

GUGGENHEIM STRATEGIC OPPORTUNITIES FUND

Form 497

January 16, 2018

PROSPECTUS SUPPLEMENT

(to Prospectus dated January 16, 2018)

Guggenheim Strategic Opportunities Fund

Up to 5,739,210 Common Shares

Guggenheim Strategic Opportunities Fund (the “Fund”) is a diversified, closed-end management investment company. The Fund’s investment objective is to maximize total return through a combination of current income and capital appreciation. The Fund pursues a relative value-based investment philosophy, which utilizes quantitative and qualitative analysis to seek to identify securities or spreads between securities that deviate from their perceived fair value and/or historical norms. The Fund’s sub-adviser seeks to combine a credit-managed fixed-income portfolio with access to a diversified pool of alternative investments and equity strategies. The Fund’s investment philosophy is predicated upon the belief that thorough research and independent thought are rewarded with performance that has the potential to outperform benchmark indexes with both lower volatility and lower correlation of returns as compared to such benchmark indexes. The Fund cannot ensure investors that it will achieve its investment objective.

The Fund seeks to achieve its investment objective by investing in a wide range of fixed-income and other debt and senior equity securities (“Income Securities”) selected from a variety of sectors and credit qualities, including, but not limited to, corporate bonds, loans and loan participations, structured finance investments, U.S. government and agency securities, mezzanine and preferred securities and convertible securities, and in common stocks, limited liability company interests, trust certificates and other equity investments (“Common Equity Securities”) that the Fund’s sub-adviser believes offer attractive yield and/or capital appreciation potential, including employing a strategy of writing (selling) covered call and put options on such equities.

The Fund has entered into a Controlled Equity OfferingSM Sales Agreement, dated January 16, 2018, (the “Sales Agreement”), among the Fund, the Fund’s investment advisor, Guggenheim Funds Investment Advisors, LLC (the “Investment Adviser”), and Cantor Fitzgerald & Co. (“Cantor Fitzgerald”) relating to the Fund’s common shares of beneficial interest, par value \$0.01 per share (the “Common Shares”), offered by this Prospectus Supplement and the accompanying Prospectus. In accordance with the terms of the Sales Agreement, the Fund may offer and sell up to 5,739,210 Common Shares, from time to time, through Cantor Fitzgerald as agent for the Fund for the offer and sale of Common Shares.

Cantor Fitzgerald will be entitled to compensation of up to 2.00% of the gross proceeds of the sale of any Common Shares under the Sales Agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and Cantor Fitzgerald from time to time. In connection with the sale of the Common Shares on behalf of the Fund, Cantor Fitzgerald may be deemed to be an “underwriter” within the meaning of the Securities Act of 1933, as amended (the “1933 Act”) and the compensation of Cantor Fitzgerald may be deemed to be underwriting commissions or discounts.

Sales of Common Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or by any method deemed to be an “at the market” offering as defined in Rule 415 under the 1933 Act.

The Fund’s currently outstanding Common Shares are, and the Common Shares offered by this Prospectus Supplement and the accompanying Prospectus will be, listed on the New York Stock Exchange (“NYSE”) under the symbol “GOF.” As of January 8, 2018, the last reported sale price for the Fund’s Common Shares on the NYSE was \$21.78 per share and the net asset value (“NAV”) per share of the Fund’s Common Shares was \$19.78, representing a premium to NAV of 10.11%. To the extent that the market price per Common Share, less any distributing commission or discount, is less than the then current NAV per Common Share on any given day, the Fund will instruct Cantor Fitzgerald not to make any sales on such day.

(continued on following page)

Investing in the Fund’s Common Shares involves certain risks. See “Risks” beginning on page 65 of the accompanying Prospectus. You should consider carefully these risks together with all of the other information

contained in this Prospectus Supplement and the accompanying Prospectus before making a decision to purchase Common Shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Supplement or the accompanying Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Cantor Fitzgerald & Co.

This Prospectus Supplement is dated January 16, 2018.

(continued from previous page)

This Prospectus Supplement, together with the accompanying Prospectus, dated January 16, 2018, sets forth concisely the information that you should know before investing in the Fund's Common Shares. You should read this Prospectus Supplement and the accompanying Prospectus, which contain important information about the Fund, before deciding whether to invest, and you should retain them for future reference. A Statement of Additional Information, dated January 16, 2018, (the "SAI"), as supplemented from time to time, containing additional information about the Fund, has been filed with the Securities and Exchange Commission ("SEC") and is incorporated by reference in its entirety into the accompanying Prospectus. This Prospectus Supplement, the accompanying Prospectus and the SAI are part of a "shelf" registration statement filed with the SEC. This Prospectus Supplement describes the specific details regarding this offering, including the method of distribution. If information in this Prospectus Supplement is inconsistent with the accompanying Prospectus or the SAI, you should rely on this Prospectus Supplement. You may request a free copy of the SAI, the table of contents of which is on page 106 of the accompanying Prospectus, or request other information about the Fund (including the Fund's annual and semi-annual reports) or make shareholder inquiries by calling (800) 345-7999 or by writing the Fund, or you may obtain a copy (and other information regarding the Fund) from the SEC's web site (<http://www.sec.gov>). Free copies of the Fund's reports and the SAI also are available from the Fund's website at www.guggenheiminvestments.com/gof.

The Fund's Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the accompanying Prospectus.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the accompanying Prospectus contain or incorporate by reference forward-looking statements, within the meaning of the federal securities laws, that involve risks and uncertainties. These statements describe the Fund's plans, strategies, and goals and our beliefs and assumptions concerning future economic and other conditions and the outlook for the Fund, based on currently available information. In this Prospectus Supplement and the accompanying Prospectus, words such as "anticipates," "believes," "expects," "objectives," "goals," "future," "intends," "seeks," "will," "may," "could," "should," and similar expressions are used in an effort to identify forward-looking statements, although some forward-looking statements may be expressed differently. The Fund is not entitled to the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933, as amended.

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You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus in making your investment decisions. The Fund has not and Cantor Fitzgerald has not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund and Cantor Fitzgerald take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This Prospectus Supplement and the accompanying Prospectus do not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this Prospectus Supplement and in the accompanying Prospectus is accurate only as of the respective dates on their front

covers. The Fund's business, financial condition and prospects may have changed since such dates. The Fund will advise investors of any material changes to the extent required by applicable law.

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PROSPECTUS SUPPLEMENT SUMMARY

This is only a summary of information contained elsewhere in this Prospectus Supplement and the accompanying Prospectus. This summary does not contain all of the information that you should consider before investing in the Fund's Common Shares. You should carefully read the more detailed information contained in this Prospectus Supplement and the accompanying Prospectus, dated January 16, 2018, especially the information set forth under the headings "Investment Objective and Policies" and "Risks" prior to making an investment in the Fund. You may also wish to request a copy of the Fund's Statement of Additional Information, dated January 16, 2018 (the "SAI"), which contains additional information about the Fund. Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the accompanying Prospectus.

The Fund Guggenheim Strategic Opportunities Fund (the "Fund") is a diversified, closed-end management investment company that commenced operations on July 26, 2007. The Fund's objective is to maximize total return through a combination of current income and capital appreciation. The Fund pursues a relative value-based investment philosophy, which utilizes quantitative and qualitative analysis to seek to identify securities or spreads between securities that deviate from their perceived fair value and/or historical norms.

The Fund's common shares of beneficial interest, par value \$0.01 per share, are called "Common Shares" and the holders of Common Shares are called "Common Shareholders" throughout this Prospectus Supplement and the accompanying Prospectus.

Management of the Fund Guggenheim Funds Investment Advisors, LLC (the "Investment Adviser") serves as the Fund's investment adviser and is responsible for the management of the Fund. Guggenheim Partners Investment Management, Inc. (the "Sub-Adviser") is responsible for the management of the Fund's portfolio of securities. Each of the Investment Adviser and the Sub-Adviser are wholly-owned subsidiaries of Guggenheim Partners, LLC ("Guggenheim Partners"). Guggenheim Partners is a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments, foundation insurance companies and other institutions that have entrusted Guggenheim Partners with the supervision of more than \$295 billion of assets as of September 30, 2017. Guggenheim Partners is headquartered in Chicago and New York with a global network of offices throughout the United States, Europe, and Asia.

Listing and Symbol The Fund's currently outstanding Common Shares are and the Common Shares offered by this Prospectus Supplement and the accompanying Prospectus will be, subject to notice of issuance, listed on the New York Stock Exchange (the "NYSE") under the symbol "GOF." As of January 8, 2018, the last reported sale price for the Fund's Common Shares was \$21.78 and the net asset value ("NAV") per share of the Fund's Common Shares was \$19.78, representing a premium to NAV of 10.11%.

Distributions The Fund has paid distributions to Common Shareholders monthly since inception. Payment of future distributions is subject to approval by the Fund's Board of Trustees, as well as meeting the covenants of

any outstanding borrowings and the asset coverage requirements of the Investment Company Act of 1940, as amended (the “1940 Act”).

