EASTGROUP PROPERTIES INC
Form S-3ASR
March 06, 2017
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As filed with the Securities and Exchange Commission on March 6, 2017

Registration No. 333-

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

EASTGROUP PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Maryland	**13-2711135**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

190 East Capitol Street, Suite 400

Jackson, Mississippi 39201-2195

(601) 354-3555

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

MARSHALL A. LOEB, President and Chief Executive Officer

EastGroup Properties, Inc.

190 East Capitol Street, Suite 400

Jackson, Mississippi 39201-2195

(601) 354-3555

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

MICHAEL C. DONLON, Esq.

Bond, Schoeneck & King, PLLC

Avant Building, Suite 900

200 Delaware Avenue

Buffalo, New York 14202-2107

(716) 856-0600

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box:

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller Reporting Company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be registered**	**Proposed maximum offering price per unit**	**Proposed maximum aggregate offering price**	**Amount of registration fee**
Common Stock, Preferred Stock, Depositary Shares, and Warrants	(1)(2)	(1)(2)	(1)(2)	(3)

(1) Omitted pursuant to Form S-3 General Instruction II.E.
(2) An unspecified number of the securities of each identified class is being registered for possible issuance from time to time at indeterminate prices. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities.
(3) In accordance with Rules 456(b) and 457(r), the Registrant is deferring payment of all of the registration fee.

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COMMON STOCK

PREFERRED STOCK

DEPOSITARY SHARES

WARRANTS

From time to time, we or one or more selling securityholders to be identified in the future, may offer to sell common stock, preferred stock, preferred stock represented by depositary shares and warrants to purchase preferred stock or common stock covered by this prospectus independently, or together in any combination that may include other securities set forth in an accompanying prospectus supplement. Our common stock is listed on the New York Stock Exchange under the symbol EGP. This prospectus provides you with a general description of the securities we or the selling securityholders may offer.

Each time securities are sold using this prospectus, we or the selling securityholder will provide a supplement to this prospectus or possibly other offering material containing specific information about the offering. The supplement or other offering material may also add, update or change information contained in this prospectus. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement. You should read this prospectus and any supplement and/or other offering material carefully before you invest.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under Where You Can Find More Information.

Investment in any securities offered by this prospectus involves risk. See Risk Factors on page 1 of this prospectus, in our periodic reports filed from time to time with the Securities and Exchange Commission and in the applicable prospectus supplement.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of the securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is March 6, 2017.

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You should rely only on the information contained in or incorporated by reference into this prospectus and any related prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling securityholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, the related prospectus supplement and the documents incorporated by reference herein is accurate only as of its respective date or dates or on the date or dates which are specified in these documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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RISK FACTORS

Investment in any securities offered pursuant to this prospectus involves risks. Before acquiring any securities offered pursuant to this prospectus, you should carefully consider the risk factors described in our periodic reports filed with the Securities and Exchange Commission, or SEC, which are incorporated by reference in this prospectus, including the risks factors described under the caption Item 1A. Risk Factors in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q and as described in our other filings with the SEC. The occurrence of any of these risks might cause you to lose all or a part of your investment in the offered securities. Please also refer to the section below entitled Forward-Looking Information for additional risks and uncertainties. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks or uncertainties described in our periodic reports filed with the SEC or any such additional risks and uncertainties actually occur, our business, results of operations and financial condition could be materially and adversely affected. In that case, the trading price of the securities being offered by this prospectus and any applicable prospectus supplement could decline, and you might lose all or part of your investment. You should consider these risk factors before acquiring any of such securities and when you read forward-looking statements contained elsewhere or incorporated by reference in this prospectus.

FORWARD-LOOKING INFORMATION

This prospectus, the prospectus supplement, the documents incorporated by reference in this prospectus and other written reports and oral statements made from time to time by the company may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include statements with respect to our financial condition, results of operations and business and on the possible impact of this offering on our financial performance. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and similar expressions as they relate to us or our management, are intended to identify forward-looking statements.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on such statements, which speak only as of the date the statements were made.

Forward-looking statements are inherently subject to known and unknown risks and uncertainties, many of which the Company cannot predict, including, without limitation:

- changes in general economic conditions;
- the extent of customer defaults or of any early lease terminations;
- the Company s ability to lease or re-lease space at current or anticipated rents;
- the availability of financing;

changes in the supply of and demand for industrial/warehouse properties;

increases in interest rate levels;

increases in operating costs;

the ability of the Company to continue to satisfy complex rules to qualify as a real estate investment trust (REIT) for federal income tax purposes;

natural disasters, terrorism, riots and acts of war, and the Company s ability to obtain adequate insurance;

changes in governmental regulation, tax rates and similar matters;

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other risks associated with the development and acquisition of properties, including risks that development projects may not be completed on schedule, development or operating costs may be greater than anticipated or acquisitions may not close as scheduled; and

other risks detailed from time to time in the reports filed with the SEC by us.

Except for ongoing obligations to disclose material information as required by the federal securities laws, we do not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this prospectus or to reflect the occurrence of unanticipated events.

ABOUT EASTGROUP PROPERTIES, INC.

We are an equity REIT focused on the development, acquisition and operation of industrial properties in major Sunbelt markets throughout the United States with an emphasis in the states of Florida, Texas, Arizona, California and North Carolina. Our goal is to maximize shareholder value by being the leading provider of functional, flexible, and quality business distribution space for location sensitive tenants primarily in the 5,000 to 50,000 square foot range. Our strategy for growth is based on ownership of premier distribution facilities generally clustered near major transportation features in supply constrained submarkets. Substantially all of our revenue is generated from renting real estate.

We are a corporation organized under the laws of the State of Maryland. Our principal executive offices are located at 190 East Capitol Street, Suite 400, Jackson, MS 39201-2195, and our telephone number is (601) 354-3555. We also have a web site at www.eastgroup.net. The information found on, or otherwise accessible through, our web site is not incorporated into, and does not form a part of, this prospectus.

Additional information regarding EastGroup, including our audited financial statements, is contained in the documents incorporated by reference in this prospectus. Please also refer to the section below entitled Where You Can Find More Information.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows our ratio of earnings to combined fixed charges and preferred stock dividends for the periods shown:

Year Ended	Ratio
December 31, 2016	3.22x
December 31, 2015	2.07x
December 31, 2014	2.07x
December 31, 2013	1.67x
December 31, 2012	1.53x

For purposes of calculating these ratios, earnings represent income from continuing operations before adjustments for non-controlling interest in consolidated subsidiary and income from equity investee, plus fixed charges, plus distributed income of equity investee, minus capitalized interest, minus preferred stock dividends. Fixed charges represent interest expense and preferred stock dividends from our consolidated statements of operations plus capitalized interest, amortization of mortgage premiums and an estimated interest component of rental expense. The ratios are based solely on historical financial information and no pro forma adjustments have been made thereto.

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USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement accompanying this prospectus, the net proceeds from the sales of the securities to which this prospectus relates will be used for general corporate purposes. General corporate purposes may include, without limitation, the repayment of debt and the development and acquisition of additional properties.

Unless otherwise set forth in a prospectus supplement, we will not receive any proceeds in the event that securities are sold by a selling securityholder.

DESCRIPTION OF CAPITAL STOCK

The following description is only a summary of certain terms and provisions of our capital stock. You should refer to our charter and bylaws for the complete provisions thereof.

The total number of shares of capital stock of all classes that we are authorized to issue is 100,000,000. Our charter authorizes the issuance of 70,000,000 shares of common stock, par value $.0001 per share and 30,000,000 shares of Excess Stock, par value $.0001 per share. As of March 1, 2017, 33,295,395 shares of common stock and no shares of Excess Stock were issued and outstanding. Our common stock is currently listed on the New York Stock Exchange under the symbols EGP .

Our Board of Directors is authorized by the charter to classify and reclassify any of our unissued shares of capital stock, by, among other alternatives, setting, altering or eliminating the designation, preferences, conversion or other rights, voting powers, qualifications and terms and conditions of redemption of, limitations as to dividends and any other restrictions on, our capital stock. The power of the Board of Directors to classify and reclassify any of the shares of capital stock includes the authority to classify or reclassify such shares into a class or classes of preferred stock or other stock.

Pursuant to the provisions of our charter, if a transfer of stock occurs such that any person would own, beneficially or constructively (applying the applicable attribution rules of the Code), more than 9.8% (in value or in number, whichever is more restrictive) of our outstanding equity stock (excluding shares of Excess Stock), then the amount in excess of the 9.8% limit will automatically be converted into shares of Excess Stock, any such transfer will be void from the beginning, and we will have the right to redeem such stock. These restrictions also apply to any transfer of stock that would result in our being closely held within the meaning of Section 856(h) of the Code, or otherwise failing to qualify as a REIT for federal income tax purposes. Upon any transfer that results in Excess Stock, such Excess Stock shall be held in trust for the exclusive benefit of one or more charitable beneficiaries designated by us. Upon the satisfaction of certain conditions, the person who would have been the recordholder of the equity stock if the transfer had not resulted in Excess Stock may designate a beneficiary of an interest in the trust. Upon such transfer of an interest in the trust, the corresponding shares of Excess Stock in the trust shall be automatically exchanged for an equal number of shares of equity stock of the same class as such stock had been prior to it becoming Excess Stock and shall be transferred of record to the designated beneficiary. Excess Stock has no voting rights, except as required by law, and any vote cast by a purported transferee in respect of shares of Excess Stock prior to the discovery that shares of equity stock had been converted into Excess Stock shall be void from the beginning. Excess Stock shall not be entitled to dividends. Any dividend paid prior to our discovery that equity stock has been converted into Excess Stock shall be repaid to us upon demand. In the event of our liquidation, each holder of Excess Stock shall be entitled to receive that portion of our assets that would have been distributed to the holder of equity stock in respect of which such Excess Stock was issued. The trustee of the trust holding Excess Stock shall distribute such assets to the beneficiaries of such trust. These restrictions will not prevent the settlement of a transaction entered into through the

facilities of any interdealer quotation system or national securities exchange upon which shares of our capital stock are traded. Notwithstanding the prior sentence, certain transactions may be settled by providing shares of Excess Stock.

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Our Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel or other evidence satisfactory to the Board of Directors and upon at least 15 days written notice from a transferee prior to a proposed transfer that, if consummated, would result in the intended transferee beneficially owning (as defined in our charter, and determined after the application of the applicable attribution rules of the Code) equity stock in excess of the 9.8% ownership limit and the satisfaction of such other conditions as the Board may direct, may in its sole and absolute discretion exempt a person from the 9.8% ownership limit. Additionally, our Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel or other evidence satisfactory to our Board, may in its sole and absolute discretion exempt a person from the limitation on a person constructively owning (as defined in our charter, and determined after the application of the applicable attribution rules of the Code) equity stock in excess of the 9.8% ownership limit if (i) such person does not and represents that it will not directly or constructively own (after the application of the applicable attribution rules of the Code) more than a 9.8% interest in a tenant of ours; (ii) we obtain such representations and undertakings as are reasonably necessary to ascertain this fact; and (iii) such person agrees that any violation or attempted violation of such representations, undertakings and agreements will result in such equity stock in excess of the ownership limit being converted into and exchanged for Excess Stock. Our Board of Directors may from time to time increase or decrease the 9.8% limit, provided that the 9.8% limit may be increased only if five individuals could not beneficially own or constructively own (applying the applicable attribution rules of the Internal Revenue Code) more than 50.0% in value of the shares of equity stock then outstanding.

DESCRIPTION OF COMMON STOCK

Distributions. Subject to the preferential rights of any shares of preferred stock currently outstanding or subsequently classified and to the provisions of our charter regarding restrictions on transfer and ownership of shares of common stock, a holder of our common stock is entitled to receive distributions, if, as and when authorized and declared by our Board of Directors, out of our assets that we may legally use for distributions to stockholders and to share ratably in our assets that we may legally distribute to our stockholders in the event of our liquidation, dissolution or winding up after payment of, or adequate provision for, all of our known debts and liabilities. We currently pay regular quarterly distributions on our common stock.

Relationship to Preferred Stock and Other Shares of Common Stock. The rights of a holder of shares of common stock will be subject to, and may be adversely affected by, the rights of holders of preferred stock that may be issued in the future. Our Board of Directors may cause preferred stock to be issued to obtain additional capital, in connection with acquisitions, to our officers, directors and employees pursuant to benefit plans or otherwise and for other corporate purposes.

