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EASTGROUP PROPERTIES INC
Form DEF 14A
April 24, 2003

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

EASTGROUP PROPERTIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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- [] Fee paid previously with preliminary materials.
- [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EASTGROUP PROPERTIES, INC.
300 ONE JACKSON PLACE
188 EAST CAPITOL STREET
JACKSON, MISSISSIPPI 39201-2195

April 15, 2003

Dear Stockholder:

You are cordially invited to the annual meeting (the "Meeting") of stockholders of EastGroup Properties, Inc. (the "Company"), to be held on May 29, 2003 at 9:00 a.m., Jackson time, at the Company's offices, 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi.

Stockholders will be asked to vote on the election of eight directors of the Company and to transact such other business as may properly come before the Meeting or any adjournment thereof.

The election of directors is important to you as a stockholder. Therefore, whether or not you plan to attend the Meeting, I urge you to give your immediate attention to voting. Please review the enclosed materials, sign and date the enclosed proxy card and return it promptly in the enclosed postage-paid envelope.

Very truly yours,
/s/ Leland R. Speed
LELAND R. SPEED
Chairman of the Board of Directors

EASTGROUP PROPERTIES, INC.
300 ONE JACKSON PLACE
188 EAST CAPITOL STREET
JACKSON, MISSISSIPPI 39201-2195

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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TO BE HELD ON MAY 29, 2003

To the Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of EastGroup Properties, Inc. (the "Company") will be held at the Company's offices, 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi, on Thursday, May 29, 2003 at 9:00 a.m., Jackson time, for the following purposes:

1. To elect eight directors of the Company; and
2. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 14, 2003 are entitled to notice of and to vote at the Meeting and any adjournment thereof.

The directors sincerely desire your presence at the Meeting. However, so that we may be sure your vote will be included, please sign and return the enclosed proxy promptly. A self-addressed, postage-paid return envelope is enclosed for your convenience.

The prompt return of your proxy will avoid delay and save the expense involved in further communication. The proxy may be revoked by you at any time prior to its exercise, and the giving of your proxy will not affect your right to vote in person if you wish to attend the Meeting.

By Order of the Board of Directors

/s/ N. Keith McKey
N. KEITH MCKEY
Executive Vice President, Chief
Financial Officer,
Treasurer and Secretary

DATED: April 15, 2003

THIS IS AN IMPORTANT MEETING. STOCKHOLDERS ARE URGED TO VOTE BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

EASTGROUP PROPERTIES, INC.
300 ONE JACKSON PLACE
188 EAST CAPITOL STREET
JACKSON, MISSISSIPPI 39201-2195

PROXY STATEMENT
FOR

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 29, 2003

The following information is being furnished to the stockholders of EastGroup Properties, Inc. (the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company for use at its Annual Meeting of Stockholders (the "Meeting"), to be held on May 29, 2003 at 9:00 a.m., Jackson time, at the Company's offices, 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi. A copy of the Company's Annual Report for

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the fiscal year ended December 31, 2002 accompanies this Proxy Statement. Additional copies of the Annual Report, Notice, Proxy Statement and Form of Proxy may be obtained from the Company's Secretary, P.O. Box 22728, Jackson, Mississippi 39225-2728. A COPY OF THE COMPANY'S FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") IS AVAILABLE WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY'S SECRETARY AT THE COMPANY'S CORPORATE OFFICES, VIA E-MAIL ADDRESSED TO INVESTOR@EASTGROUP.NET, FROM THE COMPANY'S WEB SITE AT WWW.EASTGROUP.NET OR FROM THE SECURITIES AND EXCHANGE COMMISSION'S WEB SITE AT WWW.SEC.GOV. This Proxy Statement, Annual Report and Form of Proxy will first be sent to stockholders on or about April 25, 2003.

SOLICITATION AND REVOCABILITY OF PROXIES

The enclosed proxy for the Meeting is being solicited by the directors of the Company. Any person giving a proxy may revoke it at any time prior to the exercise thereof by filing with the Secretary of the Company a written revocation or duly executed proxy bearing a later date. The proxy may also be revoked by a stockholder attending the Meeting, withdrawing the proxy and voting in person.

The expense of preparing, printing and mailing the form of proxy and the material used in the solicitation thereof will be borne by the Company. In addition to solicitation by mail, proxies may be solicited by the directors, officers and regular employees of the Company (who will receive no additional compensation therefor) by means of personal interview, telephone or facsimile. It is anticipated that banks, brokerage houses and other institutions, custodians, nominees, fiduciaries or other record holders will be requested to forward the soliciting material to persons for whom they hold shares and to seek authority for the execution of proxies; in such cases, the Company will reimburse such holders for their charges and expenses. The Company has retained InvestorCom, Inc. to assist with the solicitation of proxies and will pay InvestorCom, Inc. a fee of \$2,500 plus reimbursement of out-of-pocket expenses for its services.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The record date for determining shares of common stock, par value \$0.0001 per share, of the Company (the "Common Stock"), and shares of Series B Cumulative Convertible Preferred Stock, par value \$0.0001 per share (the "Series B Preferred Stock"), entitled to vote at the Meeting has been fixed at the close of business on

April 14, 2003. On such date there were 16,184,809 shares of Common Stock outstanding and 2,800,000 shares of Series B Preferred Stock outstanding. The holders of Common Stock are generally entitled to one vote for each share of Common Stock on each matter submitted to a vote at a meeting of stockholders. The holders of Series B Preferred Stock are generally entitled to 1.1364 votes for each share of Series B Preferred Stock on each matter submitted to a vote at a meeting of stockholders. Pursuant to the Company's Bylaws, directors will be elected by a plurality of the votes with each share being voted for as many individuals as there are directors to be elected and for whose election the share is entitled to vote.