The Fund has entered into a Controlled Equity OfferingSM Sales Agreement, dated January 16, 2018 (the “Sales Agreement”), with Cantor Fitzgerald & Co. (“Cantor Fitzgerald”) relating to the Common Shares offered by this Prospectus Supplement and the accompanying Prospectus. In accordance with the terms of the Sales Agreement, the Fund may offer and sell up to 5,739,210 Common Shares, from time to time, through Cantor Fitzgerald as the Fund’s agent for the offer and sale of the Common Shares.

The Offering

Sales of Common Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be “at the market” as defined in Rule 415 under the Securities Act of 1933, as amended (the “1933 Act”), including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. See “Plan of Distribution” in this Prospectus Supplement.

The Common Shares may not be sold through agents, underwriters or dealers without delivery or deemed delivery of the Prospectus and this Prospectus Supplement describing the method and terms of the offering of Common Shares.

Under the 1940 Act, the Fund may not sell Common Shares at a price below the then current NAV per Common Share, after taking into account any commission or discount.

Risks

See “Risks” beginning on page 65 of the accompanying Prospectus for a discussion of factors you should consider carefully before deciding to invest in the Fund’s Common Shares.

Use of Proceeds

The Fund intends to invest the net proceeds of the offering in accordance with its investment objective and policies as stated in the accompanying Prospectus. It is currently anticipated that the Fund will be able to invest substantially all of the net proceeds of the offering in accordance with its investment objective and policies within months after receipt of such proceeds. Pending such investment, it is anticipated that the proceeds will be invested in U.S. government securities or high quality, short-term money market securities. The Fund may also use the proceeds for working capital purposes, including the payment of distributions, interest and operating expenses, although the Fund currently has no intent to issue Common Shares primarily for this purpose.

SUMMARY OF FUND EXPENSES

The following table contains information about the costs and expenses that Common Shareholders will bear directly or indirectly. The table is based on the capital structure of the Fund as of May 31, 2017 (except as noted below), after giving effect to the net proceeds of Common Shares issued and sold after May 31, 2017, but prior to date of this Prospectus Supplement, and the anticipated net proceeds of Common Shares offered by this Prospectus Supplement and the accompanying Prospectus and assuming that the Fund incurs the estimated offering expenses. The purpose of the table and the example below is to help you understand the fees and expenses that you, as a holder of Common Shares, would bear directly or indirectly.

Shareholder Transaction Expenses

| | |
|---|----------------------|
| Sales load (as a percentage of offering price) | 2.00% ⁽¹⁾ |
| Offering expenses borne by the Fund (as a percentage of offering price) | 0.60% ⁽²⁾ |
| Automatic Dividend Reinvestment Plan fees ⁽³⁾ | None |

| Annual Expenses | Percentage of Net Assets Attributable to Common Shares ⁽⁴⁾ |
|---------------------------------|--|
| Management fees ⁽⁵⁾ | 1.26% |
| Interest expense ⁽⁶⁾ | 0.01% |
| Other expenses ⁽⁷⁾ | 0.21% |
| Total annual expenses | 1.48% |

-
- Represents the estimated commission with respect to the Common Shares being sold in this offering. Cantor Fitzgerald will be entitled to compensation of up to 2.00% of the gross proceeds of the sale of any Common Shares under the Sales Agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and Cantor Fitzgerald from time to time. The Fund has assumed that Cantor Fitzgerald will receive a commission of 2.00% of the gross sale price of the Common Shares sold in this offering.
- (1) Offering expenses payable by the Fund will be deducted from the proceeds from this offering. The Fund will pay offering expenses out of the proceeds of any sales of Common Shares pursuant to this Prospectus Supplement in an amount equal to 0.60% of the offering price of such Common Shares, not to exceed the Fund's actual offering costs.
- (2) The Investment Adviser has agreed to limit offering expenses (other than sales loads or other forms of underwriting discounts or commissions) borne by the Fund in connection with this offering to the lesser of the Fund's actual offering expenses or 0.60% of the total offering price of the Common Shares sold in the offering. Offering expenses that exceed 0.60% of the total offering price of the Common Shares will be borne by the Investment Adviser. Offering expenses of the Fund paid by the Investment Adviser will be reimbursed by the Fund, subject to the foregoing limitation.
- (3) You will pay brokerage charges if you direct the Plan Agent to sell your Common Shares held in a dividend reinvestment account. See "Dividend Reinvestment Plan" in the accompanying Prospectus.
- Based upon average net assets applicable to Common Shares during the period ended May 31, 2017 after giving effect to the net proceeds of Common Shares issued and sold after May 31, 2017, but prior to the date of this Prospectus Supplement, and the anticipated net proceeds of the Common Shares offered by this Prospectus Supplement based on an assumed price per share of \$21.78 (the last reported sale price of the Fund's Common Shares on the NYSE as of January 8, 2018 and the assumed sale of up to \$125,000,000 aggregate offering price of Common Shares. The price per share of any sale of Common Shares may be greater or less than the price assumed herein, depending on the market price of the Common Shares at the time of any sale. There is no guarantee that there will be any sales of Common Shares pursuant to this Prospectus Supplement. The number of Common Shares actually sold pursuant to this Prospectus Supplement may be less than as assumed herein.
- (4) The Fund pays an investment advisory fee to the Investment Adviser in an annual amount equal to 1.00% of the Fund's average daily Managed Assets. Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of Financial Leverage, which means that Common

Shareholders effectively bear the entire advisory fee.

- Includes interest payments on borrowed funds and interest expense on reverse repurchase agreements, based on the Fund's outstanding Financial Leverage as of January 8, 2018. Interest payments on borrowed funds reflects Borrowings under the Fund's committed facility agreement in an amount equal to less than 0.01% of the Fund's Managed Assets, at an annual interest rate cost to the Fund of 0.12%. Interest expenses on reverse repurchase agreements is based on the Fund's outstanding reverse repurchase agreements as of January 8, 2018, and assumes the use of leverage in the form of reverse repurchase agreements representing 0.33% of the Fund's Managed Assets at an annual interest rate cost to the Fund of 1.90%. The actual amount of interest expense on reverse repurchase agreements borne by the Fund will vary over time in accordance with the level of the Fund's use of reverse repurchase agreements and variations in market interest rates.
- (6)
- (7) Other expenses are estimated based upon those incurred during the fiscal year ended January 8, 2017.

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Example

As required by relevant SEC regulations, the following Example illustrates the expenses that you would pay on a \$1,000 investment in Common Shares, assuming (1) “Total annual expenses” of 1.64% of net assets attributable to Common Shares, (2) the sales load of \$20 and estimated offering expenses of \$6, and (3) a 5% annual return*:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------------|--------|---------|---------|----------|
| Total Expenses Incurred | \$41 | \$72 | \$105 | \$198 |

The Example should not be considered a representation of future expenses or returns. Actual expenses may be * higher or lower than those assumed. Moreover, the Fund’s actual rate of return may be higher or lower than the hypothetical 5% return shown in the Example. The Example assumes that all dividends and distributions are reinvested at net asset value.

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CAPITALIZATION

In accordance with the terms of the Sales Agreement, the Fund may offer and sell up to 5,739,210 Common Shares, from time to time, through Cantor Fitzgerald as the Fund's agent for the offer and sale of Common Shares. The price per share of any Common Share sold hereunder may be greater or less than the price of \$21.78 (the last reported sale price for the Fund's Common Shares on the NYSE as of January 8, 2018) assumed herein, depending on the market price of the Common Shares at the time of such sale. Furthermore, there is no guarantee that the Fund will sell all of the Common Shares available for sale hereunder or that there will be any sales of Common Shares hereunder. To the extent that the market price per Common Share, less any distributing commission or discount, is less than the then current NAV per Common Share on any given day, the Fund will instruct Cantor Fitzgerald not to make any sales on such day.