A holder of our common stock has no preferences, conversion rights, sinking fund, redemption rights, appraisal rights or preemptive rights to subscribe for any of our securities. Subject to the provisions of our charter regarding restrictions on ownership and transfer, all shares of common stock have equal distribution, liquidation, voting and other rights.

Voting Rights. Subject to the provisions of our charter regarding restrictions on transfer and ownership of shares of common stock, a holder of common stock has one vote per share on all matters submitted to a vote of stockholders, including the election of directors.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a

lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides that such actions need to be approved by a majority of the votes entitled to be cast on the matter. However, any merger, consolidation, share exchange, recapitalization, dissolution, sale of all or

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substantially all of our assets or any amendment to the provisions of our charter regarding the Board of Directors, indemnification of our directors and officers or amendment of the charter must be approved by at least two-thirds of our Board of Directors. Additionally, no amendment to our charter may be made that would, (i) in the determination of our Board of Directors, cause us not to qualify as a REIT, (ii) amend the provisions of our charter regarding removal of directors, (iii) amend our Bylaws, (iv) amend the provisions of our charter regarding the indemnification of directors and officers, (v) amend our charter, or (vi) impose cumulative voting in the election of directors, in each case, unless approved by the holders of not less than 80% of the votes entitled to be cast on the matter.

There is no cumulative voting in the election of directors, which means that the holders of a plurality of the outstanding shares of common stock voting can elect all of the directors then standing for election and the holders of the remaining shares of common stock, if any, will not be able to elect any directors, except as otherwise provided for any series of our preferred stock.

Stockholder Liability. Under Maryland law applicable to Maryland corporations, holders of common stock will not be liable as stockholders for our obligations solely as a result of their status as stockholders.

Transfer Agent. The registrar and transfer agent for shares of our common stock is Wells Fargo Shareowner Services.

DESCRIPTION OF PREFERRED STOCK

General. Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of our stock into other classes or series of stock, including classes or series of preferred stock. Shares of preferred stock may be issued from time to time, in one or more series, as authorized by our Board of Directors. Before issuance of shares of each series, the Board of Directors is required to fix for each such series, subject to the provisions of Maryland law and our charter, the powers, designations, preferences and relative, participating, optional or other special rights of such series and qualifications, limitations or restrictions thereof, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other matters as may be fixed by resolution of the Board of Directors or a duly authorized committee thereof. The Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of discouraging a takeover or other transaction which holders of some, or a majority of, shares of common stock might believe to be in their best interests, or in which holders of some, or a majority of, shares of common stock might receive a premium for their shares of common stock over the then market price of such shares. The shares of preferred stock will, when issued, be fully paid and nonassessable and will have no preemptive rights.

The prospectus supplement relating to any shares of preferred stock offered thereby will contain the specific terms, including:

(i) The title and stated value of such shares of preferred stock;

(ii) The number of such shares of preferred stock offered, the liquidation preference per share and the offering price of such shares of preferred stock;

(iii) The voting rights of such shares of preferred stock;

(iv) The dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such shares of preferred stock;

(v) The date from which dividends on such shares of preferred stock will accumulate, if applicable;

(vi) The procedures for any auction or remarketing, if any, for such shares of preferred stock;

(vii) The provision for a sinking fund, if any, for such shares of preferred stock;

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(viii) The provisions for redemption, if applicable, of such shares of preferred stock;

(ix) Any listing of the shares of preferred stock on any securities exchange;

(x) The terms and conditions, if applicable, upon which the shares of preferred stock will be convertible into shares of our common stock, including the conversion price (or manner of calculation thereof);

(xi) A discussion of federal income tax considerations applicable to such shares of preferred stock;

(xii) The relative ranking and preferences of such shares of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

(xiii) Any limitations on issuance of any series of shares of preferred stock ranking senior to or on a parity with such series of shares of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

(xiv) Any limitations on direct or beneficial ownership and restrictions on transfer of such shares of preferred stock, in each case as may be appropriate to preserve our status as a REIT; and

(xv) Any other specific terms, preferences, rights, limitations or restrictions of such shares of preferred stock.

The registrar and transfer agent for the shares of preferred stock will be set forth in the applicable prospectus supplement.

The description of the provisions of the shares of preferred stock set forth in this prospectus and in the related prospectus supplement is only a summary, does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the definitive Articles Supplementary to our Charter relating to such series of shares of preferred stock. You should read these documents carefully to fully understand the terms of the shares of preferred stock. In connection with any offering of shares of preferred stock, Articles Supplementary will be filed with the Securities and Exchange Commission as an exhibit or incorporated by reference in the Registration Statement.

DESCRIPTION OF DEPOSITARY SHARES

This section outlines some of the provisions of the deposit agreement to govern any depositary shares, the depositary shares themselves and the depositary receipts. This information may not be complete in all respects and is qualified entirely by reference to the relevant deposit agreement and depositary receipts with respect to the depositary shares related to any particular series of preferred stock. The specific terms of any series of depositary shares will be described in the applicable prospectus supplement. If so described in the prospectus supplement, the terms of that series of depositary shares may differ from the general description of terms presented below.

Interest in a Fractional Share, or Multiple Shares, of Preferred Stock. We may, at our option, elect to offer depositary shares, each of which would represent an interest in a fractional share, or multiple shares, of our preferred stock

instead of whole shares of preferred stock. If so, we will allow a depositary to issue to the public depositary shares, each of which will represent an interest in a fractional share, or multiple shares, of preferred stock as described in the prospectus supplement.

Deposit Agreement. The shares of the preferred stock underlying any depositary shares will be deposited under a separate deposit agreement between us and a bank or trust company acting as depositary with respect to those shares of preferred stock. The prospectus supplement relating to a series of depositary shares will specify the name and address of the depositary. Under the deposit agreement, each owner of a depositary share will be entitled, in proportion of its interest in a fractional share or multiple shares, of the preferred stock underlying that depositary share, to all the rights and preferences of that preferred stock, including dividend, voting, redemption, conversion, exchange and liquidation rights.

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Depositary shares will be evidenced by one or more depositary receipts issued under the deposit agreement. We will distribute depositary receipts to those persons purchasing such depositary shares in accordance with the terms of the offering made by the related prospectus supplement.

Dividends and Other Distributions. The depositary will distribute all cash dividends or other cash distributions in respect of the preferred stock underlying the depositary shares to each record depositary shareholder based on the number of the depositary shares owned by that holder on the relevant record date. The depositary will distribute only that amount which can be distributed without attributing to any depositary shareholders a fraction of one cent, and any balance not so distributed will be added to and treated as part of the next sum received by the depositary for distribution to record depositary shareholders.

If there is a distribution other than in cash, the depositary will distribute property to the entitled record depositary shareholders, unless the depositary determines that it is not feasible to make that distribution. In that case the depositary may, with our approval, adopt the method it deems equitable and practicable for making that distribution, including any sale of property and the distribution of the net proceeds from this sale to the concerned holders.

Each deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights we offer to holders of the relevant series of preferred stock will be made available to depositary shareholders.

The amount distributed in all of the foregoing cases will be reduced by any amounts required to be withheld by us or the depositary on account of taxes and governmental charges.

Withdrawal of Stock. Upon surrender of depositary receipts at the office of the depositary and upon payment of the charges provided in the deposit agreement and subject to the terms thereof, a holder of depositary receipts is entitled to have the depositary deliver to such holder the applicable number of shares of preferred stock underlying the depositary shares evidenced by the surrendered depositary receipts. There may be no market, however, for the underlying preferred stock and once the underlying preferred stock is withdrawn from the depositary, it may not be redeposited.

Redemption and Liquidation. The terms on which the depositary shares relating to the preferred stock of any series may be redeemed, and any amounts distributable upon our liquidation, dissolution or winding up, will be described in the applicable prospectus supplement.

Voting. Upon receiving notice of any meeting at which preferred stockholders of any series are entitled to vote, the depositary will mail the information contained in that notice to the record depositary shareholders relating to that series of preferred stock. Each depositary shareholder on the record date will be entitled to instruct the depositary on how to vote the shares of preferred stock underlying that holder s depositary shares. The depositary will vote the shares of preferred stock underlying those depositary shares according to those instructions, and we will take reasonably necessary actions to enable the depositary to do so. If the depositary does not receive specific instructions from the depositary shareholders relating to that preferred stock, it will abstain from voting those shares of preferred stock, unless otherwise discussed in the prospectus supplement.

Charges of Depositary. We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will also pay all charges of each depositary in connection with the initial deposit and any redemption of the preferred stock. Depositary shareholders will be required to pay any other transfer and other taxes and governmental charges and any other charges expressly provided in the deposit agreement to be for their accounts.

Miscellaneous. Each depositary will forward to the relevant depositary shareholders all our reports and communications that we are required to furnish to preferred stockholders of any series.

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The deposit agreement will contain provisions relating to adjustments in the fraction of a share of preferred stock represented by a depositary share in the event of a change in par value, split-up, combination or other reclassification of the preferred stock or upon any recapitalization, merger or sale of substantially all of our assets.

Neither the depositary nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under any deposit agreement, or subject to any liability under the deposit agreement to holders of depositary receipts other than for the relevant party s gross negligence or willful misconduct. The obligations of the Company and each depositary under any deposit agreement will be limited to performance in good faith of their duties under that agreement, and they will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless they are provided with satisfactory indemnity. They may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred stock for deposit, depositary shareholders or other persons believed to be competent and on documents believed to be genuine.

DESCRIPTION OF WARRANTS

We have no outstanding warrants to purchase shares of our common stock or preferred stock. We may issue warrants for the purchase of shares of preferred stock or shares of common stock. Warrants may be issued independently or together with any other securities offered by any prospectus supplement and may be attached to or separate from such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent specified in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. Further terms of the warrants and the applicable warrant agreements will be set forth in the applicable prospectus supplement.

The applicable prospectus supplement will describe the terms of the warrants in respect of which this prospectus is being delivered, including, where applicable, the following: (1) the title of such warrants; (2) the aggregate number of such warrants; (3) the price or prices at which such warrants will be issued; (4) the designation, terms and number of shares of our preferred stock or common stock purchasable upon exercise of such warrants; (5) the designation and terms of the offered securities, if any, with which such warrants are issued and the number of such warrants issued with each such offered security; (6) the date, if any, on and after which such warrants and the related preferred stock or common stock will be separately transferable, including any limitations on ownership and transfer of such warrants as may be appropriate to preserve our status as a REIT; (7) the price at which each share of preferred stock or common stock purchasable upon exercise of such warrants may be purchased; (8) the date on which the right to exercise such warrants shall commence and the date on which such right shall expire; (9) the minimum or maximum amount of such warrants which may be exercised at any one time; (10) information with respect to book-entry procedures, if any; (11) a discussion of certain federal income tax consequences; and (12) any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

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CERTAIN PROVISIONS OF MARYLAND LAW AND OUR CHARTER AND BYLAWS

The following paragraphs summarize certain material provisions of Maryland law applicable to Maryland corporations. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law, our charter, including any articles supplementary, and bylaws. You should read these documents carefully to fully understand the terms of Maryland law, our charter and our bylaws.

The Company is not Subject to the Maryland Business Combination Statute

The Company has elected not to be subject to the business combination provisions of the Maryland General Corporation Law, or the MGCL, (sections 3-601 through 3-604) and it cannot rescind such election and become subject to these business combination provisions without the approval of holders of a majority of its shares entitled to vote.

In the event that the Company decides to be subject to the business combinations provision, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns directly or indirectly ten percent or more of the voting power of the outstanding voting stock of the corporation; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the direct or indirect beneficial owner of ten percent or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the Board of Directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholders with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

As a result of the Company s decision not to be subject to the business combinations statute, an interested stockholder would be able to effect a business combination without complying with the requirements discussed above, which may make it easier for stockholders who become interested stockholders to consummate a business combination involving the Company. However, the Company cannot assure you that any business combinations will be consummated or, if consummated, will result in a purchase of shares of capital stock from its stockholders at a premium.

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The Company is not Subject to the Maryland Control Share Acquisition Statute

The Company has elected in its bylaws not to be subject to the control share acquisition provisions of the MGCL (sections 3-701 through 3-710). If it wants to be subject to these provisions, its bylaws would need to be amended. Such amendments would require the approval of the holders of a majority of the shares entitled to vote.

Maryland law provides that holders of control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are also employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third,

one-third or more but less than a majority, or

a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Board of Directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation adopted at any time before the acquisition of the control shares.

Because the Company is not subject to these provisions, stockholders who acquire a substantial block of Company common stock do not need approval of the other stockholders before exercising full voting rights with respect to their shares on all matters. This may make it easier for any of these control share stockholders to effect a business combination with the Company. However, the Company cannot assure you that any business combinations will be consummated or, if consummated, will result in a purchase of shares of Company common stock from any stockholder at a premium.