The presence, in person or by properly executed proxy, of the holders of shares of Common Stock and Series B Preferred Stock entitled to cast a majority of all the votes entitled to be cast at the Meeting is necessary to constitute a quorum. Holders of shares of Common Stock and Series B Preferred Stock represented by a properly signed, dated and returned proxy will be treated as present at the Meeting for purposes of determining a quorum. Proxies relating to "street name" shares that are voted by brokers will be counted as shares present for purposes of determining the presence of a quorum but will not be treated as

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votes cast at the Meeting as to any proposal as to which the brokers abstain.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

To the best of the Company's knowledge, no person or group (as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) beneficially owned, as of April 14, 2003, more than five percent of the shares of Common Stock and shares of Series B Preferred Stock outstanding, except as set forth in the following table.

| NAME AND ADDRESS OF BENEFICIAL OWNER ----- | AMOUNT AND NATURE OF SHARES BENEFICIALLY OWNED ----- | PERCENT OF SERIES B PREFERRED STOCK ----- | PERCENTAGE OF COMMON STOCK ----- |
|--|---|--|--|
| Five Arrows Realty Securities II L.L.C. c/o Rothchild Realty Inc. 1251 Avenue of the Americas New York, New York 10020..... | 2,800,000 shares of Series B Preferred Stock (2) | 100% | --- |
| T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, Maryland 21202..... | 1,597,000 shares of Common Stock (3) | -- | 9. |

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- (1) Based on the number of shares of Common Stock outstanding as of April 14, 2003 which was 16,184,809 shares of Common Stock.
 - (2) The 2,800,000 shares of Series B Preferred Stock are convertible into 3,181,920 shares of Common Stock or 16.4% of the outstanding shares of Common Stock as of April 14, 2003.
 - (3) Based upon a Statement on Schedule 13G filed with the SEC which indicated that these securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Stock Fund, Inc. (which has sole voting power with respect to 887,600 shares of Common Stock representing 5.5% of the shares of Common Stock outstanding), for which T. Rowe Price Associates, Inc. ("Price Associates") serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information available to the Company with respect to shares of Common Stock and Series B Preferred Stock owned by each director, each nominee for director, each executive officer and all directors, nominees and executive officers as a group, as of April 14, 2003.

| NUMBER OF SHARES | PERCENTAGE OF | NUMBER OF SHARES OF SERIES B PREFERRED STOCK | PERCENTAGE OF |
|------------------|---------------|--|---------------|
|------------------|---------------|--|---------------|

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| DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS | OF COMMON STOCK BENEFICIALLY OWNED | SHARES OF COMMON STOCK (1) | BENEFICIALLY OWNED |
|--|---------------------------------------|-------------------------------|-----------------------|
| D. Pike Aloian..... | 14,250 (2) | * | 2,800,000 (3) |
| Alexander G. Anagnos..... | 25,500 (4) | * | 0 |
| H.C. Bailey, Jr. | 27,852 (5) | * | 0 |
| Hayden C. Eaves, III..... | 17,050 (6) | * | 0 |
| Fredric H. Gould..... | 27,000 (7) | * | 0 |
| David M. Osnos..... | 36,150 (8) | * | 0 |
| Leland R. Speed..... | 327,442 (9) | 2.0% | 0 |
| David H. Hoster II..... | 318,431 (10) | 1.9% | 0 |
| N. Keith McKey..... | 139,078 (11) | * | 0 |
| John F. Coleman..... | 23,556 (12) | * | 0 |
| C. Bruce Corkern..... | 20,000 (13) | * | 0 |
| William D. Petsas..... | 32,000 (14) | * | 0 |
| All directors, nominees and executive officers as a group..... | 1,008,309 (15) | 6.0% | 2,800,000 (3) |

* Less than 1.0%.

(1) Based on the number of shares of Common Stock outstanding as of April 14, 2003 which was 16,184,809 shares of Common Stock.

(2) Includes 14,250 shares of Common Stock that Mr. Aloian has the right to acquire under the Company's 2000 Directors' Stock Option Plan (the "2000 Directors' Plan") and the Company's 1991 Directors' Stock Option Plan, as amended (the "1991 Directors' Plan").

(3) The 2,800,000 shares of Series B Preferred Stock are held by Five Arrows Realty Securities II L.L.C. ("Five Arrows"), a Delaware limited liability company in which Rothschild Realty Investors IIA L.L.C., the managing member, has appointed Mr. Aloian, among others, as manager of Five Arrows. Mr. Aloian disclaims beneficial ownership of all of the shares of Series B Preferred Stock and the 3,181,920 shares of Common Stock (or 16.4% of the outstanding shares of Common Stock) issuable upon conversion of the shares of Series B Preferred Stock.

(4) Includes 25,500 shares of Common Stock that Mr. Anagnos has the right to acquire under the 2000 Directors' Plan and the 1991 Directors' Plan.

(5) Includes (i) 13,500 shares of Common Stock that Mr. Bailey has the right to acquire under the 2000 Directors' Plan and the 1991 Directors' Plan; (ii) 4,536 shares of Common Stock with respect to which Mr. Bailey has sole voting and dispositive power; and (iii) 9,816 shares of Common Stock with respect to which Mr. Bailey has shared voting and dispositive power.

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(6) Includes (i) 9,750 shares of Common Stock that Mr. Eaves has the right to acquire under the 2000 Directors' Plan; (ii) 4,000 shares of Common Stock owned by Mr. Eaves and his spouse as co-trustees; (iii) 1,000 shares of Common Stock owned by a family foundation of which Mr. Eaves is President; (iv) 300 shares of Common Stock owned by a trust for the benefit of Mr. Eaves' child; and (v) 500 shares of Common Stock owned by Mr. Eaves as trustee.

