focus on financial and operating results in the near term and the creation of stockholder value over the long term.

The table entitled “2015 Compensation Mix” in the “Compensation Discussion and Analysis – Elements of EdR’s Compensation Program” section above illustrates the mix of salary, annual incentive compensation and long-term incentive compensation for our 2015 NEO compensation program.

Outstanding Equity Awards at Fiscal Year End

The following table provides information on the NEOs' outstanding equity awards as of December 31, 2015. The equity awards reported as Stock Awards consist of restricted stock and RSU awards.

NEO	Grant Date	Stock Awards		Equity Incentive Plan	Equity Incentive Plan
		Number of Shares or Units of Stock That Have Not Vested (#) ⁽¹⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾	Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽³⁾	Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁾
Randy Churchey	2/4/2015	8,414	318,722	—	—
	2/4/2015	—	—	53,400	2,022,792
	1/1/2014	6,985	264,592	—	—
	1/1/2014	—	—	64,980	2,461,442
	1/1/2013	2,559	96,935	—	—
	1/1/2013	—	—	21,381	809,912
Thomas Trubiana	2/4/2015	5,058	191,597	—	—
	2/4/2015	—	—	32,101	1,215,986
	1/1/2014	3,937	149,134	—	—
	1/1/2014	—	—	36,621	1,387,203
	1/1/2013	1,828	69,245	—	—
	1/1/2013	—	—	15,272	578,503
Edwin B. Brewer, Jr.	2/4/2015	1,662	62,957	—	—
	2/4/2015	—	—	10,548	399,558
	8/5/2014	800	30,304	—	—
Christine Richards	2/4/2015	1,662	62,957	—	—
	2/4/2015	—	—	10,548	399,558
	1/1/2014	1,259	47,691	—	—
	1/1/2014	—	—	11,718	443,878
	1/1/2013	657	24,887	—	—
	1/1/2013	—	—	5,498	208,264
Lindsey Mackie ⁽⁴⁾	—	—	—	—	—
J. Drew Koester ⁽⁴⁾	2/4/2015	506	19,167	—	—
	2/4/2015	—	—	3,210	121,595
	1/1/2014	409	15,493	—	—
	1/1/2014	—	—	3,808	144,247
	1/1/2013	220	8,334	—	—
	1/1/2013	—	—	1,832	69,396

⁽¹⁾ Represents shares of restricted stock and time vesting LTIP Units granted to the respective NEO pursuant to the 2013, 2014 and 2015 LTIPs, which vest ratably over a period of three years on the anniversary dates of the grant date as long as the NEO is employed by EdR on each such vesting date.

⁽²⁾ Market value reflects the number of restricted shares, RSUs or LTIP Units multiplied by \$37.88 per share, which was the closing price of our common stock on December 31, 2015.

⁽³⁾ Represents the number of RSUs or LTIP Units that would be issued to the NEO pursuant to the 2013, 2014 and 2015 LTIPs assuming maximum performance. Shares underlying the RSUs issued pursuant to the 2013 LTIP vested on January 1, 2016 at an amount less than target performance. Shares underlying the RSUs issued pursuant to the

2014 LTIP will vest, if at all, on January 1, 2017. LTIP Units issued pursuant to the performance component of the 2015 LTIP will vest, if at all, on January 1, 2018.

⁽⁴⁾ Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations. Ms. Mackie had no outstanding equity awards as of December 31, 2015.

2015 Option Exercises and Stock Vested

The following table summarizes the number of shares of our common stock and the value of those shares that vested in 2015 for each of our NEOs.

NEO	Time-Vested Stock Awards		Performance-Vested Stock Awards		
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)	
Randy Churchey	9,119	333,664	(1) 3,903	142,811	(1)
	3,334	131,460	(2)		
Thomas Trubiana	5,548	203,001	(1) 2,230	81,596	(1)
Edwin B. Brewer, Jr.	400	14,636	(1) —	—	
Christine Richards	2,077	75,997	(1) 1,004	36,736	(1)
Lindsey Mackie ⁽³⁾	—	—	—	—	
J. Drew Koester ⁽³⁾	687	25,137	(1) 335	12,258	(1)

(1) Based upon EdR's closing market price on December 31, 2014 of \$36.59.

(2) Based upon EdR's closing market price on January 12, 2015 of \$39.43.

(3) Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

2015 Non-Qualified Deferred Compensation

The following table summarizes the contributions, earnings, withdrawals and aggregate balances with respect to the Education Realty Trust Deferred Compensation Plan for each of our NEOs in 2015.

NEO	Executive Contributions in Last Fiscal Year ⁽¹⁾	Registrant Contributions in Last Fiscal Year ⁽²⁾	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End
Randy Churchey	\$—	\$—	\$1,120	\$—	\$56,429
Thomas Trubiana	—	—	—	—	—
Edwin B. Brewer, Jr.	—	—	—	—	—
Christine Richards	—	—	66	—	9,388
Lindsey Mackie ⁽³⁾	—	—	—	—	—
J. Drew Koester ⁽³⁾	—	—	—	—	—

(1) Amounts shown reflect the portion of the executive's 2015 cash compensation deferred into our Deferred Compensation Plan. These amounts are also reported in the Summary Compensation Table.