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Certain Elective Provisions of Maryland Law

Maryland law provides, among other things, that the board of directors has broad discretion in adopting stockholders rights plans and has the sole power to fix the record date, time and place for special meetings of the stockholders. Furthermore, Maryland corporations that:

have at least three directors who are not any of the following: (i) officers or employees of the entity; (ii) acquiring persons; (iii) directors, officers, affiliates or associates of an acquiring person; or (iv) individuals who were nominated or designated as directors by an acquiring person; and

have a class of equity securities that are subject to the reporting requirements of the Securities Exchange Act,

may elect in their charter or bylaws or by resolution of the board of directors to be subject to all or part of a special subtitle which provides that:

the corporation will have a staggered board of directors;

any director may be removed only for cause and by the vote of two-thirds of the votes entitled to be cast in the election of directors generally, even if a lesser proportion is provided in the charter or bylaws;

the number of directors may only be set by the board of directors, even if the procedure is contrary to the charter or bylaws;

vacancies resulting from an increase in size of the board of directors or the death, resignation or removal of a director may only be filled by the vote of the remaining directors, even if the procedure is contrary to the charter or bylaws; and

the secretary of the corporation may call a special meeting of stockholders only on the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting, even if the procedure is contrary to the charter or bylaws.

To date, we have not made any of the elections described above, although, independent of these elections, our charter and bylaws contain provisions that special meetings of stockholders are required to be held upon the request of a majority of the stockholders, that directors may be removed only for cause and by the vote of two-thirds of the votes entitled to be cast.

Board of Directors

Our bylaws provide that the number of our directors may be established by the Board of Directors but may not be fewer than the minimum required by Maryland law nor more than 15. The stockholders may elect a successor to fill a vacancy on the Board of Directors which results from the removal of a director. A majority of the remaining directors,

whether or not sufficient to constitute a quorum, may fill a vacancy on the Board of Directors which results from any cause except an increase in the number of directors, and a majority of the entire Board of Directors may fill a vacancy which results from an increase in the number of directors.

Our charter provides that a director may be removed only for cause and only by the affirmative vote of at least two-thirds of the combined voting power of all shares of capital stock entitled to be cast in the election of directors voting together as a single class. This provision may preclude stockholders from removing incumbent directors, except for cause and by a substantial affirmative vote, and filling the vacancies created by the removal with their own nominees.

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by the Board of Directors or (iii) by a stockholder who is

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entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (i) pursuant to our notice of the meeting, (ii) by the Board of Directors or (iii) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

Power to Issue Additional Shares of Common Stock and Preferred Stock

Our charter authorizes our Board of Directors to issue stock of any class, whenever authorized. We believe that the power to issue additional shares of common or preferred stock and to classify or reclassify unissued shares of common or preferred stock and thereafter to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for holders of common stock or otherwise be in their best interest.

Consideration of All Relevant Factors

In addition, as permitted by the Maryland General Corporation Law, our charter includes a provision that requires our Board of Directors, in their evaluation of any potential business combination or any actual or proposed transaction that could result in a change of control, to consider all relevant factors, including, the economic effect on our stockholders, the social and economic effect on our employees, suppliers, customers and creditors and the communities in which we have offices or other operations.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

A summary of the material federal income tax considerations related to the ownership and disposition of our securities is set forth in our Current Report on Form 8-K, filed with the SEC on March 6, 2017 (as amended or supplemented from time to time), and incorporated by reference in this prospectus. The summary is for general information only and does not constitute tax advice. It does not reflect every possible tax outcome or consequence that could result from owning our securities. In addition, it does not reflect state, local or non-U.S. tax consequences that may apply to you based on your particular circumstances and residence. We advise you to consult your own tax advisors to determine the tax consequences particular to your situation, including any applicable state, local or foreign income and other tax consequences that may result from your ownership of our securities.

PLAN OF DISTRIBUTION

The securities being offered by this prospectus may be sold by us or by a selling securityholder:

through agents;

to or through underwriters;

through broker-dealers (acting as agent or principal);

directly by us or a selling securityholder to purchasers, through a specific bidding or auction process or otherwise;

through a combination of any such methods of sale; or

through any other methods described in a prospectus supplement.

The distribution of securities may be effected, from time to time, in one or more transactions, including: (a) block transactions (which may involve crosses) and transactions on the New York Stock Exchange or any other organized market where the securities may be traded; (b) purchases by a broker-dealer as principal and resale by the broker-dealer for its own account pursuant to a prospectus supplement; (c) ordinary brokerage transactions and transactions in which a broker-dealer solicits purchasers; (d) sales at the market to or through a market maker or into an existing trading market, on an exchange or otherwise, for securities; and (e) sales in other ways not involving market makers or established trading markets, including direct sales to purchasers. The securities may be sold at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices relating to the prevailing market prices or at negotiated prices. The consideration may be cash or another form negotiated by the parties. Agents, underwriters or broker-dealers may be paid compensation for offering and selling the securities. That compensation may be in the form of discounts, concessions or commissions to be received from us or from the purchasers of the securities. Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and compensation received by them on resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. If such dealers or agents were deemed to be underwriters, they

may be subject to statutory liabilities under the Securities Act.

Agents may, from time to time, solicit offers to purchase the securities. If required, we will name in the applicable prospectus supplement any agent involved in the offer or sale of the securities and set forth any compensation payable to the agent. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment. Any agent selling the securities covered by this prospectus may be deemed to be an underwriter, as that term is defined in the Securities Act, of the securities.

If underwriters are used in an offering, securities will be acquired by the underwriters for their own account and may be resold, from time to time, in one or more transactions, including negotiated transactions, at a fixed

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public offering price or at varying prices determined at the time of sale, or under delayed delivery contracts or other contractual commitments. Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. If an underwriter or underwriters are used in the sale of securities, an underwriting agreement will be executed with the underwriter or underwriters at the time an agreement for the sale is reached. The applicable prospectus supplement will set forth the managing underwriter or underwriters, as well as any other underwriter or underwriters, with respect to a particular underwritten offering of securities, and will set forth the terms of the transactions, including compensation of the underwriters and dealers and the public offering price, if applicable. The prospectus and the applicable prospectus supplement will be used by the underwriters to resell the securities.

If a dealer is used in the sale of the securities, we, a selling securityholder, or an underwriter will sell the securities to the dealer, as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale. To the extent required, we will set forth in the prospectus supplement the name of the dealer and the terms of the transactions.

We or a selling securityholder may directly solicit offers to purchase the securities and we or a selling securityholder may make sales of securities directly to institutional investors or others. These persons may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities. To the extent required, the prospectus supplement will describe the terms of any such sales, including the terms of any bidding or auction process, if used.

Agents, underwriters and dealers may be entitled under agreements which may be entered into with us to indemnification by us against specified liabilities, including liabilities incurred under the Securities Act, or to contribution by us to payments they may be required to make in respect of such liabilities. If required, the prospectus supplement will describe the terms and conditions of such indemnification or contribution. Some of the agents, underwriters or dealers, or their affiliates may be customers of, engage in transactions with or perform services for us or our subsidiaries in the ordinary course of business.

Under the securities laws of some states, the securities offered by this prospectus may be sold in those states only through registered or licensed brokers or dealers.

Any person participating in the distribution of common stock registered under the registration statement that includes this prospectus will be subject to applicable provisions of the Exchange Act, and the applicable SEC rules and regulations, including, among others, Regulation M, which may limit the timing of purchases and sales of any of our common stock by any such person. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of our common stock to engage in market-making activities with respect to our common stock. These restrictions may affect the marketability of our common stock and the ability of any person or entity to engage in market-making activities with respect to our common stock.

Certain persons participating in an offering may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act that stabilize, maintain or otherwise affect the price of the offered securities. If any such activities will occur, they will be described in the applicable prospectus supplement.

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SELLING SECURITYHOLDERS

Selling securityholders are persons or entities that, directly or indirectly, have acquired or will from time to time acquire common stock, preferred stock, or warrants, as applicable, from us. Such selling securityholders may be parties to registration rights agreements with us, or we otherwise may have agreed or will agree to register their securities for resale. The initial purchasers of our securities, as well as their transferees, pledgees, donees or successors, all of whom we refer to as selling securityholders, may from time to time offer and sell the securities pursuant to this prospectus and any applicable prospectus supplement.

The selling securityholders may offer for sale all or some portion of the securities that they hold. To the extent that any of the selling securityholders are broker or dealers, they are deemed to be, under interpretations of the SEC, underwriters within the meaning of the Securities Act.

The applicable prospectus supplement will set forth the name of each of the selling securityholders and the number and classes of our securities beneficially owned by such selling securityholders that are covered by such prospectus supplement. The applicable prospectus supplement will also disclose whether any of the selling securityholders has held any position or office with, has been employed by or otherwise has had a material relationship with us during the three years prior to the date of the prospectus supplement.

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LEGAL MATTERS

The legality of the securities offered hereby will be passed upon for us by Bond, Schoeneck & King, PLLC, Buffalo, New York.

EXPERTS

The consolidated financial statements and schedules of EastGroup Properties, Inc., as of December 31, 2016 and 2015, and for each of the years in the three-year period ended December 31, 2016, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2016, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement under the Securities Act with respect to the securities offered hereunder. As permitted by the SEC s rules and regulations, this prospectus does not contain all of the information set forth in the registration statement. For further information regarding our company and our equity stock, please refer to the registration statement and the contracts, agreements and other documents filed as exhibits to the registration statement. Additionally, we file annual, quarterly and special reports, proxy statements and other information with the SEC.

You may read and copy all or any portion of the registration statement or any other materials that we file with the SEC at the SEC public reference room at 100 F Street, N.E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings, including the registration statement, are also available to you on the SEC s web site (www.sec.gov). We also have a web site (www.eastgroup.net) through which you may access our SEC filings. In addition, you may view our SEC filings at the offices of the New York Stock Exchange, Inc., which is located at 20 Broad Street, New York, New York 10005. Our SEC filings are available at the NYSE because our common stock is listed and traded on the NYSE under the symbol EGP.

The information found on, or otherwise accessible through, our web site is not incorporated into, and does not form a part of, this prospectus.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information contained in documents that we file with them. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information.

We incorporate by reference the documents listed below and any future filings we make with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act prior to the completion of this offering:

- our annual report on Form 10-K for the year ended December 31, 2016;

our current reports on Form 8-K filed February 21, 2017, March 3, 2017 and March 6, 2017; and

the description of our common stock contained in our registration statement on Form 8-B, filed on June 5, 1997, and all amendments and reports updating that description.

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You may request a free copy of these filings (other than exhibits, unless they are specifically incorporated by reference in the documents) by writing or telephoning us at the following address and telephone number:

EastGroup Properties, Inc.

Attention: Chief Financial Officer

190 East Capitol Street, Suite 400

Jackson, MS 39201-2195

(601) 354-3555

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses (all of which are estimated) we expect to incur in connection with the issuance and distribution of the securities being registered under this registration statement, other than underwriting discounts and commissions:

SEC Registration fee	(1)
Accountants fees and expenses	(2)
Legal fees and expenses	(2)
Printing fees	(2)
Miscellaneous	(2)
Total	(1)(2)

(1) In accordance with Rule 456(b) and as set forth in footnote (3) to the Calculation of Registration Fee table on the front cover page of this registration statement, we are deferring payment of the registration fee for the securities offered by this prospectus.

(2) These fees are calculated based on the securities offered and the number of issuances and accordingly cannot be estimated at this time.

Item 15. Limitation of Liability and Indemnification of Directors and Officers.

Maryland law permits a corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. The charter of EastGroup (the Charter) contains a provision which eliminates directors and officers liability to the maximum extent permitted by Maryland law.

Maryland law requires a corporation (unless its charter provides otherwise, which the Charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity, or in the defense of any issue, claim or matter in such a proceeding. The Charter contains a provision authorizing and requiring EastGroup to indemnify, to the fullest extent permitted by Maryland law, its directors and officers, whether serving EastGroup or, at its request, any other entity.

Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which he or she is made a party by reason of his or her service in that capacity, unless it is established that:

the act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty,

the director or officer actually received an improper personal benefit in money, property or services, or

in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the prescribed standard of conduct is not met. However, indemnification

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for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, Maryland law permits us to advance reasonable expenses to a director or officer party to a proceeding upon receipt of (i) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and (ii) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

EastGroup has entered into an indemnification agreement (the Indemnification Agreement) with each of its directors and officers, and the Board of Directors has authorized EastGroup to enter into an Indemnification Agreement with each of the future directors and officers of EastGroup. While Maryland law permits a corporation to indemnify its directors and officers; as described above, it also authorizes other arrangements for indemnification of directors and officers, including insurance. The Indemnification Agreement is intended to provide indemnification to the maximum extent allowed by the laws of the State of Maryland.

The Indemnification Agreement provides that EastGroup shall indemnify a director or officer who is a party to the Agreement (the Indemnitee) if he or she was or is a party to or otherwise involved in any proceeding by reason of the fact that he or she was or is a director or officer of EastGroup, or was or is serving at its request in a certain capacity of another entity, against losses incurred in connection with the defense or settlement of such proceeding. The provisions in the Indemnification Agreement are similar to those provided for under Maryland law. According to the Indemnification Agreement, however, an Indemnitee who pays any amount in settlement of a proceeding without EastGroup s written consent is not entitled to indemnification.

Item 16. Exhibits.

1.1* Form of underwriting agreement.

3.1 Articles of Incorporation (incorporated by reference to Appendix B to the Company s Proxy Statement for its Annual Meeting of Stockholders held on June 5, 1997).

3.2 EastGroup Properties, Inc. Bylaws, Amended through March 3, 2017 (incorporated by reference to Exhibit 3.1 to the Company s Form 8-K filed March 3, 2017).

4.1* Form of Articles Supplementary with respect to any shares of Preferred Stock (including any form of Preferred Stock Certificate).

4.2* Form of Warrant Agreement (including any form of Warrant Certificate).

4.3* Form of Deposit Agreement.

5.1 Opinion of Bond, Schoeneck & King, PLLC regarding legality of securities being registered (filed herewith).

8.1 Opinion of Bond, Schoeneck & King, PLLC regarding certain tax matters (filed herewith).

12.1 Statement of computation of ratio of earnings to combined fixed charges and preferred stock distributions (incorporated by reference to Exhibit 12 to the Company s Form 10-K for the year ended December 31, 2016).

23.1 Consent of KPMG LLP (filed herewith).

23.2 Consent of Bond, Schoeneck & King, PLLC (included in Exhibits 5 and 8).

24 Powers of Attorney (included on signature page).

* To be filed, if applicable, subsequent to the effectiveness of this registration statement by an amendment to the registration statement or incorporated by reference pursuant to a Current Report on Form 8-K in connection with the offering of securities.

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Item 17. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the Securities Act);

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act to any purchaser:

(i) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the

registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is

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part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of an undersigned Registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(6)(2) of the Trust Indenture Act.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jackson, State of Mississippi on March 6, 2017.

EASTGROUP PROPERTIES, INC.

By: /s/ Marshall A. Loeb
Marshall A. Loeb

President and Chief Executive Officer

POWERS OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints each of Marshall A. Loeb or N. Keith McKey his or her true and lawful attorney-in-fact and agent, each with full power of substitution and revocation, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney-in-fact and agent, full power and authority to do and perform each such and every act and thing requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement and the foregoing Powers of Attorney have been signed by the following persons in the capacities on March 6, 2017.

Signature	Title
/s/ David H. Hoster II David H. Hoster II	Chairman of the Board
/s/ Marshall A. Loeb Marshall A. Loeb	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ N. Keith McKey N. Keith McKey, CPA	Executive Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)
/s/ Bruce Corkern	Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

Bruce Corkern, CPA

/s/ D. Pike Aloian — Director

D. Pike Aloian

/s/ H.C. Bailey, Jr. — Director

H.C. Bailey, Jr.

/s/ H. Eric Bolton, Jr. — Director

H. Eric Bolton, Jr.

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Signature	Title
/s/ Hayden C. Eaves III	Director
Hayden C. Eaves III	
/s/ Fredric H. Gould	Director
Fredric H. Gould	
/s/ Mary E. McCormick	Director
Mary E. McCormick	
/s/ Leland R. Speed	Director
Leland R. Speed	

m debt (10,776) Net change in other short-term borrowings 79 224 1,996 Exercise of stock options - - 51 -------- -------- -------- Net cash provided by financing activities 11,791 3,039 2,047 -------- -------- -------- Net change in cash and cash equivalents (70) (674) (250) Cash and cash equivalents at beginning of year 80 754 1,004 -------- -------- -------- Cash and cash equivalents at end of year $ 10 $ 80 $ 754 ======== ======== ======== SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid (received) during the year for: Income taxes $ (158) $ (3,766) $ - ======== ======== ======== Interest $ 1,110 $ 1,668 $ 1,944 ======== ======== ======== Non cash activities: Midland Recapitalization and Investment Transaction (Note 2) See accompanying notes. F-6 UNIFAB INTERNATIONAL INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES DESCRIPTION OF BUSINESS UNIFAB International, Inc. (the Company) fabricates and assembles jackets, decks, topside facilities, quarters buildings, drilling rigs and equipment for installation and use offshore in the production, processing and storage of oil and gas. Through a wholly owned subsidiary, Allen Process Systems, LLC, the Company designs and manufactures specialized process systems such as oil and gas separation systems, gas dehydration and treatment systems, and oil dehydration and desalting systems, and other production equipment related to the development and production of oil and gas reserves. Compression Engineering Services, Inc. (CESI), a division of Allen Process Systems, LLC, provides compressor project engineering from inception through commissioning, including project studies and performance evaluation of new and existing systems, on-site supervision of package installation, and equipment sourcing and inspection. The Company's main fabrication facilities are located at the Port of Iberia in New Iberia, Louisiana. Through a newly-formed, wholly-owned subsidiary, Rig Port Services, LLC, the Company provides repair, refurbishment and conversion services for oil and gas drilling rigs at its deep-water facility in Lake Charles, Louisiana. The operating cycle of the Company's contracts is typically less than one year, although some large contracts may exceed one year's duration. Assets and liabilities have been classified as current and noncurrent under the operating cycle concept, whereby all contract-related items are regarded as current regardless of whether cash will be received within a 12-month period. At December 31, 2003 and 2002, it was anticipated that substantially all contracts in progress, and receivables associated therewith, would be completed and collected within a 12-month period. THE MIDLAND RECAPITALIZATION AND INVESTMENT TRANSACTION As more fully described in Note 2, below, on August 13, 2002 the Company and Midland Fabricators and Process Systems, LLC

("Midland") closed a transaction under which Midland exchanged $24.1 million outstanding under the Company's Senior Secured Credit Agreement and $5.6 million in acquired claims of unsecured creditors for 738 shares of our preferred stock, a secured subordinated convertible debenture in the amount of $10.7 million and two secured subordinated notes which total in the aggregate $6.8 million. The debenture is convertible into the Company's common stock at a price of $3.50 per share on a post reverse split basis. Midland's 738 shares of preferred stock was converted into a total of 7,380,000 shares of the Company's common stock on August 3, 2003. The Company also recorded additional paid in capital on the transaction of $3.7 million resulting from the discount recorded on the secured subordinated convertible debenture, and capital contributions of $680,000 resulting from forgiveness by Midland of penalties accrued under the Senior Secured Credit Agreement and $914,000 resulting from partial forgiveness of the unsecured creditor claims acquired by Midland. Further, $675,000 of the amount the Company owed Midland under the Company's Senior Secured Credit Agreement was cancelled in exchange for the assignment to Midland of certain accounts receivable. On November 18, 2002, the Company entered into a commercial business loan with the Whitney National Bank, as more fully described in Note 5 to the financial statements. This loan is guaranteed by Nassau Holding Company, an affiliate of Midland, the subsidiaries of Unifab, and the principle members of Midland, in accordance with the terms of the Midland transaction. F-7 PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation. REVENUE AND COST RECOGNITION Revenue from fixed-price contracts is recognized on the percentage-of-completion method. In the case of long-term contracts extending over one or more fiscal years, revisions of the cost and profit estimated during the course of the work are reflected in the accounting period in which the facts that require revision become known. At the time a loss on a contract becomes known, the entire amount of the ultimate loss is accrued. Variations from estimated contract performance could result in a material adjustment to operating results for any fiscal year. Revenue from time and material contracts and cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus mark up or fees earned. The Company measures progress toward completion on fixed price contracts by comparing labor hours to date against total estimated labor hours. The Company believes this measure accurately reflects physical progress on contracts and is an appropriate, objective measure of progress on contracts. Contract costs include direct labor, material, subcontract costs and allocated indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. USE OF ESTIMATES The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. CASH EQUIVALENTS The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is stated at cost. Depreciation is computed principally by the straight-line method over the estimated lives of the assets, which range from 19 to 31 years for building and bulkhead and 3 to 12 years for yard and other equipment, for financial statement purposes and by accelerated methods for income tax purposes. Amortization of leasehold improvements is provided using the straight-line method over the estimated useful lives of the assets or over the terms of the lease, whichever is shorter. GOODWILL In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS ") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill upon the adoption of this statement on January 1, 2002. A reconciliation of previously reported net loss and loss per share to the amounts adjusted for the exclusion of goodwill amortization net of tax follows: F-8 Year ended December 31, 2003 2002 2001 -------- -------- -------- Reported net loss $(11,835) $(20,517) $(29,281) Add: Goodwill amortization, net of tax - - 437 -------- -------- -------- Adjusted net loss $(11,835) $(20,517) $(28,844) ======== ======== ======== Reported net loss per share, basic and diluted $ (1.44) $ (5.59) $ (36.02) Add Goodwill amortization net of tax, per basic and diluted share - - 0.54 -------- -------- -------- Adjusted loss per share, basic and diluted $ (1.44) $ (5.59) $ (35.48) ======== ======== ======== Basic and diluted weighted average shares outstanding 8,200 3,670 814 ======== ======== ======== Prior to adopting SFAS 142, the Company assessed goodwill for impairment in accordance with Financial Accounting Standards Board (FASB) Statement No. 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (SFAS 121). Under those rules, goodwill associated

with assets acquired in a purchase business combination is included in impairment evaluations when events or circumstances exist that indicate the carrying amounts of those assets may not be recoverable. Under this approach, the carrying value of goodwill would be reduced if it is probable that management's best estimate of future operating income before amortization would be less than the carrying amount of goodwill over the remaining amortization period. In the September 2001 quarter, the Company recorded a charge of $14.8 million recognizing the impairment of substantially all of the goodwill on the acquisitions of OBI, Unifab International West and Allen Process Systems Limited. Due to the economic conditions in the oil and gas services industry, the delay in the expected recovery to profitable operations and the decision to close the Company's barge repair facility in New Iberia, the Company evaluated the likelihood that goodwill would be recovered. Based on this evaluation, the Company determined that goodwill was impaired and recorded an impairment charge of $14.8 million. The Company's evaluation of the recovery of goodwill was based on estimated future cash flows related to the associated businesses. The write down was to fair value of the related businesses based on discounted cash flows or the estimated fair value of certain facilities. The carrying amount of goodwill, which is entirely attributable to the Company's June 24, 1999 acquisition of Compression Engineering Services, Inc., is approximately $260,000 as of December 31, 2003 and 2002, and is included in Other Assets on the balance sheet. INCOME TAXES Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. STOCK BASED COMPENSATION The Company uses the intrinsic value method of accounting for employee-based compensation prescribed by Accounting Principles Board ("APB") Opinion No. 25 and, accordingly, follows the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 encourages the use of fair value based method of accounting for compensation expense associated with stock option and similar plans. However, SFAS No. 123 permits the continued use of the intrinsic value based method prescribed by Opinion No. 25 but requires additional disclosures, including pro forma calculations of net F-9 earnings and earnings per share as if the fair value method of accounting prescribed by SFAS No. 123 had been applied. Had compensation cost for the Company's stock plans been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, the Company's net income and net income per share amounts would have approximated the following pro forma amounts (in thousands, except per share data): YEAR ENDED DECEMBER 31 2003 2002 2001 ---------- ---------- ---------- Net loss, as reported $ (11,835) $ (20,517) $ (29,281) Add: Total stock-based employee compensation expense included in reported net loss, net of related tax effects - - - Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects (22) (302) (586) ---------- ---------- ---------- Pro forma net loss $ (11,857) $ (20,819) $ (29,867) ========== ========== ========== Loss per share Basic and diluted, as reported $ (1.45) $ (5.59) $ (36.02) ========== ========== ========== Basic and diluted, pro forma $ (1.45) $ (5.67) $ (36.74) ========== ========== ========== Weighted average fair value of grants $ 2.05 $ 2.10 $ 8.22 ========== ========== ========== Black-Scholes option pricing model assumptions: Year Ended December 31 2003 2002 2001 ------------ ------- -------------- Risk-free interest rate 1.50% to 1.82% 2.22% 2.77% to 6.28% Volatility factor of the expected market price of UNIFAB stock 1.042-1.747 1.042 .722-.907 Weighted average expected life of the option 2 years 2 years 2 years Expected dividend yield - - - LONG-LIVED ASSETS In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 promulgates standards for measuring and recording impairments of long-lived assets. Additionally, this standard establishes requirements for classifying an asset as held for sale, changes existing accounting and reporting standards for discontinued operations and exchanges for long-lived assets. The Company implemented SFAS No. 144 on January 1, 2002, as required. During 2002 the Company recorded an impairment loss of $5.1 million on the Lake Charles facility. Operating losses incurred at the facility and the outlook of that business resulted in the Company actively seeking alternative sources of capital to sustain development and operations at the facility. By closing the Midland transaction in August 2002, the Company was able to stabilize its overall financial condition and add experienced management to evaluate alternatives with respect to the Lake Charles facility. In evaluating the recoverability of the investment in the Lake Charles facility, the Company estimated net undiscounted cash flows under both operating alternatives and disposal scenarios, and concluded the carrying value of the facility was impaired. The Company then estimated the fair value of the facility based on the related discounted estimated cash flows and, based on this analysis, recorded an F-10 impairment loss of