(7) Includes 16,500 shares of Common Stock that Mr. Gould has the right to

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acquire under the 2000 Directors' Plan and the 1991 Directors' Plan, and 4,500 shares of Common Stock owned by a limited partnership of which Mr. Gould is a general partner and an executive officer and sole shareholder of the managing general partner (Mr. Gould has shared voting and dispositive control over these shares). Mr. Gould disclaims beneficial ownership as to the 4,500 shares of Common Stock owned by the limited partnership.

- (8) Includes 20,250 shares of Common Stock that Mr. Osnos has the right to acquire under the 2000 Directors' Plan and the 1991 Directors' Plan.
- (9) Includes 169,951 shares of Common Stock that Mr. Speed has the right to acquire pursuant to exercisable options granted under the Company's 1994 Management Incentive Plan, as amended (the "1994 Incentive Plan"), and does not include 27,288 shares of Common Stock beneficially owned by Mr. Speed's spouse, as to which he disclaims beneficial ownership. Mr. Speed also owns 1,340 shares of 9.00% Series A Cumulative Redeemable Preferred Stock, par value \$0.0001 per share ("Series A Preferred Stock"), that do not have voting rights at the Meeting.
- (10) Includes 171,419 shares of Common Stock that Mr. Hoster has the right to acquire pursuant to exercisable options granted under the 1994 Incentive Plan and 42,000 shares of Common Stock granted as incentive restricted shares under the 1994 Incentive Plan. Does not include 4,680 shares of Common Stock beneficially owned by Mr. Hoster's wife and daughters, as to which he disclaims beneficial ownership.
- (11) Includes 43,907 shares of Common Stock that Mr. McKey has the right to acquire pursuant to exercisable options granted under the 1994 Incentive Plan and 30,000 shares of Common Stock granted as incentive restricted shares under the 1994 Incentive Plan.
- (12) Includes 6,500 shares of Common Stock that Mr. Coleman has the right to acquire pursuant to exercisable options granted under the 1994 Incentive Plan and 15,000 shares of Common Stock granted as incentive restricted shares under the 1994 Incentive Plan.
- (13) Includes 9,000 shares of Common Stock that Mr. Corkern has the right to acquire pursuant to exercisable options granted under the 1994 Incentive Plan, 10,000 shares of Common Stock granted as incentive restricted shares under the 1994 Incentive Plan and 1,000 shares owned by Mr. Corkern's daughter and son.
- (14) Includes 10,000 shares of Common Stock that Mr. Petsas has the right to acquire pursuant to exercisable options granted under the 1994 Incentive Plan and 15,000 shares of Common Stock granted as incentive restricted shares under the 1994 Incentive Plan.
- (15) Includes 99,750 shares of Common Stock that directors of the Company have the right to acquire under the 2000 Directors' Plan and the 1991 Directors' Plan, 410,777 shares of Common Stock that officers of the Company have the right to acquire pursuant to exercisable options granted under the 1994 Incentive Plan and 112,000 shares of Common Stock granted to officers as incentive restricted shares under the 1994 Stock Option Plan.

PROPOSAL NO. 1 -- ELECTION OF DIRECTORS

NOMINEES

Pursuant to the Bylaws of the Company, the number of directors shall be

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eight. All eight positions on the Board of Directors are to be filled by the vote of the stockholders at the Meeting. Each person so elected shall serve until the Company's next Annual Meeting of Stockholders and until his successor is elected and qualified.

The Company's directors recommend a vote FOR the eight nominees listed below. Except where authority to do so has been withheld, it is the intention of the persons named in the accompanying Form of Proxy to vote at the Meeting FOR these nominees. Each of the nominees listed below was elected a director at the Company's 2002 Annual Meeting of Stockholders.

Although the directors do not contemplate that any of the nominees listed below will be unable to serve, if such a situation arises prior to the Meeting, the enclosed proxy will be voted in accordance with the best judgment of the person or persons voting the proxy.

| NAME, POSITION(S) AND TENURE WITH THE COMPANY ----- | AGE --- | PRINCIPAL OCCUPATION AND BUSINESS FOR THE PAST FIVE ----- |
|---|------------|---|
| D. Pike Aloian..... Director since 1999 | 48 | Managing Director of Rothschild Realty Inc. (real estate investment advisory services). |
| Alexander G. Anagnos..... Director since 1994 | 76 | Financial Advisor with W. R. Family Associates. |
| H.C. Bailey, Jr..... Director since 1980 | 63 | Chairman and President of H. C. Bailey Company (real estate development and investment). |
| Hayden C. Eaves, III..... Director since March 2002 | 57 | President of Hayden Holdings, Inc. (real estate investment) since 1995; Managing Director of Investment Development Services, Inc. (real estate management) since 1997. |
| Fredric H. Gould..... Director since 1998 | 67 | General Partner of Gould Investors L.P.; Chairman of Realty Trust; Chairman of One Liberty Properties, Inc. |
| David H. Hoster..... Director and President since 1993, Chief Executive Officer since 1997 | 57 | Chief Executive Officer of the Company since 1997; President since 1993; Executive Vice President of the Company until 1993. |
| David M. Osnos..... Director since 1993 | 71 | Of Counsel to (and, until December 31, 2002, partner) of law firm of Arent Fox Kintner Plotkin & Kahn. |
| Leland R. Speed..... Director since 1978 and Chairman since 1983 | 70 | Chairman of the Board of the Company and Parkway Properties, Inc. (2); Chief Executive Officer of the Company until 1997. |

-
- (1) Unless otherwise stated, each nominee has held the positions indicated for at least the past five years.
 - (2) Mr. Speed is not involved in the operation of the business of either company on a day-to-day basis. Rather, he consults with management of both companies on issues with respect to which such management seeks his advice and input. He allocates his time between the two companies depending on which company desires his input at a particular time.