(2) The amounts reported in this column are reported in the Summary Compensation Table under All Other Compensation.

(3) Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

The Deferred Compensation Plan is intended to provide certain highly compensated employees with a tax deferral opportunity for compensation paid by EdR.

The deferred amounts are not subject to income tax or income tax withholding when earned and deferred, but are fully taxable (and withheld appropriately) when distributed. The Deferred Compensation Plan is also intended to comply with the requirements of Section 409A of the Code.

The Deferred Compensation Plan allows our NEOs to defer a portion of their salary and cash bonuses, including performance based and non-performance based bonuses. However, the value of any incentive stock options, non-qualified stock options or any restricted stock awards granted to our NEOs are not eligible for deferral under the plan. The Deferred Compensation Plan also permits EdR to make discretionary matching contributions and discretionary employer contributions. All contributions by EdR are subject to a vesting schedule, which provides for vesting over a three-year period. Deferrals by participants from their cash compensation are always 100% vested. The election to

40

defer compensation under the Deferred Compensation Plan is in addition to any deferral election made by the participant under our 401(k) plan.

EdR does not provide a guaranteed rate of return on the deferrals to the Deferred Compensation Plan. This plan credits gains and losses based upon “deemed” investments chosen by the participants from a menu of mutual funds, indexes and similar investment alternatives. The investment alternatives offered under the Deferred Compensation Plan are the same investment alternatives offered under our 401(k) plan. The performance of the mutual funds fluctuates with the conditions of the capital markets and the economy generally, and is affected by prevailing interest rates and credit risks.

The Deferred Compensation Plan provides for payment of deferred compensation and earnings thereon. Within certain limits, participants are allowed to make an election as to the timing for the distribution. Participants may elect to receive a distribution at the earlier of (i) a fixed payment date specified by the participant, (ii) following the participant’s separation from service with EdR or (iii) following a “change in control.” Participants may also receive a distribution in the event of a financial hardship under specific circumstances. All distributions are made in a lump sum.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As described in more detail under the caption “Compensation Discussion and Analysis – Employment Agreements” above, during 2015, the employment of each of our NEOs was governed by an employment agreement. The employment agreements contain certain definitions and provisions that permitted us to terminate the NEO’s employment for or without “cause,” which is generally defined to mean that the NEO had:

• continually failed to substantially perform, or been grossly negligent in the discharge of his or her duties to EdR (in any case, other than by reason of a disability, physical or mental illness or analogous condition);

• been convicted of or pled nolo contendere to a felony or a misdemeanor with respect to which fraud or dishonesty is a material element; or

• materially breached any material EdR policy or agreement with EdR.

In addition, either prior to or after a “change of control” of EdR, each NEO has the right under the employment agreement to resign for “good reason,” which is generally defined to include the following circumstances: (i) the NEO experienced a reduction in the NEO’s title, duties or responsibilities; (ii) the NEO experienced a reduction of 10% or more in the NEO’s annual base salary; (iii) the NEO experienced a reduction of 10% or more in the target amount of the NEO’s annual incentive compensation; or (iv) the NEO’s principal place of employment was relocated to a location more than fifty (50) miles from the NEO’s principal place of employment, except for required travel for EdR’s business to an extent substantially consistent with the NEO’s historical business travel obligations. In general terms, a “change of control” has occurred under the following circumstances: (i) certain changes in the composition of the directors serving on EdR’s Board of Directors; (ii) consummation of a merger or consolidation of EdR in which EdR’s securities represent less than 50% of the combined voting power of the surviving entity after the merger or consolidation; (iii) stockholder approval of a plan of complete liquidation or winding-up of EdR; or (iv) any transaction or series of transactions that the Board of Directors deems to constitute a change of control of EdR.

Each employment agreement provides that, if the respective NEO’s employment is terminated by us without cause or by the NEO for good reason prior to a change of control, then the NEO would be entitled to receive all (i) accrued but unpaid salary, bonus and vacation through the termination date and (ii) approved, but unreimbursed, business expenses, provided that a request for reimbursement is submitted in accordance with EdR’s policies and within five

business days of the executive's termination date. In addition, the respective NEO would be entitled to the following:

- with respect to Mr. Churchey, (i) a separation payment equal to the sum of three times (3x) Mr. Churchey's (A) then current base salary and (B) average bonus for the previous two years, with such separation payment being payable over a period of thirty-six months and (ii) premiums for COBRA continuation coverage for Mr. Churchey and his eligible dependents for a period of up to 18 months; and

with respect to Mr. Trubiana, Mr. Brewer, Ms. Richards, Ms. Mackie and Mr. Koester, (i) a separation payment equal to 12 months of such executive's then current base salary, to be paid over a period of 12 months from the termination and (ii) a transition lump sum severance payment of \$10,000.