The following table sets forth the Fund's capitalization at May 31, 2017:

(i) on a historical basis;

on an as adjusted basis, as of January 8, 2018, to reflect the issuance of an aggregate of 73,924 Common Shares pursuant to the Fund's Automatic Dividend Reinvestment Plan, and the application of the net proceeds from such issuances of Common Shares; and the issuance and sale of 3,675,689 Common Shares issued and sold after May 31, 2017, but prior to the date of this Prospectus Supplement (less the commission paid and offering expenses payable by the Fund in connection with the issuance and sale of such Common Shares); and a decrease in outstanding Borrowings and Reverse Repurchase Agreements of \$106,512,894; and

on an as further adjusted basis to reflect the assumed sale of 5,739,210 Common Shares at a price of \$21.78 per share (the last reported sale price for the Fund's Common Shares on the NYSE as of January 8, 2018), in an offering under this Prospectus Supplement and the accompanying Prospectus less the assumed commission of \$2,500,000 (representing an estimated commission paid to Cantor Fitzgerald of 2.00% of the gross proceeds of the sale of Common Shares effected by Cantor Fitzgerald in this offering) and estimated offering expenses payable by the Fund of \$750,000.

| | Actual | As Adjusted (unaudited) | As Further Adjusted (unaudited) |
|--|----------------|----------------------------|---------------------------------------|
| Short-Term Debt: | | | |
| Borrowings and Reverse Repurchase Agreements | \$ 108,129,774 | \$ 1,616,880 | \$ 1,616,880 |
| Common Shareholder's Equity: | | | |
| Common shares of beneficial interest, par value \$0.01 per share; unlimited shares authorized, 20,751,418 shares issued and outstanding (actual), 24,501,031 shares issued and outstanding (as adjusted), and 30,240,241 shares issued and outstanding (as further adjusted) | 207,514 | 245,010 | 302,402 |
| Additional paid-in capital | 403,104,336 | 481,089,631 | 602,537,229 |
| Net unrealized appreciation on investments | 2,535,974 | 2,535,974 | 2,535,974 |
| Accumulated net realized gain on investments | 15,024,247 | 15,024,247 | 15,024,247 |
| Distributions in excess of net investment income | (10,407,369) | (10,407,369) | (10,407,369) |
| Net assets | \$410,464,702 | \$488,487,493 | \$609,992,483 |

USE OF PROCEEDS

Sales of Common Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be “at the market” as defined in Rule 415 under the 1933 Act, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. Assuming the sale of 5,739,210 Common Shares under this Prospectus Supplement and the accompanying Prospectus, the net proceeds to the Fund from this offering will be approximately \$121,750,000 (assuming a price of \$21.78 per share, which was the last reported sales price of the Common Shares on the NYSE on January 8, 2018), after deducting the estimated commission and estimated offering expenses. There is no guarantee that there will be any sales of Common Shares pursuant to the Prospectus Supplement. The price per share of any Common Share sold hereunder may be greater or less than the price assumed herein, depending on the market price of the Common Shares at the time of such sale. Furthermore, there is no guarantee that the Fund will sell all of the Common Shares available for sale hereunder or that there will be any sales of Common Shares hereunder. To the extent that the market price per Common Share, less any distributing commission or discount, is less than the then current NAV per Common Share on any given day, the Fund will instruct Cantor Fitzgerald not to make any sales on such day. As a result, the actual net proceeds received by the Fund may be less than the amount of net proceeds estimated in this paragraph.

The Fund intends to invest the net proceeds of the offering in accordance with its investment objective and policies as stated in the accompanying Prospectus. It is currently anticipated that the Fund will be able to invest substantially all of the net proceeds of the offering in accordance with its investment objective and policies within months after receipt of such proceeds. Pending such investment, it is anticipated that the proceeds will be invested in U.S. government securities or high quality, short-term money market securities. The Fund may also use the proceeds for working capital purposes, including the payment of distributions, interest and operating expenses, although the Fund currently has no intent to issue Common Shares primarily for these purposes.

PLAN OF DISTRIBUTION

Under the Sales Agreement among the Fund, the Investment Adviser and Cantor Fitzgerald, upon written instructions from the Fund, Cantor Fitzgerald will use its commercially reasonable efforts consistent with its sales and trading practices, to solicit offers to purchase the Common Shares under the terms and subject to the conditions set forth in the Sales Agreement. Cantor Fitzgerald’s solicitation will continue until the Fund instructs Cantor Fitzgerald to suspend the solicitations and offers. The Fund will instruct Cantor Fitzgerald as to the amount of Common Shares to be sold by Cantor Fitzgerald. The Fund may instruct Cantor Fitzgerald not to sell Common Shares if the sales cannot be effected at or above the price designated by the Fund in any instruction. The Fund or Cantor Fitzgerald may suspend the offering of Common Shares upon proper notice and subject to other conditions.

Cantor Fitzgerald will provide written confirmation to the Fund not later than the opening of the trading day on the NYSE following any trading day on which Common Shares are sold under the Sales Agreement. Each confirmation will include the number of Common Shares sold on the preceding day, the net proceeds to the Fund and the compensation payable by the Fund to Cantor Fitzgerald in connection with the sales.

The Fund will pay Cantor Fitzgerald commissions for its services in acting as agent for the sale of Common Shares. Cantor Fitzgerald will be entitled to compensation of up to 2.00% of the gross proceeds of the sale of any Common Shares under the Sales Agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and Cantor Fitzgerald from time to time. There is no guarantee that there will be any sales of Common Shares pursuant to this Prospectus Supplement.

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Settlement for sales of Common Shares will occur on the second trading day following the date on which such sales are made, or on some other date that is agreed upon by the Fund and Cantor Fitzgerald in connection with a particular transaction, in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be deposited in escrow, trust or similar arrangement.

In connection with the sale of Common Shares on behalf of the Fund, Cantor Fitzgerald may be deemed to be an “underwriter” within the meaning of the 1933 Act, and the compensation paid to Cantor Fitzgerald may be deemed to be underwriting commissions or discounts. The Fund and the Investment Adviser have agreed to provide indemnification and contribution to Cantor Fitzgerald against certain civil liabilities, including liabilities under the 1933 Act. The Fund and the Investment Adviser have also agreed to reimburse Cantor Fitzgerald for other specified expenses.

The offering of Common Shares pursuant to the Sales Agreement will terminate upon the earlier of (1) the sale of all Common Shares subject to the Sales Agreement or (2) the termination of the Sales Agreement. The Sales Agreement may be terminated by the Fund in its sole discretion at any time by giving 20 days’ notice to Cantor Fitzgerald. The Sales Agreement may be terminated by the Investment Adviser in its sole discretion in the event the Investment Adviser ceases to act as investment adviser to the Fund. In addition, Cantor Fitzgerald may terminate the Sales Agreement under the circumstances specified in the Sales Agreement and in its sole discretion at any time following a period of 30 days from the date of the Sales Agreement by giving 20 days’ notice to the Fund.

Under the 1940 Act, the Fund may not sell Common Shares at a price below the then current NAV per Common Share, after taking into account any commission or discount. To the extent that the market price per share of the Fund’s Common Shares is less than the then current NAV per Common Share, after taking into account any commission or discount, on any given day, the Fund will instruct Cantor Fitzgerald not to make any sales on such day.

In accordance with the terms of the Sales Agreement, the Fund may offer and sell up to 5,739,210 Common Shares, from time to time, through Cantor Fitzgerald as agent for the Fund for the offer and sale of Common Shares. The principal business address of Cantor Fitzgerald is 499 Park Avenue, New York, New York 10022.

LEGAL MATTERS

Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, as special counsel to the Fund in connection with the offering of Common Shares. Certain legal matters will be passed on by Andrews Kurth Kenyon LLP, New York, New York and Houston, Texas, as special counsel to Cantor Fitzgerald in connection with the offering of Common Shares.

ADDITIONAL INFORMATION

This Prospectus Supplement and the accompanying Prospectus constitute part of a Registration Statement filed by the Fund with the SEC under the Securities Act and the 1940 Act. This Prospectus Supplement and the accompanying Prospectus omit certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Common Shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC’s web site (<http://www.sec.gov>).

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Guggenheim Strategic Opportunities Fund
Up to 5,739,210 Common Shares

PROSPECTUS
SUPPLEMENT

Cantor Fitzgerald & Co.

January 16, 2018

PROSPECTUS
\$250,000,000

Guggenheim Strategic Opportunities Fund
Common Shares

Investment Objective and Philosophy. Guggenheim Strategic Opportunities Fund (the “Fund”) is a diversified, closed-end management investment company. The Fund’s investment objective is to maximize total return through a combination of current income and capital appreciation. The Fund will pursue a relative value-based investment philosophy, which utilizes quantitative and qualitative analysis to seek to identify securities or spreads between securities that deviate from their perceived fair value and/or historical norms. The Fund’s sub-adviser seeks to combine a credit-managed fixed-income portfolio with access to a diversified pool of alternative investments and equity strategies. The Fund’s investment philosophy is predicated upon the belief that thorough research and independent thought are rewarded with performance that has the potential to outperform benchmark indexes with both lower volatility and lower correlation of returns as compared to such benchmark indexes. The Fund cannot ensure investors that it will achieve its investment objective.

Investment Portfolio. The Fund will seek to achieve its investment objective by investing in a wide range of fixed-income and other debt and senior equity securities (“Income Securities”) selected from a variety of sectors and credit qualities, including, but not limited to, corporate bonds, loans and loan participations, structured finance investments, U.S. government and agency securities, mezzanine and preferred securities and convertible securities, and in common stocks, limited liability company interests, trust certificates and other equity investments (“Common Equity Securities”) that the Fund’s sub-adviser believes offer attractive yield and/or capital appreciation potential, including employing a strategy of writing (selling) covered call and put options on such equities.

Offering. The Fund may offer, from time to time, up to \$250,000,000 aggregate initial offering price of common shares of beneficial interest, par value \$0.01 per share (“Common Shares”), in one or more offerings in amounts, at prices and on terms set forth in one or more supplements to this Prospectus (each a “Prospectus Supplement”). You should read this Prospectus and any related Prospectus Supplement carefully before you decide to invest in the Common Shares.