OTHER DIRECTORSHIPS AND TRUSTEESHIPS

Directors and nominees to the Company's Board of Directors serve on the Boards of Directors or the Boards of Trustees of the following publicly-held

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companies:

| NAME ----- | COMPANY ----- |
|-----------------------|--|
| D. Pike Aloian..... | Koger Equity, Inc. Brandywine Realty Trust |
| Fredric H. Gould..... | BRT Realty Trust One Liberty Properties, Inc. |
| David M. Osnos..... | VSE Corporation Washington Real Estate Investment Trust |
| Leland R. Speed..... | Parkway Properties, Inc. |

COMMITTEES AND MEETING DATA

For 2002, the Audit Committee of the Company's Board of Directors consisted of Messrs. Aloian, Gould and Osnos. The Audit Committee met four times during the Company's 2002 fiscal year. The functions performed by this committee consist principally of conferring with and reviewing the reports of the Company's independent accountants and bringing to the entire Board of Directors for review those items relating to audits or to accounting practices which the Audit Committee believes merit such review. See " Audit Committee Report" below.

The Compensation Committee of the Company's Board of Directors during 2002 consisted of Messrs. Anagnos, Bailey and Eaves. Its function is to recommend compensation levels for directors, review compensation levels for executive officers and administer the 1994 Incentive Plan. The Compensation Committee met five times during the Company's 2002 fiscal year.

For 2002, the Investment Committee of the Company's Board of Directors consisted of Messrs. Bailey, Hoster and Speed. Its function is to approve any purchase of a real estate asset or investment on which the total investment by the Company does not exceed \$7,500,000. The Investment Committee met five times during the Company's 2002 fiscal year.

The Nominating and Corporate Governance Committee of the Company's Board of Directors consisted of Messrs. Aloian, Bailey and Osnos during 2002. During 2002, the function of this committee was to establish qualifications for membership on the Board of Directors, to consider and recommend candidates for election to the Board and to recommend a candidate to fill the office of Chairman of the Board. The Nominating Committee met once during the Company's 2002 fiscal year.

The Board of Directors held four meetings during the Company's 2002 fiscal year. Each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and meetings held by all committees of the Board of Directors on which he served.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee is composed of three

directors, Messrs. Aloian, Gould and Osnos, each of whom is independent under the current rules of the New York Stock Exchange. The Audit Committee operates

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under a written charter approved by the Board of Directors.

Management is responsible for the Company's financial reporting process including its system of internal controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The Company's independent auditors are responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. It is not our duty or our responsibility to conduct auditing or accounting reviews or procedures or to determine that the Company's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States of America. This is the responsibility of management and the independent auditor.

The Audit Committee has met and held discussions with management and the independent accountants. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent accountants. The Audit Committee also discussed with the independent accountants the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee received written disclosures from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants that firm's independence.

Based upon the Audit Committee's discussions with management and the independent accountants, and the Audit Committee's review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, to be filed with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

DAVID M. OSNOS
D. PIKE ALOIAN
FREDRIC H. GOULD

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that directors, officers and more than 10 percent stockholders of the Company file reports with the SEC to report a change in ownership within two business days following the day on which the transaction occurs. During 2002, no officer or director of the Company was late in filing a report under Section 16(a) except Hayden C. Eaves, III who was six days late filing a Form 4 with respect to purchases of 3,700 shares of Common Stock in April 2002.

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EXECUTIVE OFFICERS

The following is a list of the Company's executive officers:

| NAME, POSITION AND TENURE WITH THE COMPANY | AGE | PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE FOR PAST FIVE YEARS |
|---|-----|---|
|---|-----|---|

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| | | |
|--|----|---|
| Leland R. Speed..... | 70 | See table under 'Nominees.' |
| Director since 1978 and Chairman since 1983 | | |
| David H. Hoster II..... | 57 | See table under 'Nominees.' |
| Director and President since 1993, Chief Executive Officer since 1997 | | |
| N. Keith McKey..... | 52 | Executive Vice President of the Company since 1993, Chief Financial Officer and Secretary since 1992 and Treasurer since 1997. |
| Executive Vice President since 1993, Chief Financial Officer and Secretary since 1992, Treasurer since 1997 | | |
| William D. Petsas..... | 45 | Senior Vice President of the Company since 2000 Vice President of ProLogis Trust (a real estate investment trust that owns and operates industrial properties) until 2000. |
| Senior Vice President since 2000 | | |
| C. Bruce Corkern..... | 41 | Senior Vice President and Controller of the Company since 2000; Vice President of Finance of Time Warner Cable (Jackson/Monroe Division) until 2000. |
| Senior Vice President and Controller since 2000 | | |
| John F. Coleman..... | 43 | Senior Vice President of the Company since 2001 Senior Vice President of Duke-Weeks Realty Corporation (an industrial/office real estate investment trust) until 2001. |
| Senior Vice President Since 2001 | | |

There are no family relationships between any of the directors or executive officers of the Company.