Each employment agreement further provides that, if the NEO's employment is terminated by us without "cause" or by the executive for "good reason" within 12 months after a change of control, then the NEO would be entitled to receive all (i) accrued but unpaid salary and bonus through the termination date and (ii) approved, but unreimbursed, business expenses provided that a request for reimbursement is submitted in accordance with EdR's policies and within five business days of the executive's termination date. In addition, the respective NEO would be entitled to the following:

with respect to Mr. Churchey, (i) a separation payment equal to two point ninety-nine times (2.99x) the sum of (A) Mr. Churchey's then current base salary, and (B) his average bonus for the previous two years, to be paid on the sixtieth day following the termination date and (ii) premiums for COBRA continuation coverage for the executive and eligible dependents for a period of up to 18 months;

with respect to Mr. Trubiana, (i) a separation payment equal to two point ninety-nine times (2.99x) the sum of (A) Mr. Trubiana's then current base salary, and (B) his average bonus for the previous two years and (ii) a transition lump sum severance payment of \$10,000;

- with respect to Mr. Brewer and Ms. Richards, (i) a separation payment equal to two times (2x) the sum of (A) each of their then current base salary and (B) his average bonus for the two years prior to the change of control and (ii) a transition lump sum severance payment of \$10,000; and

with respect to Ms. Mackie and Mr. Koester, (i) a separation payment equal to 12 months of the executive's then current base salary and (ii) a transition lump sum severance payment of \$10,000.

In the event that an NEO's employment is terminated by death or disability, pursuant to the employment agreements, EdR would pay the NEO or the beneficiaries of such NEO's estate the following: (i) with respect to Mr. Churchey, all his premiums for COBRA continuation coverage and his eligible dependents for a period of up to 18 months and (ii) with respect to Mr. Trubiana, Mr. Brewer, Ms. Richards, Ms. Mackie and Mr. Koester, a transition lump sum severance payment of \$10,000. In addition, each NEO will receive all (i) accrued but unpaid salary; (ii) accrued but unpaid bonuses prorated to the date of the NEO's death or disability; and (iii) approved, but unreimbursed, business expenses, provided that a request for reimbursement is submitted in accordance with EdR's policies and within five business days of the NEO's termination date.

Pursuant to the terms of the relevant LTIP and award agreements, in the event an NEO's employment is terminated by the Company without "cause" by the NEO for "good reason," or in connection with a change of control, then all unvested shares of restricted stock that are time-based awards will become fully vested shares of common stock.

Pursuant to the terms of the relevant LTIP and award agreements, if an NEO's employment is terminated prior to the end of the performance period for any performance-based equity award, the award is forfeited and no payments will be made except as follows:

if employment is terminated in connection with death or disability, the Compensation Committee will determine the number of shares that are eligible to vest based on the Company's performance at the time of termination and multiply the number of eligible shares by 0.3333 (if the event occurs in the first year of the performance period), 0.6667 (if the event occurs in the second year of the performance period) or 1.0 (if the event occurs in the third year of the performance period), or

if a change of control has occurred, each NEO's outstanding and unvested equity-based awards, including performance-based awards granted under the LTIP, will vest and become immediately exercisable and unrestricted, regardless of whether the applicable three-year performance period has ended.

In providing the estimated potential payments, we have made the following general assumptions in all circumstances where applicable:

• The date of termination is December 31, 2015;

• NEOs are entitled to the termination benefits provided for in their respective employment agreements;

• The annual base salary at the time of termination is equal to the annual base salaries effective as of December 31, 2015;

• Four weeks of vacation are unused, accrued and unpaid;

• There is no earned but unpaid bonus for the prior year;

• There is no earned and accrued but unpaid salary;

• There is no unpaid reimbursement for expenses incurred prior to the date of termination;

The value of unvested shares of restricted stock that could vest upon a change in control under the 2004 Plan, the Omnibus Equity Incentive Plan and the 2013, 2014 and 2015 LTIPs are based upon EdR's closing market price at December 31, 2015 of \$37.88;

All unvested RSUs and LTIP Units as of December 31, 2015 are considered eligible to vest (assuming achievement of "target" performance), and the 2015 multiplier of 0.3333 (for LTIP Units under the 2015 LTIP) and 0.6667 (for RSUs under the 2014 LTIP) is used to determine the number of vested shares; and

• Our cost for continued medical, prescription and dental benefits is constant over the benefit period.