$5.1 million. The impairment loss reduced the recorded net value of the facility to its estimated fair value of $5.4 million. During 2003 the facility was reopened and operated. Through December 31, 2003, operations at the facility had not generated a gross profit. Additionally, at December 31, 2003, the Company did not have a project to place at the facility when the current project has been completed, and expects to close the facility upon completion of the project. In the event the company is unable to operate the facility profitably, the Company may again close the facility, sell the facility, or seek a partner to operate the facility. EARNINGS PER SHARE Basic net income (loss) per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per share uses the weighted average number of common shares outstanding adjusted for the incremental shares attributed to dilutive outstanding options and warrants to purchase common stock and securities convertible into shares of common stock. FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amount of the Company's financial instruments, including cash, receivables and payables approximate fair market value due to their short-term nature. The Company's long-term debt at December 31, 2003 and 2002 consists principally of a revolving credit agreement, secured subordinated notes payable, and a secured subordinated convertible debenture. The terms of each of these instruments were negotiated during the latter part of 2002 in arm's length transactions and provide for variable interest rates. In addition the Company's credit worthiness and common stock price have not changed significantly since the instruments were issued. Accordingly, the carrying value of the Company's long-term debt is considered to approximate fair value at December 31, 2003 and 2002. NEW ACCOUNTING PRONOUNCEMENTS Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities are required to be recorded at their fair values (which are likely to be the present values of the estimated future cash flows) in the period in which they are incurred. SFAS No. 143 requires the associated asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense. The amounts added to the carrying amounts of the assets will be depreciated over the useful lives of the assets. The implementation of SFAS No. 143 did not have a material impact on the Company's consolidated financial position or results of operations. In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred rather than at the date a plan is committed to. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The implementation of SFAS No. 146 did not have a material impact on the Company's consolidated financial position or results of operations. In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The adoption of FIN 46 did not have a material impact on the Company's consolidated financial position or results of operations. In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts entered into or modified after September 30, 2003. The adoption of FAS No. 149 did not have a significant effect on the Company's consolidated financial position or results of F-11 operations. In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 also addresses questions about the classification of certain financial instruments that embody obligations to issue equity shares. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. The adoption of FAS No. 150 did not have a significant effect on the Company's consolidated financial position or results of operations. In December 2003, the FASB issued SFAS No. 132 (Revised 2003), "Employers' Disclosures About Pension and Other Postretirement Benefits." SFAS No. 132 replaces the original SFAS No. 132 and revises employers' disclosure about pension plans and other postretirement benefit plans to require more information about the economic resources and obligations of such plans. SFAS No. 132 (Revised 2003) is effective for financial

statements of public companies for fiscal years ending after December 15, 2003. The Company does not expect the adoption of SFAS No. 132 (Revised 2003) will have a material impact on its consolidated financial position or results of operations. RECLASSIFICATIONS Certain amounts previously reported have been reclassified to conform with the presentation at December 31, 2003. 2. CURRENT MATTERS AND THE MIDLAND TRANSACTION CURRENT MATTERS Prior to and since the initiation of the Midland Recapitalization and Investment Transaction in April 2002, described more fully below, the Company has been incurring losses from operations. In response to this situation, the Company has eliminated noncore businesses and excess facilities, reduced overhead and restructured its management team and operations in an effort to return to profitability. In the year ended December 31, 2003, the Company incurred a net loss of $11.8 million, including $2.2 million related to drilling rig fabrication start up operations in Lake Charles, $2.2 million related to a contract to fabricate buoyancy cans, $270,000 related to the winding down of non core operations, and $605,000 related to the Company's process systems fabrication facility which was underutilized. Also included in the net loss for the year ended December 31, 2003 are selling, general and administrative expenses of $5.1 million and interest expense of $2.0 million. Current pricing for the Company's services and the level of utilization of the Company's main fabrication facilities have not resulted in operating profits sufficient to cover these costs. The Company continues to bid and win contracts and invest capital in facilities and equipment. In June 2003 the Company added new management at its drilling rig fabrication facility. In October 2003, the Company changed management at its platform fabrication and process systems facilities, and organized them both under one president. These new managers are restructuring the project management processes and controls throughout the Company and are revising the responsibility and reporting channels. The Company continues to review operations, facilities, costs and business opportunities in an attempt to return to profitability. The Company has renewed the Credit Agreement, with Midland's continuing guarantee, and has extended the maturity to January 31, 2005. As a result, the liability has been classified as noncurrent at December 31, 2003. Under an informal arrangement with the Company, Midland has agreed from time to time to provide financial support and funding for working capital or other needs at Midland's discretion. During the year ended December 31, 2003, Midland advanced $5.9 million to the Company for working capital, which is classified as a current liability at December 31, 2003. As a result of classifying these advances from Midland as a current liability, the Company has a working capital deficit of $1,341,000 at December 31, 2003. The liquidity afforded by these advances from Midland was necessary for the Company to meet its obligations and fund operations. Management believes that additional funds available from Midland under the informal arrangement described above are necessary to fund its working capital needs and planned capital expenditures for the next 12 months. However, the Company has no control over whether Midland will provide additional funding in the future and does not know whether such additional funding will be available from Midland as the Company requires it. F-12 If Midland does not make available such additional funding to the Company when needed in the future, the Company could be unable to satisfy its working capital requirements and meet its obligations, including obligations under the Credit Agreement, in the ordinary course of business. The Company requires the continued support from Midland until such time as it has sustained profitable operations and its financial condition is stable and no longer requires this support. If the Company is unsuccessful in its efforts to return to profitability or obtain necessary capital from Midland as needed, it may not be able to meet its obligations in the ordinary course of business. The Company must experience a marked improvement in 2004 in order to remain a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. MIDLAND RECAPITALIZATION AND INVESTMENT TRANSACTION During 2001, the Company's results of operation and financial condition deteriorated dramatically. In significant ways, the Company's declining financial condition impacted its ability to compete for contracts and labor, two important ingredients in the Company's historic profitability. At December 31, 2001, the Company had a working capital deficit caused by the reclassification of $22.6 million outstanding under the Company's Senior Secured Credit Facility to current liabilities, which was caused by the Company's inability to make the scheduled payments without raising capital. As a result, management developed plans to seek additional capital and improve liquidity. In April 2002, the Company entered into a preferred stock purchase, debt exchange and modification agreement with Midland. William A. Hines, who is now the chairman of the board of directors of the Company, is a manager of, and the owner of a 45.5% membership interest in, Midland. The remaining membership interest in Midland is owned by members of Mr. Hines' family and his former spouse. The terms of the Midland agreement were determined by arm's length negotiation between the

Company's senior management team and its representatives, and Mr. Hines and his representatives. Mr. Hines had been the principal shareholder of Allen Tank, Inc., which was acquired by the Company in 1998. From the time of that acquisition in 1998 until March 2001, Mr. Hines served as a director of the Company. At the time of negotiating and entering into the Midland agreement, Mr. Hines held no position with the Company. Upon consummating the Midland agreement in August 2002, Mr. Hines became Chairman of the Board of Directors. Pursuant to the Midland agreement and prior to its consummation on August 13, 2002: - The Company consented to Midland's acquisition of the rights of the lenders under the Company's credit agreement dated November 30, 1999, as amended, with Bank One, Louisiana, N.A. and three other commercial banks. On May 1, 2002, Midland acquired the rights of those lenders under the credit agreement for $13.9 million in cash, the source of which was capital contributions from its members. On that date, the total amount of principal, accrued interest and penalties owing under the credit agreement was $21.3 million. Thereafter, and prior to the consummation of the Midland agreement, Midland advanced the Company $2.8 million for working capital needs and to establish a cash collateral account with Bank One to secure outstanding letters of credit. - Midland acquired unsecured creditor claims in the amount of $5.6 million. Midland's acquisition cost for these claims was an aggregate of $2.9 million, including payments made to the unsecured creditors, fees paid to a collection agent and attorneys' fees. Midland's source of these payments was capital contributions from its members. - Midland agreed to guarantee a line of credit. On November 18, 2002 the Company established an $8.0 million line of credit with a commercial bank. Nassau Holding Company, an affiliate of Midland, the subsidiaries of Unifab, and the principle members of Midland guarantee the Company's obligations under it. - The Company entered into agreements, effective April 2002, terminating the employment agreement of Dailey J. Berard, who was then a director of the Company and was formerly chairman of the board, president and chief executive officer of the Company, and the consulting agreement of Jerome E. F-13 Chojnacki, who was then the chairman of the board, president and chief executive officer; in exchange for the termination of their agreements, the Company made one-time cash payments of $75,000 to each of Messrs. Berard and Chojnacki. Also effective April 2002, the Company obtained the resignation of Mr. Berard as a director, and the resignation of Mr. Chojnacki as Chairman of the Board, President and Chief Executive Officer. - Midland agreed to use its best efforts to continue the listing of the Company's common stock on the Nasdaq Stock Market for a period of at least two years following consummation of the Midland agreement. - Midland agreed to cause its designees to the board of directors to approve the calling of a meeting of shareholders for the purpose of voting on an increase in the authorized number of shares of the Company's common stock, and to approve a rights offering. Midland also agreed to vote its shares in favor of the proposed increase in the authorized number of the Company's shares. Upon consummation of the Midland agreement on August 13, 2002: - $10.0 million owed Midland under the credit agreement was cancelled in exchange for 738 shares of the Company's series A preferred stock. Each share of this preferred stock has voting rights equal to 100,000 shares of the Company's common stock, and will convert into 100,000 shares of the Company's common stock when the authorized number of the Company's unissued and unreserved common shares is at least 100 million, as will occur when approved by the Company's shareholders. - $12.8 million owed Midland under the credit agreement was converted into the following, which continue to constitute secured indebtedness under the credit agreement: (i) a convertible debenture in the principal amount of $10.6 million payable in five equal annual installments, bearing interest at Wall Street Journal Prime (that is, the prime rate of interest reported in the Wall Street Journal in its daily table of "Money Rates") plus 2.5 percentage points (6.5% at December 31, 2003) and convertible into shares of the Company's common stock at $3.50 per share, adjusted for the one-for-ten reverse stock split on August 3, 2003 (the closing price of the Company's common stock on the Nasdaq National Market on March 6, 2002, the date the negotiations on the expected terms of the convertible debenture and the rights were concluded); and (ii) a promissory note in the principal amount of $2.1 million (the amount of the advances made by Midland to the Company after entering into the Midland agreement), which is payable August 13, 2005 and bears interest at the rate of Wall Street Journal Prime plus 3.0 percentage points (7.0% at December 31, 2003). The Company has recorded $3.7 million discount on the face value of the convertible debenture, which represents the intrinsic value of the beneficial conversion feature of the debenture and equals the difference between $3.50, the conversion price per share, and $4.70, the closing price per share of Unifab International, Inc. common stock on August 13, 2002, the date of issuance of the convertible debenture, adjusted for the one-for-ten reverse stock split on August 3, 2003. This discount is being amortized as interest expense from August 13, 2002 and August 13, 2010, the maturity date of the debenture. Included in interest expense for the years ended December 31, 2003 and 2002 is $521,000 and $200,000, respectively, related to amortization of this discount. -