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EXECUTIVE COMPENSATION

The following table summarizes, for the fiscal years ended December 31, 2002, 2001 and 2000, the amount of compensation paid by the Company to its Chief Executive Officer and the four other most highly compensated executive officers (the "Named Officers").

| NAME AND PRINCIPAL POSITION | YEAR | LONG TERM COMPENSATION | | | | |
|--|------|---------------------------|-----------------|-----------------------------------|---|---------------------------|
| | | ANNUAL COMPENSATION | | AWARDS | | |
| | | SALARY | BONUS | RESTRICTED STOCK AWARDS (3) | SECURITIES UNDERLYING OPTIONS (4) | ALL OTHER COMPENSATION |
| Leland R. Speed..... | 2002 | \$150,000 | \$ 22,500 (1) | -0- | -0- | \$13,390 |
| Chairman | 2001 | 175,000 | 94,500 (1) | -0- | -0- | 9,850 |
| | 2000 | 165,000 | 525,500 (1) (2) | -0- | -0- | 9,500 |
| David H. Hoster II..... | 2002 | 325,000 | 73,125 (1) | -0- | -0- | 17,230 |
| President and Chief Executive Officer | 2001 | 270,000 | 182,250 (1) | -0- | -0- | 14,280 |
| | 2000 | 255,000 | 210,375 (1) | 42,000 | -0- | 16,900 |
| N. Keith McKey..... | 2002 | 215,000 | 37,625 (1) | -0- | -0- | 16,420 |
| Executive Vice President, | 2001 | 195,000 | 105,300 (1) | -0- | -0- | 13,440 |
| Chief Financial Officer, | 2000 | 185,000 | 122,100 (1) | 30,000 | -0- | 14,960 |

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| | | | | | | |
|-------------------------|---------|---------|--------|--------|--------|-------|
| Treasurer and Secretary | | | | | | |
| John F. Coleman..... | 2002 | 185,000 | 38,500 | -0- | -0- | 5,90 |
| Senior Vice President | 2001(6) | 180,000 | 19,000 | 15,000 | 15,000 | 35 |
| William D. Petsas..... | 2002 | 200,000 | 40,625 | -0- | -0- | 16,12 |
| Senior Vice President | 2001 | 187,000 | 54,000 | -0- | -0- | 11,86 |
| | 2000(7) | 170,000 | 55,250 | 15,000 | 15,000 | 4,64 |

-
- (1) This is the amount of incentive compensation payable to the Named Officer under the 1994 Incentive Plan. This amount was paid 60% in cash and 40% in shares of Common Stock.
 - (2) Mr. Speed received a one-time cash award of \$410,000 in lieu of an award of incentive restricted shares granted to the remaining Named Officers.
 - (3) On December 5, 2000, the Compensation Committee of the Board of Directors granted restricted shares to the Named Officers, effective as of January 1, 2000. Under these grants of restricted shares, employees' rights to the restricted shares are conditioned on the Company's achievement of specified performance goals. The Company's performance goal with respect to these awards is the achievement of cumulative funds from operations ("FFO") for the years 2000 through 2003 of \$11.80 per share of Common Stock (10.6% compounded growth). For the years 2000 through 2002, cumulative FFO was \$7.84 per diluted share. The employees' agreements provide that, if the Company's cumulative FFO is \$11.80 or greater by December 31, 2003, the employees' interest in 40% of the restricted shares will become nonforfeitable as of December 31, 2003 and 10% will become nonforfeitable as of December 31 for each of the next six years, provided the employee is still employed by the Company on the relevant vesting date. If the Company's cumulative FFO is at least \$11.60 but less than \$11.80 as of December 31, 2003, 30% of the restricted shares will become nonforfeitable as of such date and 11.67% will vest on December 31 of each of the next six years, provided employee is still employed by the Company on the relevant vesting date. If the Company's cumulative FFO is at least \$11.40 but less than \$11.60 as of December 31, 2003, 20% becomes nonforfeitable as of such date and 13.33% will vest on December 31 of each of the next six years, provided employee is still employed by

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the Company on the relevant vesting date. If the Company's cumulative FFO is at least \$11.20 but less than \$11.40 as of December 31, 2003, 10% of the restricted shares will become nonforfeitable as of December 31, 2003 and 15% will vest on December 31 of each of the next six years, provided the employee is still employed by the Company on the relevant vesting date. If the Company's cumulative FFO is less than \$11.20 as of December 31, 2003, 20% of the restricted shares will vest on December 31, 2005 and for the following four years, provided the employee is still employed by the Company on the relevant vesting date. If an employee's employment terminates before December 31, 2009 by reason of death or disability, the employee's interest in any forfeitable restricted shares may become nonforfeitable depending on the number of restricted shares already vested or the number of years elapsed since the date of grant. Dividends on the restricted shares will be retained by the Company, to be paid only when the related shares become nonforfeitable.

- (4) These options were granted under the Company's 1994 Incentive Plan and become exercisable with respect to one-half of the shares on the first anniversary date of grant and one-half of the shares on the second

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anniversary date of grant.

- (5) This is the Company's discretionary contribution and matching contribution to its 401(k) Plan for the Named Officer's benefit and the amount of premium paid by the Company for group term life insurance on the Named Officer's life.
- (6) Mr. Coleman became an executive officer of the Company during 2001.
- (7) Mr. Petsas became an executive officer of the Company during 2000.

Option Grants. No options were granted to the Named Officers during the year ended December 31, 2002.

Option Exercises and Year End Values. No options were exercised by Mr. Coleman during 2002. The following table shows the value realized by Messrs. Speed, Hoster, McKey and Petsas upon the exercise of options, and the year-end value of unexercised in-the-money options held by the Named Officers at the fiscal year-end. Year-end values are based upon the closing price of shares of Common Stock on the New York Stock Exchange, Inc. on December 31, 2002 (\$25.50).