NEO	Benefit	Before Change in Control	After Change in Control	Termination without Cause or for Good Reason	Voluntary Termination	Death	Disability
	Separation Payment	\$3,474,066	\$3,462,486	\$ —	\$ —	\$ —	\$ —
	Lump Sum Severance	—	—	—	—	—	—
	Health Care Benefits	19,797	19,797	—	19,797	19,797	19,797
Randy Churchey	Continuation	40,692	—	—	—	—	—
	Vacation	680,249	5,974,412	—	3,805,392	3,805,392	3,805,392
	Vesting of Stock Awards	355,350	2,196,278	—	—	—	—
	Separation Payment	10,000	10,000	—	10,000	10,000	10,000
	Lump Sum Severance	—	—	—	—	—	—
	Health Care Benefits	27,335	—	—	—	—	—
Thomas Trubiana	Continuation	409,975	3,591,677	—	2,318,613	2,318,613	2,318,613
	Vacation	285,000	1,200,562	—	—	—	—
	Vesting of Stock Awards	10,000	10,000	—	10,000	10,000	10,000
	Separation Payment	—	—	—	—	—	—
	Lump Sum Severance	21,923	—	—	—	—	—
	Health Care Benefits	93,261	492,802	—	226,441	226,441	226,441
Edwin B. Brewer, Jr.	Continuation	285,000	1,112,844	—	—	—	—
	Vacation	10,000	10,000	—	10,000	10,000	10,000
	Vesting of Stock Awards	—	—	—	—	—	—
	Separation Payment	—	—	—	—	—	—
	Lump Sum Severance	—	—	—	—	—	—
	Health Care Benefits	—	—	—	—	—	—
Christine Richards	Continuation	21,923	—	—	—	—	—
	Vacation	—	—	—	—	—	—

Edgar Filing: DELTA AIR LINES INC /DE/ - Form 8-K

	Vesting of Stock Awards	135,535	1,187,218	—	772,898	772,898
	Separation Payment	130,000	196,300	—	—	—
	Lump Sum Severance	10,000	10,000	—	10,000	10,000
	Health Care Benefits	—	—	—	—	—
Lindsey Mackie ⁽¹⁾	Continuation	—	—	—	—	—
	Vacation	10,000	—	—	—	—
	Vesting of Stock Awards	—	—	—	—	—

43

NEO	Benefit	Before Change	After Change	Voluntary	Death	Disability
		in Control Termination for Good Reason	in Control without Cause or			
	Separation Payment	183,955	183,955	—	—	—
	Lump Sum Severance	10,000	10,000	—	10,000	10,000
	Health Care Benefits	—	—	—	—	—
J. Drew Koester ⁽¹⁾	Continuation	—	—	—	—	—
	Vacation	14,150	—	—	—	—
	Vesting of Stock Awards	42,994	378,237	—	249,088	249,088

⁽¹⁾ Ms. Mackie was appointed to the role of Senior Vice President and Chief Accounting Officer on June 1, 2015, which was previously held by Mr. Koester. Mr. Koester continues to serve EdR as Senior Vice President - Capital Markets and Investor Relations.

EQUITY COMPENSATION PLAN INFORMATION

The table below presents information regarding compensation plans under which common stock may be issued to employees and non-employees as compensation under the Omnibus Equity Incentive Plan as of December 31, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	326,459	(1) —	(2) 589,240
Equity compensation plans not approved by security holders	—	—	N/A
Total	326,459	—	589,240

(1) Represents up to 326,459 shares of common stock subject to outstanding equity awards granted pursuant to our 2015, 2014 and 2013 LTIPs.

(2) Does not account for the potential 326,459 shares of common stock subject to outstanding restricted stock units granted pursuant to our 2015, 2014 and 2013 LTIPs.

(3) Includes 652,356 shares available for future issuance under the Omnibus Equity Incentive Plan less 63,116 shares of common stock available for issuance under the Education Realty Trust, Inc. Employee Stock Purchase Plan.

2015 DIRECTOR COMPENSATION

For fiscal year 2015, each non-employee member of the Board of Directors was paid a \$38,000 annual retainer fee. In addition, members of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Investment Oversight Committee received an annual cash retainer of \$17,000, \$7,000, \$7,000, and \$7,000 respectively. Each of the Chairmen of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Investment Oversight Committee received an annual cash retainer of \$17,500, \$10,000, \$10,000 and \$10,000, respectively. The lead independent director was paid an annual cash retainer of \$10,000. The Compensation Committee also granted shares of common stock with a value of \$68,000 to each non-employee director for 2015. Mr. Churchey did not receive any additional compensation for his service as a director or as Chairman of the Board of Directors. Mr. Trubiana did not receive any additional compensation for his service as a director.

The following table sets forth the total compensation received by each of our non-employee directors during 2015:

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾	Total
John V. Arabia	\$59,500	\$68,000	\$127,500
Monte J. Barrow	79,000	68,000	147,000
William J. Cahill	62,000	68,000	130,000
John L. Ford	54,500	68,000	122,500
Howard A. Silver	79,000	68,000	147,000
Wendell W. Weakley	86,500	68,000	154,500

⁽¹⁾ This column represents annual director, committee, chairman and lead independent director retainer fees.

⁽²⁾ This column represents the ASC 718 grant date fair market value for stock awards made in 2015. On May 20, 2015, each non-employee director received 2,050 shares of common stock pursuant to the Omnibus Equity Incentive Plan.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board of Directors in its oversight of EdR's financial reporting process and implementation and maintenance of effective controls to prevent, deter and detect fraud by management. In addition, the Audit Committee is directly responsible for the appointment, compensation and oversight of EdR's independent registered public accounting firm. Each of the members of the Audit Committee qualifies as an "independent" director in accordance with NYSE listing standards, SEC rules and our Corporate Governance Guidelines.