The Fund may offer Common Shares (1) directly to one or more purchasers, (2) through agents that the Fund may designate from time to time or (3) to or through underwriters or dealers. The Prospectus Supplement relating to a particular offering of Common Shares will identify any agents or underwriters involved in the sale of Common Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between the Fund and agents or underwriters or among underwriters or the basis upon which such amount may be calculated. The Fund may not sell Common Shares through agents, underwriters or dealers without delivery of this Prospectus and a Prospectus Supplement. See “Plan of Distribution.”

Investing in the Fund’s Common Shares involves certain risks. See “Risks” on page 65 of this Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated January 16, 2018

Investment Adviser and Sub-Adviser. Guggenheim Funds Investment Advisors, LLC (the “Investment Adviser”) serves as the Fund’s investment adviser and is responsible for the management of the Fund. Guggenheim Partners Investment Management, LLC (the “Sub-Adviser”) will be responsible for the management of the Fund’s portfolio of securities. Each of the Investment Adviser and the Sub-Adviser is a wholly-owned subsidiary of Guggenheim Partners, LLC (“Guggenheim Partners”). Guggenheim Partners is a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments, foundation insurance companies and other institutions that have entrusted Guggenheim Partners with the supervision of more than \$295 billion of assets as of September 30, 2017. Guggenheim Partners is headquartered in Chicago and New York with a global network of offices throughout the United States, Europe, and Asia.

83

3,750,000

\$
16,063,000

8.9%
2022

35

1,694,000

\$
8,974,000

5.0%
2023

28

1,255,000

\$
4,943,000

2.7%
2024

14

924,000

\$
5,033,000

2.8%
2025 and beyond

24

815,000

\$
3,442,000

1.9%

(1) Represents the monthly cash rental rates, excluding tenant expense reimbursements, as of December 31, 2015, multiplied by twelve months.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties, other than routine litigation arising in the ordinary course of business or which is expected to be covered by the Company's liability insurance.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II. OTHER INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's shares of common stock are listed for trading on the New York Stock Exchange under the symbol "EGP." The following table shows the high and low share prices for each quarter reported by the New York Stock Exchange during the past two years and the per share distributions paid for each quarter.

Shares of Common Stock Market Prices and Dividends

| Quarter | Calendar Year 2015 | | | Calendar Year 2014 | | |
|---------|--------------------|-------|---------------|--------------------|-------|---------------|
| | High | Low | Distributions | High | Low | Distributions |
| First | \$67.42 | 57.98 | \$0.57 | \$63.66 | 56.40 | \$0.54 |
| Second | 62.11 | 55.00 | 0.57 | 66.24 | 61.06 | 0.54 |
| Third | 60.85 | 51.76 | 0.60 | 65.82 | 59.86 | 0.57 |
| Fourth | 59.51 | 53.15 | 0.60 | 69.90 | 60.05 | 0.57 |
| | | | \$2.34 | | | \$2.22 |

As of February 16, 2016, there were 518 holders of record of the Company's 32,383,937 outstanding shares of common stock. The Company distributed all of its 2015 and 2014 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years 2015 and 2014.

Federal Income Tax Treatment of Share Distributions

| | Years Ended December 31, | |
|--|--------------------------|---------|
| | 2015 | 2014 |
| Common Share Distributions: | | |
| Ordinary dividends | \$2.24258 | 2.02398 |
| Nondividend distributions | 0.02774 | 0.08974 |
| Unrecaptured Section 1250 capital gain | 0.06968 | 0.09470 |
| Other capital gain | — | 0.01158 |
| Total Common Distributions | \$2.34000 | 2.22000 |

Securities Authorized For Issuance Under Equity Compensation Plans

See Item 12 of this Annual Report on Form 10-K, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for certain information regarding the Company's equity compensation plans.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No shares of common stock were purchased by the Company or withheld by the Company to satisfy any tax withholding obligations during the three month period ended December 31, 2015.

Performance Graph

The following graph compares, over the five years ended December 31, 2015, the cumulative total shareholder return on EastGroup’s common stock with the cumulative total return of the Standard & Poor’s 500 Total Return Index (S&P 500 Total Return) and the FTSE Equity REIT index prepared by the National Association of Real Estate Investment Trusts (FTSE NAREIT Equity REITs).

The performance graph and related information shall not be deemed “soliciting material” or be deemed to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing, except to the extent that the Company specifically incorporates it by reference into such filing.

| | Fiscal years ended December 31, | | | | | |
|--------------------------|---------------------------------|--------|--------|--------|--------|--------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| EastGroup | \$100.00 | 107.95 | 139.01 | 155.26 | 175.79 | 160.85 |
| FTSE NAREIT Equity REITs | 100.00 | 108.29 | 127.85 | 131.01 | 170.50 | 175.96 |
| S&P 500 Total Return | 100.00 | 102.11 | 118.45 | 156.82 | 178.29 | 180.75 |

The information above assumes that the value of the investment in shares of EastGroup’s common stock and each index was \$100 on December 31, 2010, and that all dividends were reinvested.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected consolidated financial data for the Company derived from the audited consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report.

| | Years Ended December 31, | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| OPERATING DATA | | | | | |
| REVENUES | | | | | |
| Income from real estate operations | \$234,918 | 219,706 | 201,849 | 185,783 | 173,008 |
| Other income | 90 | 123 | 322 | 61 | 142 |
| | 235,008 | 219,829 | 202,171 | 185,844 | 173,150 |
| Expenses | | | | | |
| Expenses from real estate operations | 67,402 | 62,797 | 57,885 | 52,891 | 48,911 |
| Depreciation and amortization | 73,290 | 70,314 | 65,789 | 61,345 | 56,739 |
| General and administrative | 15,091 | 12,726 | 11,725 | 10,488 | 10,691 |
| Acquisition costs | 164 | 210 | 191 | 188 | 252 |
| | 155,947 | 146,047 | 135,590 | 124,912 | 116,593 |
| Operating income | 79,061 | 73,782 | 66,581 | 60,932 | 56,557 |
| Other income (expense) | | | | | |
| Interest expense | (34,666) | (35,486) | (35,192) | (35,371) | (34,709) |
| Gain on sales of real estate investments | 2,903 | 9,188 | — | — | — |
| Other | 1,101 | 989 | 949 | 456 | 717 |
| Income from continuing operations | 48,399 | 48,473 | 32,338 | 26,017 | 22,565 |
| Discontinued operations | | | | | |
| Income from real estate operations | — | — | 89 | 360 | 269 |
| Gain on sales of nondepreciable real estate investments | — | — | — | 167 | — |
| Gain on sales of real estate investments | — | — | 798 | 6,343 | — |
| Income from discontinued operations | — | — | 887 | 6,870 | 269 |
| Net income | 48,399 | 48,473 | 33,225 | 32,887 | 22,834 |
| Net income attributable to noncontrolling interest in joint ventures | (533) | (532) | (610) | (503) | (475) |
| Net income attributable to EastGroup Properties, Inc. common stockholders | 47,866 | 47,941 | 32,615 | 32,384 | 22,359 |
| Other comprehensive income (loss) - Cash flow hedges | (1,099) | (3,986) | 2,021 | (392) | — |
| TOTAL COMPREHENSIVE INCOME | \$46,767 | 43,955 | 34,636 | 31,992 | 22,359 |
| BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | | | |
| Income from continuing operations | \$ 1.49 | 1.53 | 1.05 | 0.89 | 0.82 |
| Income from discontinued operations | — | — | 0.03 | 0.24 | 0.01 |
| Net income attributable to common stockholders | \$ 1.49 | 1.53 | 1.08 | 1.13 | 0.83 |
| Weighted average shares outstanding | 32,091 | 31,341 | 30,162 | 28,577 | 26,897 |
| DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | | | |
| Income from continuing operations | \$ 1.49 | 1.52 | 1.05 | 0.89 | 0.82 |
| Income from discontinued operations | — | — | 0.03 | 0.24 | 0.01 |

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| | | | | | |
|---|-------------|-----------|-----------|-----------|-----------|
| Net income attributable to common stockholders | \$ 1.49 | 1.52 | 1.08 | 1.13 | 0.83 |
| Weighted average shares outstanding | 32,196 | 31,452 | 30,269 | 28,677 | 26,971 |
| AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | | | |
| Income from continuing operations | \$47,866 | 47,941 | 31,728 | 25,514 | 22,090 |
| Income from discontinued operations | — | — | 887 | 6,870 | 269 |
| Net income attributable to common stockholders | \$47,866 | 47,941 | 32,615 | 32,384 | 22,359 |
| OTHER PER SHARE DATA | | | | | |
| Book value, at end of year | \$17.11 | 17.72 | 16.61 | 16.25 | 14.56 |
| Common distributions declared | 2.34 | 2.22 | 2.14 | 2.10 | 2.08 |
| Common distributions paid | 2.34 | 2.22 | 2.14 | 2.10 | 2.08 |
| BALANCE SHEET DATA (AT END OF YEAR) | | | | | |
| Real estate investments, at cost ⁽¹⁾ | \$2,232,327 | 2,087,821 | 1,938,960 | 1,780,098 | 1,669,460 |
| Real estate investments, net of accumulated depreciation ⁽¹⁾ | 1,574,873 | 1,487,295 | 1,388,847 | 1,283,851 | 1,217,655 |
| Total assets | 1,666,232 | 1,575,824 | 1,473,412 | 1,354,102 | 1,286,516 |
| Secured debt, unsecured debt and unsecured bank credit facilities | 1,032,237 | 933,177 | 893,745 | 813,926 | 832,686 |
| Total liabilities | 1,107,031 | 1,000,209 | 954,707 | 862,926 | 880,907 |
| Noncontrolling interest in joint ventures | 4,339 | 4,486 | 4,707 | 4,864 | 2,780 |
| Total stockholders' equity | 554,862 | 571,129 | 513,998 | 486,312 | 402,829 |

⁽¹⁾ Includes mortgage loans receivable and unconsolidated investment. See Notes 4 and 5 in the Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

EastGroup's goal is to maximize shareholder value by being a leading provider in its markets of functional, flexible and quality business distribution space for location sensitive tenants (primarily in the 5,000 to 50,000 square foot range). The Company develops, acquires and operates distribution facilities, the majority of which are clustered around major transportation features in supply constrained submarkets in major Sunbelt regions. The Company's core markets are in the states of Florida, Texas, Arizona, California and North Carolina.