Midland transferred to the Company the claims it had acquired from the Company's unsecured creditors in the amount of $5.6 million. In exchange for these claims, the Company delivered to Midland a promissory note in the principal amount of $4.7 million, and recorded a contribution to additional paid in capital of $914,000, which represents claims of unsecured creditors acquired by Midland which were forgiven by Midland. The promissory note is payable August 13, 2006, and bears interest at the rate of Wall Street Journal Prime plus 3.0 percentage points (7.0% at December 31, 2003). This promissory note also constitutes secured indebtedness under the Company's credit agreement with Midland. - $675,000 of the amount the Company owed Midland under the credit agreement was cancelled in exchange for the assignment to Midland of certain accounts receivable in the amount of $1,191,000 against which the Company had established reserves of approximately $516,000. The Company has recorded a $675,000 reduction in the indebtedness under the credit agreement. - $680,000 of the amount the Company owed Midland under the credit agreement (substantially all of which consisted of penalties accrued under the terms of the amended credit agreement) was forgiven by Midland, resulting in a contribution to additional paid in capital of $680,000. Midland waived all defaults under the credit agreement. F-14 - Charles E. Broussard resigned from the Company's board of directors, and the remaining directors, Perry Segura and George C. Yax, appointed Mr. Hines, Frank J. Cangelosi, Jr., William A. Downey, Daniel R. Gaubert, Donald L. Moore and Allen C. Porter, Jr., all designated by Midland, as members of the board. 3. CONTRACTS IN PROGRESS Information pertaining to contracts in progress at December 31, 2003 and 2002 consisted of the following: DECEMBER 31 2003 2002 -------- -------- (In thousands) Costs incurred on uncompleted contracts $ 48,876 $ 10,919 Estimated earnings (losses), net (2,866) 50 -------- -------- 46,010 10,969 Less billings to date (45,598) (8,686) -------- -------- $ 412 $ 2,283 ======== ======== Included in the accompanying balance sheets under the following captions: Costs and estimated earnings in excess of billings on uncompleted contracts $ 1,287 $ 2,297 Billings in excess of costs and estimated earnings on uncompleted contracts (875) (14) -------- -------- $ 412 $ 2,283 ======== ======== Accounts receivable includes retainages and unbilled receivables, respectively, of $138,000 and $10,000 at December 31, 2003 and $775,000 and $36,000 at December 31, 2002. The unbilled receivables relate primarily to time and material contracts. The Company has contract loss reserves of $697,000 and $1,148,000 at December 31, 2003 and December 31, 2002, respectively. Included in contract loss reserves at December 31, 2003 is $688,000 related to three fixed price contracts for platform fabrication. These contract loss reserves were recorded to recognize increased estimated costs at completion on two fixed price platform fabrication contracts and to increase estimated costs on a contract to fabricate buoyancy cans based on the evaluation of productivity and progress to date. The contract loss reserve at December 31, 2002 related to the two fixed price platform fabrication contracts was $441,000. The platforms have been completed during 2003 and are being stored at the Company's fabrication facility. Substantially all of the reserve related to these two contracts has been realized at December 31, 2003. The contract to fabricate buoyancy cans was approximately eighty percent complete at December 31, 2003, and the Company expects to complete it in early 2004. The contract to fabricate buoyancy cans provides for liquidated damages of approximately $38,000 per day up to a maximum of $1.5 million compensating the customer for his cost of delay if the Company does not deliver the completed buoyancy cans by March 15, 2004. The contract loss reserve recorded on this contract does not include any liquidated damages because the Company has taken steps, including adding fabrication stations and personnel, making certain fabrication procedures more efficient and improving material handling procedures and coordination with the coatings subcontractor, which in the Company's estimation will allow the buoyancy cans to be delivered on schedule. If these steps do not result in delivery of the buoyancy cans on schedule and the Company is unable to get the schedule extended, the Company may incur the liquidated damages called for in the contract. In the December 2003 quarter, the Company recorded a loss of $1.4 million related to a fixed price contract to fabricate drilling rig components. Substantially all of this contract loss reserve has been realized at December 31, 2003. This contract is being completed at the Company's deep-water facility in Lake Charles, which was reopened to perform this project. The contract loss reserves were recorded to recognize increased estimated costs at completion caused primarily to inefficiencies related to starting up the facility and low productivity at the facility in performing this initial contract. In December 2003, the Company negotiated a change in the contract terms whereby work F-15 performed subsequent to December 31, 2003 is to be performed on a time and materials basis. The Company estimates that no loss reserve is necessary for the work performed after December 31, 2003. The remaining contract loss reserve at December 31, 2003 relates to contracts to provide process equipment. The reserves on these contracts reflect current competitive market conditions and increased estimated shop overhead costs due to low utilization of the Company's process system fabrication facilities. At December 31, 2002,

contract loss reserves included $441,000 related to two fixed price platform fabrication contracts, described above, and $707,000 on three contracts to manufacture process equipment overseas. As more fully described in Note 17 below, the Company is in the process of liquidating and winding up operations of its process systems operations based in London, England, which includes winding up the three contracts to manufacture process equipment overseas referred to above. 4. PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment consisted of the following at December 31, 2003 and 2002: DECEMBER 31, 2003 2002 -------- -------- (In thousands) Land $ 2,089 $ 2,089 Building and bulkhead, including leasehold improvements 12,740 12,540 Yard equipment 25,874 24,412 Vehicles and other equipment 1,632 1,552 Construction in progress 54 730 -------- -------- 42,389 41,323 Less accumulated depreciation (17,166) (15,102) -------- -------- $ 25,223 $ 26,221 ======== ======== F-16 5. LONG-TERM DEBT Long-term debt at December 31, 2003 and 2002 consisted of the following: DECEMBER 31, 2003 2002 -------- -------- (In thousands) Revolving credit agreement with Whitney National Bank, interest payable monthly at variable rates (2.9% at December 31, 2003), maturing January 31, 2005 secured by the assets of the Company, guaranteed by Nassau Holding Company, an affiliate of Midland, the subsidiaries of the Company, and the principle members of Midland $ 7,902 $ 2,090 Notes payable to Midland, payable on demand at variable rates (2.9% at December 31, 2003), secured by the assets of the Company 5,900 - Note payable to finance company, payable in monthly installments of $141,000, including interest at 5.5%, maturing July 2004 826 - Other notes payable 102 850 -------- -------- Total long-term debt 14,731 2,940 Less current maturities (6,829) (850) -------- -------- Long-term debt, less current maturities $ 7,902 $ 2,090 ======== ======== On November 18, 2002, the Company entered into a Commercial Business Loan with Whitney National Bank (the "Credit Agreement") which provides for up to $8.0 million in borrowings for working capital purposes, including up to $2.0 million in letters of credit, under a revolving credit facility. At December 31, 2003, letters of credit totaling $3,000 were outstanding under the Credit Agreement. At December 31, 2002, the Company had no letters of credit outstanding under the Credit Agreement. Maturities of long-term debt, discussed above, secured subordinated notes payable and the secured subordinated convertible debenture, discussed in Note 2, are as follows (in thousands): 2004 $ 6,829 2005 10,041 2006 4,709 2007 2,130 2008 2,130 Thereafter 6,392 ---------- Total $ 32,231 ========== F-17 6. INCOME TAXES Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 2003 and 2002 were as follows: DECEMBER 31, 2003 2002 -------- -------- (In thousands) Deferred tax liabilities: Excess book value over tax basis of property, plant and equipment $ 3,312 $ 2,427 Long term contracts 7 Goodwill 11 -------- -------- Total deferred tax liabilities 3,330 2,427 Deferred tax assets: Reserves not currently deductible 628 1,317 Goodwill - 2,846 Long term construction contracts - 15 Operating loss carryforward 18,960 12,052 -------- -------- Total deferred tax assets 19,588 16,230 Valuation allowance for deferred tax assets (16,258) (13,803) -------- -------- Deferred tax assets 3,330 2,427 -------- -------- Net deferred tax liabilities $ - $ - ======== ======== At December 31, 2003, the Company has an available net operating loss carryforward of approximately $49.98 million for U.S. Federal income tax purposes, which, if not used will expire between 2020 and 2023. The ability of the Company to utilize net operating loss carryforwards is limited on an annual basis because the Midland transaction resulted in a change in control under the current tax regulations. The Company has recorded a valuation allowance to offset the deferred tax asset related to the net operating loss carryforward and other deferred tax assets that exceed deferred tax liabilities because the Company believes that it is more likely than not that these deferred tax assets will not be utilized. The income tax provision is comprised of the following: YEAR ENDED DECEMBER 31, 2003 2002 2001 ---- ---- ---- (In thousands) Current $ - $- $ - Deferred - - 1,316 ---- ---- ------ $ - $- $1,316 ==== ==== ====== F-18 The reconciliation of income tax computed at the federal statutory rates to income tax expense is: YEAR ENDED DECEMBER 31 2003 2002 2001 ------- ------- ------- Tax at federal statutory rates $(4,142) $(7,181) $(9,508) Valuation reserve on deferred tax assets 3,211 6,469 6,942 Non deductible loss on goodwill impairment - - 3,174 Other, primarily permanent differences and state income taxes 931 712 708 ------- ------- ------- $ - $ - $ 1,316 ======= ======= ======= 7. SHAREHOLDERS' EQUITY COMMON STOCK The Company has authorized 150,000,000 shares of $0.01 par value common stock. PREFERRED STOCK The Company has authorized 5,000 shares of no par value preferred stock. On April 23, 2002, the Board of Directors adopted Articles of Amendment to the Company's Articles of Incorporation which authorized that 750 shares of preferred stock are designated Series A Participating Preferred Stock (the "Series A Shares"). Each Series A Share shall entitle the holder to vote as 100,000 shares of common stock, shall have no preference to the common shares on

the payment of dividends or the liquidation or winding up of the Company. If the Company pays a dividend to the holders of its common shares, each Series A Share shall entitle the holder to a dividend equal to 100,000 times the dividend paid on each share of common stock. In any liquidation or winding up of the Company, will entitle the holder to 100,000 times the amount paid on each share of common stock. In all other ways, each series A Share shall be treated like 100,000 shares of common stock. If at any time the Company has authorized at least 100,000,000 shares of common stock that have not been issued or reserved for issuance pursuant to an outstanding obligation of the Company, then each Series A Share will be converted into 100,000 shares of common stock. On August 13, 2002 under the terms of the Midland Transaction, the Company issued 738 Series A Shares. On August 1, 2003, each share of series A preferred stock was converted into 100,000 shares of Unifab common stock, as more fully described below. EARNINGS PER SHARE In April 2002, the Company entered into an agreement with Midland Fabricators and Process Systems, LLC ("Midland") as a result of which, among other things, Midland acquired the rights of the Company's lenders under the Company's Senior Secured Credit Agreement. On August 13, 2002, pursuant to the agreement with Midland, Midland exchanged $24.1 million outstanding under the Company's Senior Secured Credit Agreement and $5.6 million in acquired claims of unsecured creditors for 738 shares of our preferred stock, a secured subordinated convertible debenture in the amount of $10.7 million and two secured subordinated notes which total in the aggregate $6.8 million. The debenture is convertible into the Company's common stock at a price of $3.50 per share on a post reverse split basis. Midland's 738 shares of preferred stock converted automatically into a total of 73,800,000 shares of the Company's common stock on August 1, 2003, the date the shareholders authorized additional shares of common stock. The Company also recorded additional paid in capital on the transaction of $3.7 million resulting from the discount recorded on the secured subordinated convertible debenture, and capital contributions of $680,000 resulting from forgiveness by Midland of penalties accrued under the Senior Secured Credit Agreement and $914,000 resulting from partial forgiveness of the unsecured creditor claims acquired by Midland. Further, $675,000 of the amount the Company owed Midland under the Company's Senior Secured Credit Agreement was cancelled in exchange for the assignment to Midland of certain accounts. On August 1, 2003, the Company's shareholders approved a one-for-ten reverse stock split of the outstanding shares of the Company's common stock, to be effective immediately after the conversion of Midland's Series A preferred shares. Accordingly, on August 3, 2003, each share of series A preferred stock was converted into 100,000 F-19 shares of Unifab common stock and the one-for-ten reverse stock split was effected resulting in Midland holding a total of 7,380,000 common shares after the reverse stock split. The denominator in the table below includes the common shares related to these Series A Preferred Shares as if they had been converted into shares of common stock on August 13, 2002, the date of the Midland Investment and Recapitalization Transaction. All prior periods weighted average share and option amounts have been restated for the effect of the reverse stock split. Midland's $10,652,000 convertible debenture is convertible into Unifab common stock at a conversion price of $3.50 per share on a post reverse split basis, for a total of 3,043,400 shares of common stock. Since the conversion price is "out-of-the-money," these shares are anti-dilutive and are not included in the computation of diluted earnings per share during periods when the Company incurs a loss. The following table sets forth the computation of basic and diluted earnings per share giving retroactive effect to the assumed conversion of Midland's 738 shares as of August 13, 2002 and giving effect to the one-for-ten reverse stock split: YEAR ENDED DECEMBER 31 2003 2002 2001 -------- -------- -------- (In thousands, except per share amounts) Numerator: Net loss $(11,835) $(20,517) $(29,281) -------- -------- -------- Denominator: Weighted average shares of common stock outstanding 3,873 813 814 Effect of issuance of convertible preferred stock on weighted average shares of common stock 4,327 2,857 - -------- -------- -------- Denominator for basic and diluted earnings per share - weighted average shares 8,200 3,670 814 -------- -------- -------- Basic and diluted loss per share $ (1.44) $ (5.59) $ (36.02) ======== ======== ======== Options with an exercise price greater than the average market price of the Company's common stock for the year and options outstanding during years where the Company incurs a net loss are anti-dilutive and, therefore, not included in the computation of diluted earnings per share. During the year ended December 31, 2003, 50,000 options and 6,000 warrants outstanding were anti-dilutive due to the net loss incurred by the Company. During the year ended December 31, 2002, 82,000 options and 6,000 warrants outstanding were anti-dilutive due to the net loss incurred by the Company. During the year ended December 31, 2001, 86,000 options and 6,000 warrants outstanding were anti-dilutive due to the net loss incurred by the Company. 8. CONCENTRATION OF CREDIT RISK The Company's customers are principally major and large independent oil and gas companies and drilling companies. These concentrations of customers may impact our overall exposure to credit risk, either positively or