In overseeing the preparation of EdR's financial statements, the Audit Committee met with both management and Deloitte & Touche LLP, EdR's independent registered public accounting firm, to review and discuss the financial statements prior to their issuance and to discuss significant accounting issues. Management advised the Audit Committee that all financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee discussed the statements with both management and Deloitte & Touche LLP.

The Audit Committee also is responsible for assisting the Board of Directors in the oversight of the qualification, independence and performance of EdR's independent auditor. The Audit Committee regularly meets in separate, private executive sessions with certain members of senior management and Deloitte & Touche LLP. The Audit Committee has discussed with Deloitte & Touche LLP matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee has received from Deloitte & Touche LLP the written disclosures and the letter required by applicable requirements of the PCAOB regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence and has discussed with Deloitte & Touche LLP its independence. In addition, the Audit Committee has considered whether the provision of non-audit services, and the fees charged for such services, by Deloitte & Touche LLP are compatible with Deloitte & Touche LLP maintaining its independence from EdR.

Based upon the review and discussions referred to above, the Audit Committee recommended to EdR's Board of Directors that EdR's audited financial statements be included in EdR's Annual Report for the fiscal year ended December 31, 2015. The Audit Committee has selected and the Board of Directors has approved the appointment of Deloitte & Touche LLP as EdR's independent auditor.

Submitted by the Audit Committee
of the Board of Directors:

Wendell W. Weakley (Chairman)

Monte J. Barrow
Howard A. Silver

45

The foregoing report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Securities Act and/or Exchange Act.

PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors has appointed Deloitte & Touche LLP to serve as EdR's independent registered public accounting firm for the fiscal year ending December 31, 2016. The appointment of this firm was recommended to the Board of Directors by the Audit Committee, and the Board of Directors has further decided that management should submit the appointment of Deloitte & Touche LLP to the stockholders at the Annual Meeting. Deloitte & Touche LLP has audited EdR's financial statements since its inception in 2004. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions from stockholders.

Audit and Non-Audit Fees

The following table presents the aggregate fees billed by Deloitte & Touche LLP for the two most recent fiscal years ended December 31, 2015 and 2014:

	2015	2014
Audit Fees ⁽¹⁾	\$1,293,520	\$919,500
Audit-Related Fees ⁽²⁾	—	56,170
Tax Fees ⁽³⁾	138,592	110,329
Total Fees	\$1,432,112	\$1,085,999

⁽¹⁾ Fees for audit services billed in fiscal 2015 and 2014 included the following (i) audits of our annual financial statements and the effectiveness of EdR's internal controls over financial reporting and audits of all related financial statements required to be audited pursuant to regulatory filings; (ii) reviews of unaudited quarterly financial statements; and (iii) services related to the issuance of comfort letters, consents and other services related to SEC matters.

⁽²⁾ Fees billed related to financial accounting, reporting consultations and advisory assistance with adoption of the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

⁽³⁾ Fees billed for tax compliance services and tax planning.

The Audit Committee has determined that the provision of non-audit services by Deloitte & Touche LLP is compatible with maintaining the independence of Deloitte & Touche LLP.

The Audit Committee is not bound by a vote either for or against Proposal 2. The Audit Committee will consider a stockholder vote against the appointment of Deloitte & Touche LLP in selecting our independent registered public accounting firm in the future. Even if the selection is ratified, the Audit Committee may, in its discretion, select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of EdR and its stockholders.

The Board of Directors recommends a vote "FOR" Proposal 2.

Pre-Approval Policies and Procedures

Pursuant to its Charter, the Audit Committee reviews and pre-approves audit and non-audit services performed by EdR's independent registered public accounting firm as well as the fees charged for such services. The Audit Committee may not approve any service that individually or in the aggregate may impair, in the Audit Committee's opinion, the independence of the independent registered public accounting firm. The Audit Committee may delegate to one or more designated committee members the authority to grant pre-approvals of audit and permitted non-audit services, provided that any decisions to pre-approve shall be presented to the full Audit Committee at its next scheduled meeting. For fiscal years 2015 and 2014, all of the audit and non-audit services provided by EdR's

independent registered public accounting firm were pre-approved by the Audit Committee in accordance with the Audit Committee Charter.

PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) enables our stockholders to vote to approve, on an advisory non-binding basis, the compensation of our NEOs as set forth in this Proxy Statement. Specifically, this Proposal 3, commonly known as a “Say-On-Pay” proposal, gives our stockholders the opportunity to express their views on the compensation of our NEOs. This vote is not intended to address any particular form of compensation but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. A more detailed discussion regarding the compensation of our NEOs is provided under the captions “Compensation Discussion and Analysis” and “Executive Compensation” above.