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AGGREGATED OPTIONS EXERCISES WITH LAST FISCAL YEAR
AND FY-END OPTION VALUES

| | SHARES ACQUIRED ON EXERCISE | VALUE REALIZED | NUMBER OF UNEXERCISED OPTIONS AT FY-END (#) ----- EXERCISABLE/UNEXERCISABLE (1) ----- | UNEXERCISED OPTION VALUE ----- EXERCISABLE ----- |
|---|-----------------------------------|-------------------|---|--|
| Leland R. Speed..... Chairman | 1,657 | \$21,508 | 169,951/0 | |
| David H. Hoster II..... President and Chief Executive Officer | 23,796 | \$260,975 | 196,419/0 | |
| N. Keith McKey..... Executive Vice President, Chief Financial Officer, Treasurer and Secretary | 67,216 | \$805,453 | 77,784/0 | |
| John F. Coleman..... Senior Vice President | 0 | N/A | 7,500/7,500 | \$187,500 |
| William D. Petsas..... Senior Vice President | 4,000 | \$19,848 | 11,000/0 | |

(1) These options, both exercisable and unexercisable, represent options granted to the Named Officer under the 1994 Incentive Plan.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors for 2002 consisted of Messrs. Anagnos, Bailey and Eaves. The Compensation Committee believes that base compensation to the executive officers of the Company should be commensurate

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with salary levels for other real estate companies and the officer's level of responsibility. The Compensation Committee considered a number of factors in setting the base compensation of Mr. Hoster, the Company's Chief Executive Officer, the most important of which were the level of compensation paid to the chief executive officers of other real estate companies of comparable size, the success of the Company's strategy of acquiring industrial properties and developing industrial properties and his importance in delineating and implementing the Company's future strategies.

The Compensation Committee has determined that the primary goals of the Company's compensation policies should be as follows:

- To provide total compensation opportunities for executive officers which are competitive with those provided to persons in similar positions with which the Company competes for employees.
- To strengthen the mutuality of interest between management and stockholders through the use of incentive compensation directly related to corporate performance and through the use of the stock-based incentives that result in increased Common Stock ownership by executive officers.

The Compensation Committee believes that incentive compensation payable to the executive officers of the Company should be based upon the Company's performance and align the interests of management and the Company's stockholders. In 1994, the Compensation Committee, in conjunction with an independent compensation consultant, formulated the 1994 Incentive Plan. The 1994 Incentive Plan was approved by the Company

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stockholders in December 1994. Under the 1994 Incentive Plan, each year the Compensation Committee establishes a goal for funds from operations ("FFO") per share, a minimum level for FFO per share below which incentive compensation should not be paid, and an incentive award payout objective for each executive officer. The Compensation Committee determined the FFO targets based upon its analysis of the Company's internally projected financial results for 2002 and the estimates of 2002 FFO prepared by independent securities analysts who followed the Company. For 2002, 60% of the incentive award was paid in cash and 40% in shares of Common Stock. For 2002, the target bonus amounts were 60% of total base salary for Messrs. Speed and McKey and 75% for Mr. Hoster. The Compensation Committee believed that the stockholders of the Company would be benefitted significantly if the FFO goal were met and would be further benefitted if such goal were exceeded, and that management should be compensated for the benefits derived by the Company's stockholders. The target bonus amounts were set by the Compensation Committee after consultation with the compensation consultant who helped the Compensation Committee formulate the 1994 Incentive Plan.

The 2002 FFO goal, which was set by the Compensation Committee at the beginning of the year, underestimated the depth of the nation's economic slowdown during 2002. This sluggishness in the economy was the principal factor in the Company's achievement of only 25% of its target bonus goal for the year. In spite of the fact that the goal was below its target, it was largely non-controllable by management as indicated above. The Company's total return to stockholders was 19.3% and the Company compared favorably to both the S&P 500 and the NAREIT Equity Index as shown in the chart below. As much, the Compensation Committee determined that each of Messrs. Speed, Hoster and McKey should be paid 25% of the amount of incentive compensation provided by the above formula, under which Messrs. Speed, Hoster and McKey received bonuses with respect to 2002 of \$22,500, \$73,125 and \$37,625, respectively, 60% paid in cash

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and 40% paid in shares of Common Stock.

THE COMPENSATION COMMITTEE

ALEXANDER G. ANAGNOS
H. C. BAILEY, JR.
HAYDEN C. EAVES, III

This Compensation Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this document or any portion thereof into any filing under the Securities Act of 1933, as amended, or the Exchange Act and shall not otherwise be deemed filed under such acts.

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Performance Comparison. Set forth below is a line graph comparing the percentage change in the cumulative return to stockholders on shares of Common Stock over the five years ending December 31, 2002 against the cumulative return of the Standard & Poor's 500 ("S&P 500"), and the Equity REIT Index prepared by the National Association of Real Estate Investment Trusts ("NAREIT Equity").

[LINE GRAPH]

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------|--------|--------|--------|--------|--------|--------|
| The Company | 100.00 | 91.60 | 99.66 | 129.46 | 144.35 | 171.70 |
| S&P 500 | 100.00 | 128.58 | 155.63 | 141.46 | 124.65 | 97.10 |
| NAREIT Equity | 100.00 | 82.50 | 78.69 | 99.43 | 113.29 | 117.61 |

Directors' Fees. Under the Company's standard compensation arrangements with directors (except Mr. Speed and Mr. Hoster who are salaried officers), directors are paid a monthly stipend of \$1,500. In addition, they are paid \$1,000 plus reimbursement of expenses for attendance at each meeting of the Board of Directors and \$750 plus reimbursement of expenses for each meeting of a committee established by the Board of Directors. Only one fee is paid in the event that more than one meeting is held on a single day.