negatively, in that our customers may be similarly affected by changes in economic or other conditions. Management believes that the allowance for doubtful accounts is adequate to absorb probable credit losses. Receivables are generally not collateralized. At December 31, 2003 and 2002, the allowance for doubtful accounts deducted from accounts receivable on the accompanying balance sheets was $267,000 and $763,000, respectively. 9. LONG-TERM INCENTIVE PLANS In July 1997, the Company adopted and its shareholders approved the Long-Term Incentive Plan (the "1997 Plan") to provide long-term incentives to its key employees, including officers and directors who are employees of the Company (the "Eligible Employees"). Under the 1997 Plan, which is administered by the Compensation Committee of the Board of Directors, the Company may grant incentive stock options, nonqualified stock options, F-20 restricted stock, other stock-based awards or any combination thereof (the "Incentives") to Eligible Employees. The Compensation Committee determines who receives Incentives and establishes the exercise price of any stock options granted under the Incentive Plan, provided that the exercise price may not be less than the fair market value of the Common Stock on the date of grant. At the Company's Annual Meeting of Shareholders held on December 27, 2002, the shareholders approved an amendment to the 1997 Plan to increase the number of shares of common stock subject to issuance under the plan to 2,500,000 from 460,000, and to increase the shares of common stock that can be granted to a single participant in a calendar year through awards under the plan to 250,000 from 200,000. In June 2000, the Company adopted and the Board of Directors approved the Employee Long-Term Incentive Plan (the "2000 Plan") to provide long-term incentives to its key employees who are not officers or directors of the Company. Under the 2000 Plan, which is administered by the Plan Administrator, the Company may grant incentive stock options, nonqualified stock options, restricted stock, other stock-based awards or any combination thereof to key employees. The Compensation Committee reviews and approves awards made under the 2000 plan and approves the exercise price of any stock options granted under the 2000 Plan. The exercise price may not be less than the fair market value of the Common Stock on the date of grant. A maximum total of 565,000 shares of Common Stock are available for issuance under the 2000 Plan. All of the options granted under the long-term incentive plans have a 10-year term. The Compensation Committee determines the vesting period of option grants. The optionee will not realize any income for federal income tax purposes, nor will the Company be entitled to any tax deduction, upon the grant of a nonqualified stock option. Upon exercise, the optionee will realize ordinary income measured by the difference between the aggregate fair market value of the shares of Common Stock on the exercise date and the aggregate exercise price, and the Company will be entitled to a tax deduction in the same amount. A summary of the Company's stock options activity and the related information for the years ended December 31, 2003, 2002 and 2001 is as follows (in thousands, except per share data): Year Ended Year Ended Year Ended December 31, 2003 December 31, 2002 December 31, 2001 ---------- ---------- ---------- WEIGHTED WEIGHTED WEIGHTED AVERAGE AVERAGE AVERAGE EXERCISE EXERCISE EXERCISE PRICE OPTIONS PRICE OPTIONS PRICE OPTIONS ------ ------- ------ ------- ------ ------- Outstanding - beginning of period $34.25 82 $72.07 86 $86.16 84 Granted 1.65 2 3.90 50 17.74 20 Exercised - - - - 73.73 (1) Forfeited 25.22 (34) 66.69 (54) 78.65 (17) ------ --- ------ --- ------ --- Options outstanding at end of period $39.18 50 $34.25 82 $72.07 86 ====== === ====== === ====== === Options exercisable at end of period $39.18 50 $34.12 82 $83.55 62 ====== === ====== === ====== === F-21 The following table summarizes information about stock options outstanding at December 31, 2003: Options Outstanding Options Exerciseable ---------- EXERCISE PRICE NUMBER WEIGHTED AVERAGE WEIGHTED AVERAGE WEIGHTED AVERAGE RANGE PER SHARE OUTSTANDING REMAINING LIFE EXERCISE PRICE NUMBER EXERCISABLE EXERCISE PRICE --------- ---------- --------- --------- --------- --------- $180.00 1,700 3.8 years $180.00 1,700 $180.00 113.10 500 6.8 113.10 500 113.10 71.20 - 87.50 12,533 5.3 75.07 12,533 75.07 47.50 - 56.50 1,500 7.4 49.17 1,500 49.17 2.50 - 3.90 27,000 8.7 3.73 27,000 3.73 10. EMPLOYEE BENEFIT PLAN The Company sponsors incentive savings plans covering substantially all of the employees of the Company and its subsidiaries, which allow participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. Under these plans, employees with one year of service with the Company are eligible to participate. In November 2001, the Company suspended its policy of matching employee contributions. Prior to that date, the Company contributed an amount equal to 50% of employee contributions up to 3% of their base compensation. Matching contributions made by the Company were approximately $334,000 in the year ended December 31, 2001. The Company made no matching contributions in the years ended December 31, 2003 and 2002. 11. MAJOR CUSTOMERS The Company is

not dependent on any one customer, and the contract revenue earned from each customer varies from year to year based on the contracts awarded. Contract revenue earned comprising 10% or more of the Company's total contract revenue earned for the year ended December 31, 2003, 2002 and 2001 is summarized as follows (in thousands): YEAR ENDED DECEMBER 31 2003 2002 2001 --------- ------- -------- Customer A $ 12,497 $ - $ 15,858 Customer B 8,769 - - Customer C 6,872 - - Customer D - 5,748 - F-22 12. INTERNATIONAL SALES The Company fabricates structures and equipment for use worldwide by U.S. customers operating abroad and by foreign customers. During the years ended December 31, 2003, 2002 and 2001, 2%, 24% and 21%, respectively, of the Company's revenue was derived from projects fabricated for installation in international areas, with the remainder designed for installation in the U.S. Gulf of Mexico. The following table summarizes the Company's revenue by location for the years ended December 31, 2003, 2002 and 2001 (in thousands): Year Ended December 31 2003 2002 2001 ------- ------- ------- Location: U.S. Gulf of Mexico $54,646 $25,387 $64,235 International: Africa 296 1,679 5,767 Europe 88 911 508 Other 744 5,309 11,233 ------- ------- ------- Total International 1,128 7,899 17,498 ------- ------- ------- Total $55,774 $33,286 $81,733 ======= ======= ======= All of the assets of the Company are located in the United States of America. 13. COMMITMENTS AND CONTINGENCIES LEGAL MATTERS In addition to the matters described below, the Company is a party to various routine legal proceedings primarily involving commercial claims, workers' compensation claims, and claims for personal injury under the General Maritime Laws of the United States. A number of the Company's vendors have sued the Company to collect amounts of money allegedly due to them. These vendors are, in each case, unsecured creditors of the Company. While the outcome of these lawsuits, legal proceedings and claims cannot be predicted with certainty, management believes that the outcome of such proceedings is not likely to have a material adverse effect on the Company's consolidated financial statements. In a lawsuit filed against the Company in the 14th Judicial Court in the Parish of Calcasieu, State of Louisiana, Professional Industrial Maintenance, L.L.C., Don E. Spano and Kimberly Spano alleged multiple claims for breach of contract, breach of specific performance, a request for injunction, request for damages, and a request for treble damages and attorney fees for violations of the Louisiana Unfair Trade Practices Act. Mr. Spano was the managing member of Professional Industrial Maintenance, LLC, the company whose assets we acquired in January 1998. The Company filed a counterclaim for recovery of certain amounts paid on behalf of Professional Industrial Maintenance, LLC and Mr. Spano as a result of the transaction. In January 2004, the parties agreed to settle the disputes subject of the lawsuit with full and final releases for all claims in exchange for a cash payment to the plaintiffs in the amount of $300,000; however, as of the filing of this report, the details of the settlement agreement and release have not been finalized. LETTERS OF CREDIT In the normal course of its business activities, the Company is required to provide letters of credit to secure performance. At December 31, 2003, cash deposits totaling $115,000 secured outstanding letters of credit totaling $110,000. In addition, at December 31, 2003 the Company had letters of credit totaling $3,000 outstanding, which were issued under its Credit Agreement. EMPLOYMENT AGREEMENTS The Company has an employment agreement with one of its officers. This agreement terminates on August 18, 2006. The minimum annual compensation commitment by the Company under this agreement is $60,000. F-23 LEASES The Company leases land, upon which portions of its structural fabrication and process equipment fabrication facilities in New Iberia are located, under noncancelable operating leases. The leases expire in 2003 for the structural fabrication facility with two 10-year renewal options and in 2009 for the process equipment facilities with one 10-year renewal option. The Company also leases its facility in Lake Charles under a noncancelable operating lease. The lease expires in 2005 and has two five-year renewal options. Future minimum payments, including option periods, under these leases are as follows (in thousands): 2004 $ 692 2005 692 2006 692 2007 692 2008 692 2009 and after 6,521 -------- $ 9,981 ======== Rent expense, which includes rent on cancelable equipment leases, during the years ended December 31, 2003, 2002 and 2001 was $1,906,000, $1,553,000 and $2,300,000, respectively. 14. RELATED PARTY TRANSACTIONS Under an informal arrangement with the Company, Midland has agreed to provide financial support and funding for working capital or other needs at Midland's discretion, from time to time. At December 31, 2003, Midland provided a standby letter of credit to a customer of the Company in support of a contract included in the Company's backlog at December 31, 2003. The letter of credit is in the amount of $3.1 million and expires on March 31, 2004. The Company reimbursed $12,600 to Midland for the cost of the letter of credit. During the year ended December 31, 2003, Midland advanced amounts to the Company for working capital, which were repaid and readvanced from time to time as needed. At December 31, 2003, $5,900,000 is outstanding and owed to Midland. The liquidity afforded by these advances from Midland was necessary for the Company to meet its obligations and fund