The Company believes its current operating cash flow and unsecured bank credit facilities provide the capacity to fund the operations of the Company. The Company also believes it can issue common and/or preferred equity and obtain debt financing, as evidenced by the closing of a \$75 million unsecured term loan in March 2015 and the issuance of \$75 million of senior unsecured private placement notes in October 2015. During 2015, the continuous common equity program provided net proceeds to the Company of \$6.2 million. During 2015, the Company's stock price was below previous years. As a result, the Company did not sell common stock at the same volume as in prior years. The Company continues to evaluate the effects on its financial condition of selling common stock. EastGroup's financing and equity issuances are further described in Liquidity and Capital Resources.

The Company's primary revenue is rental income; as such, EastGroup's greatest challenge is leasing space. During 2015, leases expired on 6,830,000 square feet (19.6%) of EastGroup's total square footage of 34,845,000, and the Company was successful in renewing or re-leasing 90% of the expiring square feet. In addition, EastGroup leased 1,710,000 square feet of other vacant space during the year. During 2015, average rental rates on new and renewal leases increased by 11.9%. Property net operating income (PNOI) from same properties, defined as operating properties owned during the entire current period and prior year reporting period, increased 2.0% for 2015 compared to 2014.

EastGroup's total leased percentage was 97.2% at December 31, 2015 compared to 96.7% at December 31, 2014. Leases scheduled to expire in 2016 were 13.5% of the portfolio on a square foot basis at December 31, 2015. As of February 16, 2016, leases scheduled to expire during the remainder of 2016 were 10.6% of the portfolio on a square foot basis.

The Company generates new sources of leasing revenue through its acquisition and development programs. During 2015, EastGroup acquired two operating properties (four buildings totaling 335,000 square feet) in Austin for \$31.6 million and 112.6 acres of development land in San Antonio, Houston, Dallas, Phoenix and Charlotte for \$19.3 million. EastGroup continues to see targeted development as a contributor to the Company's long-term growth. The Company mitigates risks associated with development through a Board-approved maximum level of land held for development and by adjusting development start dates according to leasing activity. During 2015, the Company began construction of 11 development projects containing 1,283,000 square feet in Orlando, Tampa, San Antonio, Houston, Phoenix and Charlotte. Also in 2015, EastGroup transferred 17 properties (1,419,000 square feet) in San Antonio, Houston, Orlando, Tampa, Charlotte, Phoenix and Denver from its development program to real estate properties with costs of \$96.8 million at the date of transfer. As of December 31, 2015, EastGroup's development program consisted of 14 buildings (1,665,000 square feet) located in San Antonio, Dallas, Houston, Orlando, Tampa, Charlotte and Phoenix. The projected total cost for the development projects, which were collectively 33% leased as of February 12, 2016, is \$113.9 million, of which \$34.2 million remained to be invested as of December 31, 2015.

Typically, the Company initially funds its development and acquisition programs through its \$335 million unsecured bank credit facilities (as discussed in Liquidity and Capital Resources). As market conditions permit, EastGroup issues equity and/or employs fixed-rate debt, including variable-rate debt that has been swapped to an effectively fixed

rate through the use of interest rate swaps, to replace short-term bank borrowings. In March 2015, Moody's Investor Services affirmed the Company's issuer rating of Baa2 with a stable outlook. Also in March 2015, Fitch Ratings affirmed EastGroup's issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. The Company intends to issue primarily unsecured fixed-rate debt, including variable-rate debt that has been swapped to an effectively fixed rate through the use of interest rate swaps, in the future. The Company may also access the public debt market in the future as a means to raise capital.

EastGroup has one reportable segment – industrial properties. These properties are primarily located in major Sunbelt regions of the United States, have similar economic characteristics and also meet the other criteria permitting the properties to be aggregated into one reportable segment. The Company's chief decision makers use two primary measures of operating results in making decisions: (1) property net operating income (PNOI), defined as Income from real estate operations less Expenses from real estate operations (including market-based internal management fee expense) plus the Company's share of income and property operating expenses from its less-than-wholly-owned real estate investments, and (2) funds from operations attributable to common

stockholders (FFO), defined as net income (loss) attributable to common stockholders computed in accordance with U.S. generally accepted accounting principles (GAAP), excluding gains or losses from sales of depreciable real estate property and impairment losses, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The Company calculates FFO based on the National Association of Real Estate Investment Trusts' (NAREIT) definition.

PNOI is a supplemental industry reporting measurement used to evaluate the performance of the Company's real estate investments. The Company believes the exclusion of depreciation and amortization in the industry's calculation of PNOI provides a supplemental indicator of the properties' performance since real estate values have historically risen or fallen with market conditions. PNOI as calculated by the Company may not be comparable to similarly titled but differently calculated measures for other real estate investment trusts (REITs). The major factors influencing PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses. The Company's success depends largely upon its ability to lease space and to recover from tenants the operating costs associated with those leases.

PNOI is comprised of Income from real estate operations, less Expenses from real estate operations plus the Company's share of income and property operating expenses from its less-than-wholly-owned real estate investments. PNOI was calculated as follows for the three fiscal years ended December 31, 2015, 2014 and 2013.

| | Years Ended December 31, | | |
|--|--------------------------|----------------|----------------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| Income from real estate operations | \$234,918 | 219,706 | 201,849 |
| Expenses from real estate operations | (67,402) | (62,797) | (57,885) |
| Noncontrolling interest in PNOI of consolidated 80% joint ventures | (851) | (848) | (961) |
| PNOI from 50% owned unconsolidated investment | 842 | 789 | 793 |
| PROPERTY NET OPERATING INCOME | \$167,507 | 156,850 | 143,796 |

Income from real estate operations is comprised of rental income, expense reimbursement pass-through income and other real estate income including lease termination fees. Expenses from real estate operations is comprised of property taxes, insurance, utilities, repair and maintenance expenses, management fees, other operating costs and bad debt expense. Generally, the Company's most significant operating expenses are property taxes and insurance. Tenant leases may be net leases in which the total operating expenses are recoverable, modified gross leases in which some of the operating expenses are recoverable, or gross leases in which no expenses are recoverable (gross leases represent only a small portion of the Company's total leases). Increases in property operating expenses are fully recoverable under net leases and recoverable to a high degree under modified gross leases. Modified gross leases often include base year amounts and expense increases over these amounts are recoverable. The Company's exposure to property operating expenses is primarily due to vacancies and leases for occupied space that limit the amount of expenses that can be recovered.

The following table presents reconciliations of Net Income to PNOI for the three fiscal years ended December 31, 2015, 2014 and 2013.

| | Years Ended December 31, | | |
|--|--------------------------|----------|---------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| NET INCOME | \$48,399 | 48,473 | 33,225 |
| Interest income | (258 |) (479 |) (530 |
| Gain on sales of real estate investments | (2,903 |) (9,188 |) — |
| Company's share of interest expense from unconsolidated investment | — | 242 | 293 |
| Company's share of depreciation from unconsolidated investment | 122 | 134 | 134 |
| Other income | (90 |) (123 |) (322 |
| Gain on sales of non-operating real estate | (123 |) (98 |) (24 |
| Income from discontinued operations | — | — | (887 |
| Depreciation and amortization from continuing operations | 73,290 | 70,314 | 65,789 |
| Interest expense | 34,666 | 35,486 | 35,192 |
| General and administrative expense | 15,091 | 12,726 | 11,725 |
| Acquisition costs | 164 | 210 | 191 |
| Interest rate swap ineffectiveness | — | 1 | (29 |
| Noncontrolling interest in PNOI of consolidated 80% joint ventures | (851 |) (848 |) (961 |
| PROPERTY NET OPERATING INCOME (PNOI) | \$167,507 | 156,850 | 143,796 |