Our compensation program is designed to (i) attract, motivate, and retain our NEOs, each of whom is critical to our success, through competitive pay practices, (ii) link a significant portion of the compensation of our NEOs to the achievement of EdR’s business plan and (iii) promote a pay-for-performance system that encourages and rewards successful execution of corporate initiatives. To ensure that the Company’s executive compensation program was structured accordingly, the Compensation Committee engages FPL on an annual basis as its independent compensation consultant to assist the committee in studying the Company’s executive compensation structure as well as those of the Company’s peer companies. To analyze the competitiveness of the Company’s executive compensation program, the Compensation Committee utilizes the analysis prepared by FPL, which compares compensation payable to EdR’s NEOs, individually and in the aggregate, to comparable positions within peer groups of public real estate companies.

To achieve the compensation goals described above, the Compensation Committee implemented the following changes when setting the 2015 compensation packages:

- increased base salaries for each NEO; and

adopted the 2015 LTIP, which consists of a combination of time-vested LTIP Units (25%) and performance-vested awards (75%). The performance-vested award are also LTIP Units that will vest based on EdR’s achievement of certain performance objectives, which are to be evaluated at the end of the three-year performance period.

As described in more detail under “Compensation Discussion and Analysis,” the Company achieved the performance metrics set by the Compensation Committee under the 2010 and 2011 LTIPs at “maximum” performance (i.e., EdR’s TSR exceeded the average TSR of the peer group by more than 10%) and exceeded threshold performance under the Annual Incentive Plan. As a result, each NEO’s performance-based awards under the 2010 and 2011 LTIPs were converted to fully vested shares of our common stock at the maximum performance level. The Compensation Committee approved payment at the maximum performance level because EdR’s TSR exceeded the average TSR of the peer group used in the 2010 and 2011 LTIPs by 68% and 10.3%, respectively, during the three-year performance periods ended on December 31, 2012 and January 1, 2014, respectively. As a result of the vesting of RSUs under the 2010 LTIP on December 31, 2012, more than 36% of the actual total compensation paid to the NEOs for 2012 was performance based.

The performance period for the 2012 LTIP ended on December 31, 2014. Under the 2012 LTIP, EdR achieved TSR at the 47th percentile of the average TSR of the peer group, which equated to a 68% payout under one-half of the performance award, as interpolated between the threshold and target performance levels. The remaining 50% of the performance award was not paid out, as EdR did not meet the performance criteria with regards to EdR’s TSR compared to the NAREIT Equity Index over the three year performance period. Total payout under the performance component of the 2012 LTIP was at 34%.

The performance period for the 2013 LTIP ended on December 31, 2015. Under the 2013 LTIP, EdR achieved TSR at the 53rd percentile of the average TSR of the peer group, which equated to an 83% payout under one-half of the

47

performance award, as interpolated between the threshold and target performance levels. The remaining 50% of the performance award was not paid out, as EdR did not meet the performance criteria with regards to EdR's TSR compared to the NAREIT Equity Index over the three year performance period. Total payout under the performance component of the 2012 LTIP was at 41%.

For these reasons and others, the Board of Directors believes the Company's executive compensation program is meeting the objectives of the program.

We are asking our stockholders to indicate their support for the compensation of our NEOs as set forth in this Proxy Statement. Accordingly, we will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the stockholders of EdR approve, on an advisory basis, the compensation of EdR's NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, executive compensation tables and narrative discussion, as set forth in this Proxy Statement."

The vote for this Proposal 3 is advisory and is therefore not binding upon the Compensation Committee, our Board of Directors or EdR. Our Compensation Committee and our Board of Directors value the opinions of our stockholders and, to the extent there is any significant vote against the compensation of our NEOs as disclosed in this Proxy Statement, we will carefully consider our stockholders' concerns, and the Compensation Committee and our Board of Directors will evaluate whether any actions are necessary to address such concerns.

The Board of Directors Recommends A Vote "FOR" Proposal 3.

OTHER MATTERS

Our management is not aware of any other matter to be presented for action at the Annual Meeting other than those mentioned in the Notice of Annual Meeting of Stockholders and referred to in this Proxy Statement. However, should any other matter requiring a vote of the stockholders arise, the representatives named on the accompanying Proxy will vote in accordance with their discretion.

By Order of the Board of Directors,

INFORMATION ABOUT VOTING

Who is entitled to vote at the Annual Meeting?

Only stockholders of record at the close of business on the record date, March 3, 2016, are entitled to receive notice of and to vote at the Annual Meeting or any postponement or adjournment thereof. As of the close of business on March 3, 2016, EdR had 63,219,814 shares of common stock outstanding.

Stockholder of Record: Shares Registered in Your Name. If, on March 3, 2016, your shares were registered directly in your name with EdR's transfer agent, American Stock Transfer & Trust Company, LLC, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent. If, on March 3, 2016, your shares were held in an account with a broker, bank or other agent, then you are the beneficial owner of shares held in "street

name,” and the Notice of Internet Availability of Proxy Materials was forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card from your broker, bank or other agent.

How do I vote?