operations. However, the Company has no control over whether Midland will provide additional funding in the future and does not know whether such additional funding will be available from Midland as the Company requires it. If Midland does not make available such additional funding to the Company when needed in the future, the Company could be unable to meet its obligations, including obligations under the Credit Agreement, in the ordinary course of business. The Company requires the continued support from Midland until such time as it has sustained profitable operations and its financial condition is stable and no longer requires this support. The Company provides health care benefits to its employees under a plan that covers the employees of companies owned by Nassau, including the employees of Nassau. This insurance coverage began on November 1, 2002. In the year ended December 31, 2003, the Company incurred costs of approximately $1,979,000 for coverage under this plan. Midland provides accounting information system and reporting services to the Company, including maintaining computer hardware and software to process financial information and produce management reports, processing data associated with those reports, assisting in report design and preparation, processing operating and payroll checks, consulting assistance with the design and implementation of financial reporting systems, and other related services. Included in general and administrative expenses for the year ended December 31, 2003 is $180,000 related to these services, which had been paid in full at December 31, 2003. At December 31, 2003, accrued and unpaid interest owed to Midland related to the secured, subordinated notes payable, the convertible debenture and working capital advances was $310,000. At December 31, 2002, there was no accrued and unpaid interest owed to Midland. In the year ended December 31, 2003, the Company executed several contracts with Ridgelake Energy, Inc. to fabricate a platform and design and manufacture process equipment. The total value of these contracts is $6.9 F-24 million, which were complete at December 31, 2003. Included in revenue and gross profit for the year ended December 31, 2003 are $6,872,000 and $922,000, respectively, related to these contracts. At December 31, 2003, the Company had $41,000 receivable from Ridgelake Energy, Inc. related to these contracts. Ridgelake Energy, Inc. is owned and controlled by Mr. William A. Hines, Chairman of our Board of Directors, and his family. Two of the contracts were completed in May 2003. 15. SUPPLEMENTAL SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) A summary of quarterly results of operations for the year ended December 31, 2003 and 2002 were as follows (in thousands, except per share data): MARCH 31, JUNE 30, SEPTEMBER 30, DECEMBER 31, 2003 2003 2003 2003 -------- -------- -------- -------- Revenue $ 9,523 $ 14,483 $ 15,855 $ 15,913 Gross profit (loss) 185 519 (2,183) (3,365) Net loss (1,430) (1,190) (3,642) (5,573) Basic and diluted loss per share (0.17) (0.15) (0.44) (0.68) MARCH 31, JUNE 30, SEPTEMBER 30, DECEMBER 31, 2002 2002 2002 2002 -------- -------- -------- -------- Revenue $ 9,856 $ 8,379 $ 5,837 $ 9,214 Gross profit (loss) (37) (1,030) (1,610) (3,297) Net loss (2,142) (3,450) (3,525) (11,400) Basic and diluted loss per share (0.26) (0.42) (0.07) (0.14) On August 3, 2003, the shareholders authorized a one-for-ten reverse stock split. All earnings (loss) per share and weighted average number of shares outstanding have been restated to effect this one-for-ten reverse stock split. On August 13, 2002, the Company issued 738 Series A shares of preferred stock. Each share of Series A preferred stock is convertible into 100,000 shares of Unifab common stock, or 73,800,000 total common shares. (See Notes 2 and 7). The weighted average number of shares outstanding used in the basic and diluted earnings per share calculations for the quarters ended September 30, 2002 and December 31, 2002 are calculated giving effect to the conversion of these preferred shares into common shares at August 13, 2002. Pretax results for the quarter ended December 31, 2003 include: - Loss reserves accrued on two fixed price contracts totaling $2,091,000 Pretax results for the quarter ended December 31, 2002 include: - Loss on impairment of Lake Charles facility of $5,074,000 - Loss reserves accrued on four fixed price contracts totaling $1,213,000 16. INDUSTRY SEGMENTS Effective January 1, 2003, as a result of the Midland Recapitalization and Investment transaction, management has evaluated the changed organizational and reporting structure and has concluded that the Company operates three reportable segments: the platform fabrication segment, the process systems segment and the drilling rig fabrication segment. The platform fabrication segment fabricates and assembles platforms and platform components for installation and use offshore in the production, processing and storage of oil and gas. The process systems segment designs and manufactures specialized process systems and equipment related to the development and production of oil and gas reserves. The drilling rig fabrication segment provides fabrication services for new construction and repair of drilling rigs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that income taxes are accounted for on a consolidated basis and deferred tax assets are managed as corporate assets and are not recorded in the operating segments. The Company evaluates F-25 performance based on segment income, which is defined as revenue less cost of revenue and selling, general and

administrative expense allocated to the operating segment. The Company does not allocate interest expense to the operating segments. Unallocated overhead consists primarily of corporate general and administrative costs that the Company does not allocate to the operating segments. The Company accounts for intersegment sales at fixed labor rates and at cost for materials and other costs. Intersegment sales are not intended to represent current market prices for the services provided. The following tables show information about the revenue, profit or loss, depreciation and amortization, assets and expenditures for long-lived assets of each of the Company's reportable segments for the years ended December 31, 2003, 2002 and 2001. Segment assets do not include intersegment receivable balances as the Company believes inclusion of such assets would not be meaningful. Segment assets are determined by their location at period end. Some assets that pertain to the segment operations are recorded on corporate books, such as prepaid insurance. These assets have been allocated to the segment in a manner that is consistent with the methodology used in recording the segment's expense. F-26 YEAR ENDED DECEMBER 31, 2003 2002 2001 -------- -------- -------- (in thousands) Revenue from external customers: Platform fabrication $ 34,786 $ 17,384 $ 36,717 Process systems 11,794 12,124 26,299 Drilling rig fabrication 9,194 498 5,295 Other (a) - 3,280 13,937 Intersegment eliminations - - (515) -------- -------- -------- $ 55,774 $ 33,286 $ 81,733 ======== ======== ======== Segment income (loss): Platform fabrication $ (2,927) $ (1,913) $ 1,859 Process systems (889) (4,231) (4,076) Drilling rig fabrication (3,028) (7,354) (5,097) Other (a) - (1,604) (15,795) -------- -------- -------- (6,844) (15,102) (23,109) Interest expense (1,951) (1,894) (2,794) Unallocated corporate expense (3,040) (3,521) (2,062) -------- -------- -------- Loss before income tax $(11,835) $(20,517) $(27,965) ======== ======== ======== Depreciation and amortization: Platform fabrication $ 1,267 $ 1,196 $ 1,220 Process systems 396 465 648 Drilling rig fabrication 515 578 740 Other (a) - 460 446 -------- -------- -------- 2,178 2,699 3,054 Corporate 36 1 - -------- -------- -------- $ 2,214 $ 2,700 $ 3,054 ======== ======== ======== Segment assets at end of period: Platform fabrication $ 21,846 $ 21,589 $ 24,161 Process systems 6,742 10,020 13,909 Drilling rig fabrication 9,229 6,303 13,460 Other (a) - - 7,099 -------- -------- -------- 37,817 37,912 58,629 Corporate 2,402 1,367 4,578 -------- -------- -------- $ 40,219 $ 39,279 $ 63,207 ======== ======== ======== Expenditures for long-lived assets: Platform fabrication $ 166 $ 121 $ 248 Process systems 355 1,050 1,141 Drilling rig fabrication 677 - 729 Other (a) - - 175 -------- -------- -------- 1,198 1,171 2,293 Corporate 108 23 - -------- -------- -------- $ 1,306 $ 1,194 $ 2,293 ======== ======== ======== (a) Included in Other are the revenue, segment loss, depreciation and amortization, assets and expenditures related to derrick fabrication, waste water treatment, and plant maintenance operations. These operations ceased prior to December 31, 2002. F-27 17. SHUT DOWN OF ALLEN PROCESS SYSTEMS LIMITED On June 12, 2003, at a meeting of the creditors of Allen Process Systems Limited, Mr. Tony Freeman of TonyFreeman & Company, New Maxdov House, Manchester, England was appointed as Liquidator of Allen Process Systems Limited ("APS Limited"), located in London, England, for the purposes of ceasing and voluntarily winding up operations of that company. The Company, as the sole shareholder of APS Limited, ratified Mr. Freeman's appointment. APS Limited was acquired by the Company in June 1998 and has provided engineering and project management services for process systems mainly to Europe and the Middle East. Allen Process Systems, LLC, a wholly owned subsidiary of the Company will provide these services in the future. The Company does not expect that ceasing and winding up operations of APS Limited will have a material impact on the consolidated financial statements of the Company. F-28 SIGNATURES Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 29, 2004. UNIFAB International, Inc. (Registrant) By: /s/ William A Hines ---------- William A Hines Principle Executive Officer Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. SIGNATURE AND DATE TITLE ---------- ----- /s/ William A. Hines March 29, 2004 Chairman of the Board ---------- William A. Hines /s/ Peter J. Roman March 29, 2004 Vice President and Chief Financial Officer ---------- (Principal Financial and Accounting Officer) Peter J. Roman /s/ Frank Cangelosi March 29, 2004 Director ---------- Frank Cangelosi /s/ Daniel Gaubert March 29, 2004 Director ---------- Daniel Gaubert /s/ William Downey March 29, 2004 Director ---------- William Downey /s/ Don Moore March 29, 2004 Director ---------- Don Moore /s/ Perry Segura March 29, 2004 Director ---------- Perry Segura /s/ George C. Yax March 29, 2004 Director ---------- George C. Yax S-1 UNIFAB INTERNATIONAL, INC. EXHIBIT INDEX Exhibit Number Description of Exhibits ------- ---------- 3.1 Articles of Incorporation of the Company *** 3.2 By-laws of the Company *** 4.1 See

Exhibits 3.1 and 3.2 for provisions of the Company's Articles of Incorporation and By-laws defining the rights of holders of Common Stock *** 4.3 Debenture**** 4.2 Specimen Common Stock Certificate * 10.1 Form of Indemnity Agreement by and between the Company and each of its directors and executive officers * 10.2 The Company's Long-Term Incentive Plan (Function) 10.3 The Company's Employee Long Term Incentive Plan (Function) 10.4 Form of Stock Option Agreement under the Company's Long-Term Incentive Plan * (Function) 10.5 Form of Stock Option Agreement under the Company's Employee Long-Term Incentive Plan (Function) 10.6 Employment Agreement between the Company and William A. Downey ***(Function) 10.7 Ground Lease Agreement dated as of September 1, 1998, between PIM, L.L.C. (now UNIFAB International West, L.L.C. and a subsidiary of the Company) and the Lake Charles Harbor & Terminal District ** 10.8 Guaranty Agreement made as of September 1, 1998, by the Company in favor of the Lake Charles Harbor & Terminal District ** 10.9 Development Agreement among PIM, L.L.C., the Company, the Lake Charles Harbor & Terminal District, and the Calcasieu Parish Police Jury ** 10.10 Commercial Business Loan Agreement by and between the Company and Whitney National Bank dated November 18, 2002*** 10.11 Preferred Stock Purchase, Debt Exchange and Modification Agreement dated April 26, 2002, by and between Midland Fabricators and Process Systems, LLC and the Company (incorporated herein by reference to the Company's report of Form 8-K filed with the Securities and Exchange Commission on May 13, 2002) 10.12 Amended and Restated Credit Agreement dated as of October 19, 2000, among the Company, Bank One, N.A., IberiaBank, Regions Bank and Whitney National Bank** 10.13 Waiver and First Amendment to Amended and Restated Credit Agreement dated as of March 31, 2001, among the Company, Bank One, NA, IberiaBank, Regions Bank, and Whitney National Bank (incorporated by reference to the Company's report on Form 10-K/A filed with the Securities and Exchange Commission on June 15, 2001) 10.14 Waiver and Second Amendment to Amended and Restated Credit Agreement dated as of March 5, 2002, among the Company, Bank One, Louisiana, N.A., IberiaBank, Regions Bank and Whitney National Bank (incorporated herein by reference to the Company's report of Form 8-K filed with the Securities and Exchange Commission on March 12, 2002) 10.15 Act of Acknowledgment, modification, Receipt and Third Amendment to Amended and Restated Credit Agreement dated August 13, 2002***** 21.1 Subsidiaries of the Company 23.1 Consent of Deloitte & Touche LLP 23.2 Consent of Ernst & Young LLP 31.1 Certification pursuant to Exchange Act 13a-15 and 15d-15(e) accompanying and furnished with this annual report on Form 10-K for the fiscal year ended December 31, 2003 31.2 Certification pursuant to Exchange Act 13a-15 and 15d-15(e) accompanying and furnished with this annual report on Form 10-K for the fiscal year ended December 31, 2003 E-1 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350, as adopted) accompanying and furnished with this annual report on Form 10-K for the fiscal year ended December 31, 2003 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350, as adopted) accompanying and furnished with this annual report on Form 10-K for the fiscal year ended December 31, 2003 99.1 Press release issued by the Company on March 4, 2004 regarding the trading activity in the Company's common stock 99.2 Form 8-K filed with the Securities and Exchange Commission on March 3, 2004 (incorporated herein by reference) ---------- * Incorporated herein by reference to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on September 18, 1997, as amended (Registration No. 333-31609). ** Incorporated herein by reference to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on October 26, 2000, as amended (Registration No. 333-48710). *** Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended September 30, 2002, as filed with the Securities and Exchange Commission on February 13, 2003. **** Incorporated herein by reference to the Company's report on Form 8-K filed with the Securities and Exchange Commission on August 22, 2002. (Function) Management Contract or Compensatory Plan. E-2