The Company believes FFO is a meaningful supplemental measure of operating performance for equity REITs. The Company believes excluding depreciation and amortization in the calculation of FFO is appropriate since real estate values have historically increased or decreased based on market conditions. FFO is not considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance, nor is it a measure of the Company's liquidity or indicative of funds available to provide for the Company's cash needs, including its ability to make distributions. In addition, FFO, as reported by the Company, may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition. The Company's key drivers affecting FFO are changes in PNOI (as discussed above), interest rates, the amount of leverage the Company employs and general and administrative expense. The following table presents reconciliations of Net Income Attributable to EastGroup Properties, Inc. Common Stockholders to FFO Attributable to Common Stockholders for the three fiscal years ended December 31, 2015, 2014 and 2013.

| | Years Ended December 31, | | |
|---|---------------------------------------|--------|--------|
| | 2015 | 2014 | 2013 |
| | (In thousands, except per share data) | | |
| NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | \$47,866 | 47,941 | 32,615 |
| Depreciation and amortization from continuing operations | 73,290 | 70,314 | 65,789 |
| Depreciation and amortization from discontinued operations | — | — | 130 |
| Company's share of depreciation from unconsolidated investment | 122 | 134 | 134 |
| Depreciation and amortization from noncontrolling interest | (206 |) (204 |) (240 |

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| | | | | |
|---|-----------|----------|--------|---|
| Gain on sales of real estate investments | (2,903 |) (9,188 |) (798 |) |
| FUNDS FROM OPERATIONS (FFO) ATTRIBUTABLE TO COMMON STOCKHOLDERS | \$118,169 | 108,997 | 97,630 | |
| Net income attributable to common stockholders per diluted share | \$1.49 | 1.52 | 1.08 | |
| Funds from operations attributable to common stockholders per diluted share | 3.67 | 3.47 | 3.23 | |
| Diluted shares for earnings per share and funds from operations | 32,196 | 31,452 | 30,269 | |

The Company analyzes the following performance trends in evaluating the progress of the Company:

The FFO change per share represents the increase or decrease in FFO per share from the current year compared to the prior year. For 2015, FFO was \$3.67 per share compared with \$3.47 per share for 2014, an increase of 5.8% per share.

- For the year ended December 31, 2015, PNOI increased by \$10,657,000, or 6.8%, compared to 2014. PNOI increased \$6,321,000 from newly developed properties, \$3,030,000 from same property operations and \$2,607,000 from 2014 and 2015 acquisitions; PNOI decreased \$1,266,000 from properties sold in 2014 and 2015 and \$68,000 from a property undergoing redevelopment.

The same property net operating income change represents the PNOI increase or decrease for the same operating properties owned during the entire current period and prior year reporting period. PNOI from same properties increased 2.0% for the year ended December 31, 2015, compared to 2014.

Same property average occupancy represents the average month-end percentage of leased square footage for which the lease term has commenced as compared to the total leasable square footage for the same operating properties owned during the entire current period and prior year reporting period. Same property average occupancy for the year ended December 31, 2015, was 96.0% compared to 95.5% for 2014.

The same property average rental rate calculated in accordance with GAAP represents the average annual rental rates of leases in place for the same operating properties owned during the entire current period and prior year reporting period. The same property average rental rate was \$5.39 per square foot for the year ended December 31, 2015, compared to \$5.22 per square foot for 2014.

Occupancy is the percentage of leased square footage for which the lease term has commenced as compared to the total leasable square footage as of the close of the reporting period. Occupancy at December 31, 2015 was 96.1%. Quarter-end occupancy ranged from 95.8% to 96.3% over the period from December 31, 2014 to September 30, 2015.

Rental rate change represents the rental rate increase or decrease on new and renewal leases compared to the prior leases on the same space. For the year 2015, rental rate increases on new and renewal leases (22.5% of total square footage) averaged 11.9%.

For the year 2015, lease termination fee income was \$225,000 compared to \$1,205,000 for 2014. The Company recorded net bad debt expense of \$747,000 in 2015 and net bad debt recoveries of \$4,000 in 2014.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's management considers the following accounting policies and estimates to be critical to the reported operations of the Company.

Real Estate Properties

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. Factors considered by management in allocating the cost of the properties acquired include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models. The purchase price is also allocated among the following categories of intangible assets: the above or below market component of in-place leases, the value of in-place leases, and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate reflecting the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the Consolidated Balance Sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the Consolidated Balance Sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

During the period in which a property is under development, costs associated with development (i.e., land, construction costs, interest expense, property taxes and other costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) deemed related to such development activities. The internal costs are allocated to specific development properties based on development activity.

The Company reviews its real estate investments for impairment of value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any real estate investment is considered permanently impaired, a loss is recorded to reduce the carrying value of the property to its estimated fair value. Real estate assets to be sold are reported at the lower of the carrying amount or fair value less selling costs. The evaluation of real estate investments involves many subjective assumptions dependent upon future economic events that affect the ultimate value of the property. Currently, the Company's management knows of no impairment issues nor has it experienced any impairment issues in recent years. EastGroup currently has the intent and ability to hold its real estate investments and to hold its land inventory for future development. In the event of impairment, the property's basis would be reduced, and the impairment would be recognized as a current period charge on the Consolidated Statements of Income and Comprehensive Income.

Valuation of Receivables

The Company is subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, the Company performs credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. On a quarterly basis, the Company evaluates outstanding receivables and estimates the allowance for doubtful accounts. Management specifically analyzes aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. The Company

believes its allowance for doubtful accounts is adequate for its outstanding receivables for the periods presented. In the event the allowance for doubtful accounts is insufficient for an account that is subsequently written off, additional bad debt expense would be recognized as a current period charge on the Consolidated Statements of Income and Comprehensive Income.

Tax Status

EastGroup, a Maryland corporation, has qualified as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. If the Company has a capital gain, it has the option of (i) deferring recognition of the capital gain through a tax-deferred exchange, (ii) declaring and paying a capital gain dividend on any recognized net capital gain resulting in no corporate level tax, or (iii) retaining and paying corporate income tax on its net long-term capital gain, with shareholders reporting their proportional share of the undistributed long-term capital gain and receiving a credit or refund of their share of the tax paid by the Company. The Company distributed all of its 2015, 2014 and 2013 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary.

FINANCIAL CONDITION

EastGroup's Total Assets were \$1,666,232,000 at December 31, 2015, an increase of \$90,408,000 from December 31, 2014. Total Liabilities increased \$106,822,000 to \$1,107,031,000, and Total Equity decreased \$16,414,000 to \$559,201,000 during the same period. The following paragraphs explain these changes in detail.

Assets

Real Estate Properties

Real Estate Properties increased \$154,034,000 during the year ended December 31, 2015, primarily due to the transfer of 17 properties from Development, as detailed under Development below, the purchase of the operating properties detailed below and capital improvements at the Company's properties. These increases were offset by the sales of the last of the Company's three Ambassador Row Warehouse buildings (185,000 square feet) in Dallas and 1.5 acres of land in New Orleans for \$5,420,000.

| REAL ESTATE PROPERTIES ACQUIRED IN 2015 | Location | Size (Square feet) | Date Acquired | Cost ⁽¹⁾ (In thousands) |
|--|------------|-----------------------|------------------|---------------------------------------|
| Southpark Corporate Center | Austin, TX | 176,000 | 10/26/2015 | \$17,426 |
| Springdale Business Center | Austin, TX | 159,000 | 10/28/2015 | 11,222 |
| Total Acquisitions | | 335,000 | | \$28,648 |

Total cost of the properties acquired was \$31,574,000, of which \$28,648,000 was allocated to Real Estate Properties as indicated above. Intangibles associated with the purchases of real estate were allocated as (1) follows: \$3,453,000 to in-place lease intangibles (included in Other Assets on the Consolidated Balance Sheets) and \$527,000 to below market leases (included in Other Liabilities on the Consolidated Balance Sheets). All of these costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

During 2015, the Company made capital improvements of \$25,778,000 on existing and acquired properties (included in the Capital Expenditures table under Results of Operations). Also, the Company incurred costs of \$7,879,000 on development properties subsequent to transfer to Real Estate Properties; the Company records these expenditures as development costs on the Consolidated Statements of Cash Flows.

Development

EastGroup's investment in development at December 31, 2015 consisted of properties in lease-up and under construction of \$79,705,000 and prospective development (primarily land) of \$90,736,000. The Company's total investment in development at December 31, 2015 was \$170,441,000 compared to \$179,973,000 at December 31, 2014. Total capital invested for development during 2015 was \$95,032,000, which primarily consisted of costs of \$66,882,000 and \$20,395,000 as detailed in the development activity table below and costs of \$7,879,000 on development properties subsequent to transfer to Real Estate Properties. The capitalized costs incurred on development properties subsequent to transfer to Real Estate Properties include capital improvements at the properties and do not include other capitalized costs associated with development (i.e., interest expense, property taxes and internal personnel costs).

EastGroup capitalized internal development costs of \$4,467,000 during the year ended December 31, 2015, compared to \$4,040,000 during 2014.