For Proposal 1 (election of directors), you may either vote “FOR” all of the nominees to the Board of Directors or you may “WITHHOLD” your vote for all of the nominees or for any nominee that you specify. For Proposal 2 (ratification of the appointment of Deloitte & Touche LLP) and Proposal 3 (advisory (non-binding) vote on executive compensation), you may vote “FOR” or “AGAINST” such proposals or “ABSTAIN” from voting. The procedures for voting are set forth below.

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by giving your proxy authorization over the Internet or by telephone.

In addition, you may request a proxy card from us as instructed in the Notice of Internet Availability of Proxy Materials and indicate your vote by completing, signing and dating the card where indicated and mailing the card in the postage paid envelope provided. Whether or not you plan to attend the Annual Meeting, we encourage you to vote by proxy or to give your proxy authorization to ensure that your votes are counted. You may still attend the Annual Meeting and vote in person if you have already voted by proxy or given your proxy authorization.

☑ To vote in person, attend the Annual Meeting, and we will provide you with a ballot when you arrive.

☑ To give your proxy authorization over the Internet or by telephone, follow the instructions for accessing our proxy materials provided in the Notice of Internet Availability of Proxy Materials.

To vote using a proxy card, request a proxy card from us as instructed in the Notice of Internet Availability of Proxy Materials. You should complete, sign and date the proxy card and return it promptly in the postage paid envelope provided. If your signed proxy card is received by the close of business on May 17, 2016, then your shares will be voted as you direct.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent. If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received the Notice of Internet Availability of Proxy Materials from that organization rather than from EdR. You should follow the instructions provided by your broker, bank or other agent regarding how to vote your shares. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. To do this, follow the instructions from your broker, bank or other agent included with the Notice of Internet Availability of Proxy Materials or contact your broker, bank or other agent to request a proxy card.

We provide Internet proxy authorization on-line with procedures designed to ensure the authenticity and correctness of your proxy authorization instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

For each proposal to be voted upon, you have one vote for each share of EdR common stock that you own as of the close of business on March 3, 2016.

What if I request and return a proxy card but do not make specific choices?

If you request a proxy card and return the card signed and dated without marking any voting selections, your shares will be voted “FOR” the election of all eight nominees for director; “FOR” the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and “FOR” the approval of the compensation of our NEOs. If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares as recommended by the Board of Directors or, if no recommendation is given, will vote your shares using his or her discretion.

Can I change my vote after I return my proxy card?

Yes. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card bearing a later date, which must be received by the close of business on May 17, 2016;

You may send a written notice that you are revoking your proxy, which must be received by the close of business on May 17, 2016, to 999 South Shady Grove Road, Suite 600, Memphis, Tennessee 38120, Attention: Corporate Secretary; or

You may attend the Annual Meeting and notify the election officials that you wish to revoke your proxy and vote in person. However, your attendance at the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker, bank or other agent as your nominee, you should follow the instructions provided by your broker, bank or other agent.

How many shares must be present to constitute a quorum for the Annual Meeting?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares entitled to vote are represented in person or by proxy at the Annual Meeting. As of the close of business on March 3, 2016, the record date, there were 63,219,814 shares outstanding and entitled to vote. Thus, 31,609,907 shares must be represented in person or by proxy at the Annual Meeting to have a quorum.

Your shares will be counted towards the quorum if you vote in person at the Annual Meeting or if you submit a valid proxy by mail, Internet or telephone (or one is submitted on your behalf by your broker, bank or other agent). Additionally, “WITHHOLD” votes, abstentions and broker non-votes as described below, will also be counted towards the quorum requirement. If there is no quorum, the Chairman of the Annual Meeting may adjourn the meeting until a later date.

How are votes counted?

Votes will be counted by the inspector of election appointed for the Annual Meeting who will separately count (i) “FOR” and “WITHHOLD” votes and broker non-votes for Proposal 1 (election of directors) and (ii) “FOR” and “AGAINST” votes, abstentions and broker non-votes with respect to Proposal 2 (ratification of the appointment of Deloitte & Touche LLP) and Proposal 3 (advisory (non-binding) vote on executive compensation).

If your shares are held by your broker, bank or other agent as your nominee, you will need to obtain a proxy card from the organization that holds your shares and follow the instructions included on that form regarding how to instruct your broker, bank or other agent to vote your shares. Brokers, banks or other agents that have not received voting

instructions from their clients cannot vote on their clients' behalf with respect to "non-routine" proposals but may vote their clients' shares on "routine" proposals. Under applicable rules of the NYSE, Proposal 1 (election of directors) and Proposal 3 (advisory (non-binding) vote on executive compensation) are non-routine proposals. Conversely, Proposal 2 (ratification of the appointment of Deloitte & Touche LLP) is a routine proposal. In the event that a broker, bank, or other agent indicates on a proxy that it does not have discretionary authority to vote certain shares on a non-routine proposal, then those shares will be treated as broker non-votes.

How many votes are needed to approve each proposal?

For Proposal 1 (election of directors), the vote of a plurality of all of the votes cast at the Annual Meeting at which a quorum is present is necessary for the election of a director. Therefore, the eight nominees for director receiving the most “FOR” votes will be elected. For purposes of the election of directors, “WITHHOLD” votes and broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote.