Directors' Stock Option Plan. At the 2000 annual meeting, the stockholders of the Company approved the 2000 Directors' Plan which replaced the 1991 Directors' Plan. The 2000 Directors' Plan authorizes the issuance of options of up to 150,000 shares of Common Stock to directors of the Company who are not, and have not been for at least one year prior to the date of determination, employees of the Company ("Non-Employee Directors"). Under the 1991 Directors' Plan, each Non-Employee Director of the Company on March 15, 1991 was automatically granted an option to purchase 7,500 shares of Common Stock. Under the 2000 Directors' Plan, each person who first becomes a Non-Employee Director after June 1, 2000 is automatically granted an option to purchase 7,500 shares of Common Stock on the date the person becomes a Non-Employee Director, if such shares of Common Stock are available. Each Non-Employee Director is also granted an option to purchase 2,250 additional shares of Common Stock on the date of any annual meeting at which such Non-Employee Director is reelected to the Board of Directors. The option exercise price is the closing price of a share of Common

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Stock if shares of Common Stock are listed on an exchange or the average between the bid and the asked price for the date if the shares of Common Stock are traded over-the-counter (or, if no shares of Common Stock were publicly traded on that date, the preceding date that such shares of Common Stock were so traded). Such options are

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exercisable in full on the date of grant and expire ten years from the date of grant, or, if earlier, six months after the termination of the optionee's service as a Non-Employee Director, unless such service is terminated by reason of death, in which case the optionee's legal representative shall have one year in which to exercise the options.

No director exercised options under the 1991 Directors' Plan or 2000 Directors' Plan during 2002. On March 7, 2002, Mr. Eaves received an option to purchase 7,500 shares of Common Stock at an exercise price of \$24.89 per share. On May 29, 2002, Messrs. Aloian, Anagnos, Bailey, Eaves, Gould and Osnos each received an option to purchase 2,250 shares of Common Stock at an exercise price of \$24.02 per share.

EQUITY COMPENSATION PLANS

The following table summarizes information, as of December 31, 2002, relating to equity compensation plans of the Company pursuant to which grants of options, restricted stock or other rights to acquire shares may be granted from time to time.

EQUITY COMPENSATION PLAN INFORMATION

| PLAN CATEGORY | NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a) | WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (b) | NUMBER REMAINING FUTURE I EQUITY PLANS SE REFLECTED |
|---|--|---|---|
| ----- | ----- | ----- | ----- |
| Equity compensation plans approved by security holders..... | 672,954 | \$18.639 | 2 |
| Equity compensation plans not approved by security holders..... | -- | -- | -- |
| Total..... | 672,954 | \$18.639 | 2 |
| | ===== | ===== | = |

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Cost Sharing Arrangement with Parkway Properties, Inc. Currently, Parkway Properties, Inc. and the Company equally share the services and expenses of the Chairman of the Board of Directors. These services and expenses include rent for office and storage space, administrative costs, insurance benefits, entertainment and travel expenses, and the salary and benefits associated with the Chairman's administrative assistant. For the year ended December 31, 2002, EastGroup's share for these services and expenses totaled approximately \$40,000. EastGroup also leases 12,000 square feet of space for its executive offices in

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Jackson, Mississippi in a building owned by Parkway. EastGroup paid Parkway \$203,000 in rent for this space for the year ended December 31, 2002.

Change in Control Agreements. The Company is a party to a Change in Control Agreement with each of Messrs. Speed, Hoster, McKey, Coleman and Petsas (the "Executives"). These agreements provide that if an Executive is terminated or leaves the Company's employment for certain reasons during the 36-month period with respect to Messrs. Speed, Hoster and McKey and the 18-month period with respect to Messrs. Coleman and Petsas, following a Change in Control, the Company will pay the Executive a lump sum benefit of 2.99 times in the cases of Messrs. Speed, Hoster and McKey and 1.5 times in the cases of Messrs. Coleman and Petsas, the average of the Executive's salary and accrued bonus for the three calendar years that ended immediately before (or coincident with) the Change in Control (the "Average Annual Compensation"). The Change in Control

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Agreement also gives the Executive the ability to leave the employment of the Company at any time during the six-month period following a Change in Control, in which case the Executive will receive severance payments from the Company for a period of 36 months in the cases of Messrs. Speed, Hoster and McKey and 18 months in the cases of Messrs. Coleman and Petsas equal to one-twelfth of the Executive's Average Annual Compensation; provided that if the Executive receives any remuneration in the form of wages, salary or consulting fees from another employer or income from self-employment during the 36-month (in the case of Messrs. Speed, Hoster and McKey) or 18-month (in the case of Messrs. Coleman and Petsas) severance pay period, the Company's obligation under this sentence shall be reduced by one-half of the amount of such remuneration. Change in Control is defined in such agreement as (i) any change in control of a nature that would be required to be represented under the Exchange Act proxy rules; (ii) any person acquiring beneficial ownership of securities representing 30 percent or more of the combined voting power of the Company's outstanding securities; (iii) certain changes in the Company's Board of Directors; (iv) certain mergers; or (v) the approval of a plan of liquidation by the Company.

PROPOSAL NO. 2 -- OTHER MATTERS

The management of the Company does not know of any other matters to come before the Meeting. However, if any other matters come before the Meeting, it is the intention of the persons designated as proxies to vote in accordance with their judgment on such matters.

INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has appointed KPMG LLP, independent public accountants, to act as auditors for the fiscal year ending December 31, 2003. A representative of KPMG LLP is expected to be present at the Meeting and will have an opportunity to make a statement, if he so desires, and will be available to respond to appropriate questions.

During the fiscal year ended December 31, 2002, KPMG LLP provided various audit and non-audit services to the Company as follows:

Audit Fees. The aggregate fees billed to the Company by KPMG LLP during the fiscal year 2002 for audit of the Company's annual financial statements and review of those financial statements in the Company's quarterly reports on Form 10-Q totaled \$173,150.