During 2015, EastGroup purchased 112.6 acres of development land in San Antonio, Houston, Dallas, Charlotte and Phoenix for \$19,329,000. Costs associated with these acquisitions are included in the development activity table. The Company transferred 17 development properties to Real Estate Properties during 2015 with a total investment of \$96,809,000 as of the date of transfer.

| DEVELOPMENT | Building Size (Square feet) | Costs Incurred | | | Estimated Total Costs ⁽²⁾ | Anticipated Building Conversion Date |
|---|--|--|--------------------------------------|---------------------------------|---|---|
| | | Costs Transferred in 2015 ⁽¹⁾ | For the Year Ended 12/31/15 | Cumulative as of 12/31/15 | | |
| (In thousands) | | | | | | |
| LEASE-UP | | | | | | |
| Alamo Ridge I, San Antonio, TX | 96,000 | \$— | 1,877 | 7,352 | 8,500 | 02/16 |
| Alamo Ridge II, San Antonio, TX | 62,000 | — | 773 | 4,139 | 4,700 | 02/16 |
| Madison II & III, Tampa, FL | 127,000 | — | 3,737 | 7,417 | 8,000 | 02/16 |
| West Road III, Houston, TX | 78,000 | — | 917 | 4,782 | 5,000 | 03/16 |
| Ten West Crossing 7, Houston, TX | 68,000 | — | 902 | 4,072 | 4,900 | 04/16 |
| West Road IV, Houston, TX | 65,000 | 1,292 | 3,393 | 4,685 | 5,400 | 08/16 |
| Kyrene 202 VI, Phoenix, AZ | 123,000 | 1,515 | 5,505 | 7,020 | 9,500 | 09/16 |
| ParkView 1-3, Dallas, TX | 276,000 | — | 13,180 | 17,256 | 19,600 | 10/16 |
| Total Lease-Up | 895,000 | 2,807 | 30,284 | 56,723 | 65,600 | |
| UNDER CONSTRUCTION | | | | | | |
| Alamo Ridge III, San Antonio, TX | 135,000 | 2,120 | 260 | 2,380 | 12,200 | 10/16 |
| South 35th Avenue, Phoenix, AZ ⁽³⁾ | 124,000 | — | 1,171 | 1,171 | 1,200 | 01/17 |
| Eisenhower Point 1 & 2, San Antonio, TX | 201,000 | 1,880 | 4,880 | 6,760 | 13,500 | 02/17 |
| Horizon III, Orlando, FL | 109,000 | 2,399 | 3,716 | 6,115 | 7,800 | 02/17 |
| Ten Sky Harbor, Phoenix, AZ | 64,000 | 1,653 | 1,999 | 3,652 | 6,000 | 03/17 |
| Steele Creek VI, Charlotte, NC | 137,000 | 1,273 | 1,631 | 2,904 | 7,600 | 05/17 |
| Total Under Construction | 770,000 | 9,325 | 13,657 | 22,982 | 48,300 | |
| PROSPECTIVE DEVELOPMENT (PRIMARILY LAND) | Estimated Building Size (Square feet) | | | | | |
| Phoenix, AZ | 261,000 | (3,168 |) 3,192 | 3,487 | | |
| Tucson, AZ | 70,000 | — | — | 417 | | |
| Fort Myers, FL | 663,000 | — | — | 17,858 | | |
| Orlando, FL | 912,000 | (5,015 |) 1,535 | 20,371 | | |
| Tampa, FL | 290,000 | (2,255 |) 710 | 4,639 | | |
| Jackson, MS | 28,000 | — | — | 706 | | |
| Charlotte, NC | 281,000 | (1,273 |) 711 | 4,421 | | |
| Dallas, TX | 519,000 | — | 6,477 | 8,126 | | |
| El Paso, TX | 251,000 | — | — | 2,444 | | |
| Houston, TX | 1,607,000 | (2,581 |) 5,458 | 24,587 | | |
| San Antonio, TX | 453,000 | (4,000 |) 4,858 | 3,680 | | |
| Total Prospective Development | 5,335,000 | (18,292 |) 22,941 | 90,736 | | |
| | 7,000,000 | \$(6,160 |) 66,882 | 170,441 | | |
| DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL ESTATE PROPERTIES DURING 2015 | Building Size (Square feet) | | | | | Building Conversion Date |
| Horizon I, Orlando, FL | 109,000 | \$— | (16 |) 7,096 | | 02/15 |

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| | | | | | |
|---|-----------|---------|--------|---------|-------|
| Kyrene 202 II, Phoenix, AZ | 45,000 | — | 61 | 3,470 | 02/15 |
| Steele Creek III, Charlotte, NC | 108,000 | — | (179 |) 7,141 | 02/15 |
| Steele Creek II, Charlotte, NC | 71,000 | — | 22 | 4,945 | 03/15 |
| World Houston 39, Houston, TX | 94,000 | — | 420 | 5,476 | 06/15 |
| World Houston 42, Houston, TX | 94,000 | 1,289 | 3,733 | 5,022 | 07/15 |
| World Houston 41, Houston, TX | 104,000 | — | 603 | 5,949 | 08/15 |
| Horizon II, Orlando, FL | 123,000 | — | 232 | 7,892 | 09/15 |
| Sky Harbor 6, Phoenix, AZ | 31,000 | — | 1,352 | 2,972 | 10/15 |
| Ten West Crossing 6, Houston, TX | 64,000 | — | 470 | 4,712 | 10/15 |
| Thousand Oaks 4, San Antonio, TX | 66,000 | — | 1,576 | 4,519 | 10/15 |
| West Road I, Houston, TX | 63,000 | — | 662 | 4,939 | 10/15 |
| Kyrene 202 I, Phoenix, AZ | 75,000 | — | 195 | 6,134 | 11/15 |
| Rampart IV, Denver, CO | 84,000 | — | 1,178 | 8,125 | 11/15 |
| Oak Creek VIII, Tampa, FL | 108,000 | 2,255 | 3,074 | 5,329 | 12/15 |
| Steele Creek IV, Charlotte, NC | 57,000 | — | 736 | 4,196 | 12/15 |
| Horizon IV, Orlando, FL | 123,000 | 2,616 | 6,276 | 8,892 | 12/15 |
| Total Transferred to Real Estate Properties | 1,419,000 | \$6,160 | 20,395 | 96,809 | (4) |

- (1) Represents costs transferred from Prospective Development (primarily land) to Under Construction during the period. Negative amounts represent land inventory costs transferred to Under Construction.
- (2) Included in these costs are development obligations of \$12.0 million and tenant improvement obligations of \$4.3 million on properties under development.
- (3) This property is a manufacturing building undergoing redevelopment to a multi-tenant use building.
- (4) Represents cumulative costs at the date of transfer.

Accumulated Depreciation

Accumulated depreciation on real estate and development properties increased \$56,928,000 during 2015 due primarily to depreciation expense recognized during the period, offset by accumulated depreciation on the property sold during the year.

Other Assets

Other Assets increased \$2,677,000 during 2015. A summary of Other Assets follows:

| | December 31, 2015 | December 31, 2014 |
|--|----------------------|----------------------|
| | (In thousands) | |
| Leasing costs (principally commissions) | \$ 59,043 | 56,171 |
| Accumulated amortization of leasing costs | (23,455 |) (22,951 |
| Leasing costs (principally commissions), net of accumulated amortization | 35,588 | 33,220 |
| | | |
| Straight-line rents receivable | 26,482 | 25,013 |
| Allowance for doubtful accounts on straight-line rents receivable | (167 |) (102 |
| Straight-line rents receivable, net of allowance for doubtful accounts | 26,315 | 24,911 |
| | | |
| Accounts receivable | 5,615 | 4,459 |
| Allowance for doubtful accounts on accounts receivable | (394 |) (379 |
| Accounts receivable, net of allowance for doubtful accounts | 5,221 | 4,080 |
| | | |
| Acquired in-place lease intangibles | 19,061 | 20,118 |
| Accumulated amortization of acquired in-place lease intangibles | (8,205 |) (8,345 |
| Acquired in-place lease intangibles, net of accumulated amortization | 10,856 | 11,773 |
| | | |
| Acquired above market lease intangibles | 1,337 | 1,575 |
| Accumulated amortization of acquired above market lease intangibles | (684 |) (699 |
| Acquired above market lease intangibles, net of accumulated amortization | 653 | 876 |
| | | |
| Loan costs | 8,788 | 8,166 |
| Accumulated amortization of loan costs | (4,460 |) (4,454 |
| Loan costs, net of accumulated amortization | 4,328 | 3,712 |
| | | |
| Mortgage loans receivable | 4,875 | 4,991 |
| Interest rate swap assets | 400 | 812 |
| Goodwill | 990 | 990 |
| Escrow deposits for 1031 exchange | — | 698 |
| Prepaid expenses and other assets | 6,960 | 7,446 |
| Total Other Assets | \$ 96,186 | 93,509 |

Liabilities

Secured Debt decreased \$102,375,000 during the year ended December 31, 2015. The decrease resulted from the repayment of two mortgages totaling \$81,853,000, regularly scheduled principal payments of \$20,484,000 and mortgage loan premium amortization of \$38,000.