For Proposal 2 (ratification of the appointment of Deloitte & Touche LLP), the affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present is required for approval of Proposal 2. For purposes of the vote on Proposal 2, abstentions will not be counted as votes cast and will have no effect on the result of the vote.

For Proposal 3 (advisory (non-binding) vote on executive compensation), the affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present is required for the approval of Proposal 3. For purposes of the vote on Proposal 3, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote.

How can I determine the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final results will be announced in a Current Report on Form 8-K that will be filed with the SEC within four business days after the conclusion of the Annual Meeting.

ADDITIONAL INFORMATION

How and when may I submit a stockholder proposal for EdR’s 2017 Annual Meeting of Stockholders?

Our annual meetings of stockholders are generally held in May of each year. We will consider for inclusion in our proxy materials for the 2017 Annual Meeting of Stockholders proposals that are received no later than December 6, 2016 and that comply with all applicable requirements of Rule 14a-8 promulgated under the Exchange Act and our Bylaws. Stockholders must submit their proposals to Education Realty Trust, Inc., 999 South Shady Grove Road, Suite 600, Memphis, TN 38120, Attention: Corporate Secretary.

In addition, any stockholder who wishes to propose a nominee to the Board of Directors or propose any other business to be considered by the stockholders (other than a stockholder proposal to be included in our proxy materials pursuant to Rule 14a-8 of the Exchange Act) must comply with the advance notice provisions and other requirements of Article II, Section 11 of our Amended and Restated Bylaws, a copy of which is on file with the SEC and may be obtained from our Corporate Secretary upon request. These notice provisions require that nominations of persons for election to the Board of Directors and proposals of business to be considered by the stockholders for the 2017 Annual Meeting of Stockholders must be made in writing and submitted to our Corporate Secretary at the address above no earlier than November 7, 2016 and no later than December 6, 2016. A more detailed discussion regarding the submission of proposals for the 2017 Annual Meeting of Stockholders is provided under “Corporate Governance – Nominations by Stockholders” below.

How can I obtain EdR’s Annual Report?

Our Annual Report for the fiscal year ended December 31, 2015, as filed with the SEC, can be accessed, along with this Proxy Statement, by following the instructions contained in our Notice of Internet Availability of Proxy Materials and is also available on the Investor Relations page of our corporate website at www.edrtrust.com under the caption

“Financial Information.” If you wish to receive a copy of our Annual Report for the fiscal year ended December 31, 2015, as well as a copy of any exhibit specifically requested, we will mail these documents to you free of charge. Requests should be sent to Education Realty Trust, Inc., 999 South Shady Grove Road, Suite 600, Memphis, TN

38120, Attention: Corporate Secretary. A copy of our Annual Report has also been filed with the SEC and may be accessed from the SEC's website at <http://www.sec.gov>.

The Annual Report for the fiscal year ended December 31, 2015 is not, and shall not be, deemed to be a part of our proxy materials.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to the costs of mailing the Notice of Internet Availability of Proxy Materials, posting our proxy materials on an Internet website and mailing any requested paper or electronic copies of our proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokers, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

How many copies should I receive if I share an address with another stockholder?

The SEC has adopted rules that permit companies and intermediaries, such as a broker, bank or other agent, to implement a delivery procedure called "householding." Under this procedure, multiple stockholders who reside at the same address may receive a single copy of our proxy materials, including the Notice of Internet Availability of Proxy Materials and the Annual Report, unless the affected stockholder has provided us with contrary instructions. This procedure provides extra convenience for stockholders and cost savings for companies.

EdR and some brokers, banks or other agents may be householding our proxy materials, including the Notice of Internet Availability of Proxy Materials and the Annual Report. A single Notice of Internet Availability of Proxy Materials and, if applicable, a single set of the Annual Report and other proxy materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker, bank or other agent that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. Stockholders may revoke their consent at any time by contacting Broadridge ICS, either by calling toll-free (800) 542-1061 or by writing to Broadridge ICS, Household Department, 51 Mercedes Way, Edgewood, New York, 11717.

Upon written or oral request, EdR will promptly deliver a separate copy of the Notice of Internet Availability of Proxy Materials and, if applicable, the Annual Report and other proxy materials, to any stockholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice of Internet Availability of Proxy Materials and, if applicable, the Annual Report and other proxy materials, you may send a written request to EdR at the address listed under "Whom should I contact if I have any questions?" below. Requests must be received by April 28, 2016 for materials to be received prior to the Annual Meeting. In addition, if you are receiving multiple copies of the Notice of Internet Availability of Proxy Materials and, if applicable, Annual Report and other proxy materials, you can request householding by contacting our Corporate Secretary in the same manner.

Whom should I contact if I have any questions?

If you have any questions about the Annual Meeting, this Proxy Statement, our proxy materials or your ownership of EdR common stock, please contact our Corporate Secretary by calling (901) 259-2500, or by mail to 999 South Shady Grove Road, Suite 600, Memphis, TN 38120, Attention: Corporate Secretary.