Financial Information Systems Design and Implementation Fees. KPMG LLP did not render information technology services to the Company during the fiscal year ended December 31, 2002.

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All Other Fees. The aggregate fees billed by KPMG LLP for professional services rendered to the Company during fiscal year 2002, other than the audit services referred to above, were \$100,200 for tax preparation and tax consulting services.

The Audit Committee of the Board has considered whether provision of the non-audit related services described above is compatible with maintaining the independent accountants' independence and has determined that those services have not adversely affected KPMG LLP's independence.

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STOCKHOLDER PROPOSALS FOR THE 2004 ANNUAL MEETING OF STOCKHOLDERS

PROPOSALS FOR THE COMPANY'S PROXY MATERIAL

Any Company stockholder who wishes to submit a proposal for presentation at the Company's 2004 Annual Meeting of Stockholders must submit such proposal to the Company at its office at 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi 39201, Attention: Secretary, no later than December 26, 2003, in order to be considered for inclusion, if appropriate, in the Company's proxy statement and form of proxy relating to its 2004 Annual Meeting of Stockholders.

PROPOSALS TO BE INTRODUCED AT THE MEETING BUT NOT INTENDED TO BE INCLUDED IN THE COMPANY'S PROXY MATERIAL

For any stockholder proposal to be presented in connection with the 2004 Annual Meeting of Stockholders, including any proposal relating to the nomination of a director to be elected to the Board of Directors of the Company, a stockholder must give timely written notice thereof in writing to the Secretary of the Company in compliance with the advance notice and eligibility requirements contained in the Company's Bylaws. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Company not less than 60 days and not more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. The notice must contain specified information about each nominee or the proposed business and the stockholder making the nomination or proposal.

In the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Company at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice will be considered timely, but only with respect to nominees for any new positions created by such increase, if the notice is delivered to the Secretary at the principal executive offices of the Company not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company.

Based upon a meeting date of May 29, 2004 for the 2004 Annual Meeting of Stockholders, a qualified stockholder intending to introduce a proposal or nominate a director at the 2004 Annual Meeting of Stockholders should give

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written notice to the Company's Secretary not later than March 30, 2004 and not earlier than February 28, 2004.

The advance notice provisions in the Company's Bylaws also provide that, in the case of a special meeting of stockholders called for the purpose of electing one or more directors, a stockholder may nominate a person or persons (as the case may be) for election to such position if the stockholder's notice is delivered to the Secretary at the principal executive offices of the Company not earlier than the 90th day prior to the special meeting and not later than the close of business on the later of the 60th day prior to the special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

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The specific requirements of these advance notice and eligibility provisions are set forth in Article II, Section 12 of the Company's Bylaws, a copy of which is available upon request. Such requests and any stockholder proposals should be sent to the Secretary of the Company at 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi 39201.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ N. Keith McKey
N. KEITH MCKEY
Executive Vice President, Chief
Financial Officer, Treasurer and
Secretary

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PROXY

EASTGROUP PROPERTIES, INC.
300 ONE JACKSON PLACE
188 EAST CAPITOL STREET
JACKSON, MISSISSIPPI 39201

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints DAVID H. HOSTER II and N. KEITH MCKEY, or either of them, Proxies for the undersigned, each with full power of substitution, and hereby authorizes them to represent and to vote all shares of common stock, \$0.0001 par value per share, of EastGroup Properties, Inc. (the "Company"), and all shares of Series B cumulative convertible preferred stock, par value \$0.0001 per share, of the Company which the undersigned would be entitled to vote at the Annual Meeting of Stockholders to be held at the Company's offices, 300 One Jackson Place, 188 East Capitol Street, Jackson, Mississippi, on Thursday, May 29, 2003, at 9:00 a.m., Jackson time, or any adjournment or postponement thereof, and directs that the shares represented by this Proxy shall be voted as indicated on the reverse.

PLEASE SIGN, DATE AND RETURN THIS PROXY CARD IN THE
ACCOMPANYING POSTAGE-PAID ENVELOPE.

(Continued and to be signed on the reverse side.)

Has Your Address Changed?

Do You Have Any Comments?

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Please mark your vote as in this example. [X]

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE MATTER INDICATED IN 1 BELOW AND WILL BE VOTED IN THE DISCRETION OF THE PROXIES NAMED HEREIN WITH RESPECT TO ANY MATTERS REFERRED TO IN 2 BELOW. YOU ARE ENCOURAGED TO SPECIFY YOUR CHOICES BY MARKING THE APPROPRIATE BOXES, BUT YOU NEED NOT MARK ANY BOXES IF YOU WISH TO VOTE IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS. THE PROXIES CANNOT VOTE YOUR SHARES UNLESS YOU SIGN AND RETURN THIS CARD.

1. ELECTION OF DIRECTORS

[] FOR ALL [] WITHHOLD FROM [] FOR ALL EXCEPT
NOMINEES ALL NOMINEES

Nominees: D. Pike Aloian; Alexander G. Anagnos; H. C. Bailey, Jr.; Hayden C. Eaves, III; Fredric H. Gould; David H. Hoster II; David M. Osnos; and Leland R. Speed.

For all nominees, except as written above.

2. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournments thereof.

PLEASE SIGN EXACTLY AS NAME(S) APPEAR ON STOCK CERTIFICATE(S). A corporation is requested to sign its name by its President or other authorized officer, with the office held so designated. A partnership should sign in the partnership name by an authorized person. Executors, trustees, administrators, etc. are requested to indicate the capacity in which they are signing. JOINT TENANTS SHOULD BOTH SIGN.

YOUR VOTE IS IMPORTANT!

PLEASE SIGN, DATE AND RETURN THIS PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE.

Signature

Date

Signature

Date