Unsecured Debt increased \$150,000,000 during 2015 as a result of the closing of a \$75 million unsecured term loan in March 2015, and the issuance of \$75 million of senior unsecured private placement notes in October 2015.

Unsecured Bank Credit Facilities increased \$51,435,000 during 2015 as a result of advances of \$420,104,000 exceeding repayments of \$368,669,000. The Company's credit facilities are described in greater detail under Liquidity and Capital Resources.

Accounts Payable and Accrued Expenses increased \$4,742,000 during 2015. A summary of the Company's Accounts Payable and Accrued Expenses follows:

| | December 31, | |
|--|----------------|--------|
| | 2015 | 2014 |
| | (In thousands) | |
| Property taxes payable | \$16,055 | 15,216 |
| Development costs payable | 6,215 | 7,920 |
| Property capital expenditures payable | 2,818 | 1,554 |
| Interest payable | 3,704 | 3,500 |
| Dividends payable on unvested restricted stock | 2,157 | 2,096 |
| Other payables and accrued expenses | 13,232 | 9,153 |
| Total Accounts Payable and Accrued Expenses | \$44,181 | 39,439 |

Other Liabilities increased \$3,020,000 during 2015. A summary of the Company's Other Liabilities follows:

| | December 31, | |
|--|----------------|----------|
| | 2015 | 2014 |
| | (In thousands) | |
| Security deposits | \$13,943 | 12,803 |
| Prepaid rent and other deferred income | 10,003 | 8,971 |
| Acquired below market lease intangibles | 3,485 | 3,657 |
| Accumulated amortization of acquired below market lease intangibles | (1,353 |) (1,380 |
| Acquired below market lease intangibles, net of accumulated amortization | 2,132 | 2,277 |
| Interest rate swap liabilities | 3,960 | 3,314 |
| Prepaid tenant improvement reimbursements | 493 | 212 |
| Other liabilities | 82 | 16 |
| Total Other Liabilities | \$30,613 | 27,593 |

Equity

Additional Paid-In Capital increased \$12,872,000 during 2015 primarily due to the issuance of common stock under the Company's continuous common equity program and stock-based compensation. EastGroup issued 106,751 shares of common stock under its continuous common equity program with net proceeds to the Company of \$6,233,000. See the Consolidated Statements of Changes in Equity and Note 11 in the Notes to Consolidated Financial Statements for information related to the changes in Additional Paid-In Capital on common shares resulting from stock-based compensation.

During 2015, Distributions in Excess of Earnings increased \$28,040,000 as a result of dividends on common stock of \$75,906,000 exceeding Net Income Attributable to EastGroup Properties, Inc. Common Stockholders of \$47,866,000.

Accumulated Other Comprehensive Loss increased \$1,099,000 during 2015. The increase resulted from the change in fair value of the Company's interest rate swaps which are further discussed in Notes 12 and 13 in the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

2015 Compared to 2014

Net Income Attributable to EastGroup Properties, Inc. Common Stockholders for 2015 was \$47,866,000 (\$1.49 per basic and diluted share) compared to \$47,941,000 (\$1.53 per basic and \$1.52 per diluted share) for 2014. EastGroup recognized Gain on sales of real estate investments of \$2,903,000 during 2015 and \$9,188,000 during 2014.

PNOI increased by \$10,657,000, or 6.8%, for 2015 compared to 2014. PNOI increased \$6,321,000 from newly developed properties, \$3,030,000 from same property operations and \$2,607,000 from 2014 and 2015 acquisitions; PNOI decreased \$1,266,000 from properties sold in 2014 and 2015 and \$68,000 from a property undergoing redevelopment. For the year 2015, lease termination fee income was \$225,000 compared to \$1,205,000 for 2014. The Company recorded net bad debt expense of \$747,000 in 2015 and net bad debt recoveries of \$4,000 in 2014. Straight-lining of rent increased Income from real estate operations by \$1,502,000 and \$1,881,000 in 2015 and 2014, respectively.

The Company signed 164 leases with certain free rent concessions on 3,678,000 square feet during 2015 with total free rent concessions of \$4,024,000 over the lives of the leases, compared to 157 leases with free rent concessions on 3,274,000 square feet with total free rent concessions of \$3,816,000 over the lives of the leases in 2014.

Property expense to revenue ratios, defined as Expenses from Real Estate Operations as a percentage of Income from Real Estate Operations, were 28.7% in 2015 compared to 28.6% in 2014. The Company's percentage of leased square footage was 97.2% at December 31, 2015, compared to 96.7% at December 31, 2014. Occupancy at the end of 2015 was 96.1% compared to 96.3% at the end of 2014.

Interest Expense decreased \$820,000 for 2015 compared to 2014. The following table presents the components of Interest Expense for 2015 and 2014:

| | Years Ended December 31, | | Increase (Decrease) |
|--|--------------------------|---------------|------------------------|
| | 2015 | 2014 | |
| | (In thousands) | | |
| VARIABLE RATE INTEREST EXPENSE | | | |
| Unsecured bank credit facilities interest (excluding loan cost amortization) | \$2,028 | 1,843 | 185 |
| Amortization of loan costs - unsecured bank credit facilities | 493 | 413 | 80 |
| Total variable rate interest expense | 2,521 | 2,256 | 265 |
| FIXED RATE INTEREST EXPENSE | | | |
| Secured debt interest (excluding loan cost amortization) | 21,061 | 25,700 | (4,639) |
| Unsecured debt interest ⁽¹⁾ (excluding loan cost amortization) | 15,498 | 11,649 | 3,849 |
| Amortization of loan costs - secured debt | 421 | 521 | (100) |
| Amortization of loan costs - unsecured debt | 422 | 302 | 120 |
| Total fixed rate interest expense | 37,402 | 38,172 | (770) |
| Total interest | 39,923 | 40,428 | (505) |
| Less capitalized interest | (5,257) | (4,942) | (315) |
| TOTAL INTEREST EXPENSE | \$34,666 | 35,486 | (820) |

(1) Includes interest on the Company's unsecured debt with fixed interest rates per the debt agreements or effectively fixed interest rates due to interest rate swaps, as discussed in Note 13 in the Notes to Consolidated Financial Statements.

EastGroup's variable rate interest expense increased by \$265,000 for 2015 as compared to 2014 primarily due to an increase in the Company's average unsecured bank credit facilities borrowings as shown in the following table:

| | Years Ended December 31, | | |
|--|--|--------|------------------------|
| | 2015 | 2014 | Increase (Decrease) |
| | (In thousands, except rates of interest) | | |
| Average unsecured bank credit facilities borrowings | \$ 109,777 | 96,162 | 13,615 |
| Weighted average variable interest rates (excluding loan cost amortization) | 1.85 | % 1.92 | % |

The Company's fixed rate interest expense decreased by \$770,000 for 2015 as compared to 2014. The decrease was primarily due to a decrease in secured debt interest, partially offset by an increase in unsecured debt interest. These changes resulted from the Company's debt activity described below.

The decrease in secured debt interest resulted from regularly scheduled principal payments and debt repayments. Regularly scheduled principal payments on secured debt were \$20,484,000 during 2015 and \$22,269,000 in 2014. The details of the secured debt repaid in 2014 and 2015 are shown in the following table:

| SECURED DEBT REPAID IN 2014 AND 2015 | Interest Rate | Date Repaid | Payoff Amount (In thousands) |
|---|---------------|-------------|---------------------------------|
| Kyrene Distribution Center | 9.00% | 06/30/2014 | \$11 |
| Americas Ten I, Kirby, Palm River North I, II & III, Shady Trail, Westlake I & II and World Houston 17 | 5.68% | 07/10/2014 | 26,565 |
| Weighted Average/Total Amount for 2014 | 5.68% | | \$26,576 |
| Beltway II-IV, Commerce Park I, Eastlake, Fairgrounds, Nations Ford, Techway Southwest III, Wetmore 1-4 and World Houston 15 & 22 | 5.50% | 03/06/2015 | \$57,450 |
| Country Club I, Lake Pointe, Techway Southwest II and World Houston 19 & 20 | 4.98% | 11/06/2015 | 24,403 |
| Weighted Average/Total Amount for 2015 | 5.34% | | \$81,853 |
| Weighted Average/Total Amount for 2014 and 2015 | 5.43% | | \$108,429 |

During 2015, EastGroup did not obtain any new secured debt; in 2014, the Company assumed the secured debt detailed in the following table:

| NEW SECURED DEBT IN 2014 | Effective Interest Rate | Date Obtained | Maturity Date | Amount (In thousands) |
|---|-------------------------|---------------|---------------|--------------------------|
| Ramona Distribution Center ⁽¹⁾ | 3.85% | 12/19/2014 | 11/30/2026 | \$2,847 |

In connection with the acquisition of Ramona Distribution Center, the Company assumed a mortgage of (1)\$2,617,000 and recorded a premium of \$230,000 to adjust the mortgage loan assumed to fair value. This premium is being amortized over the remaining life of the mortgage.

The decrease in secured debt interest was partially offset by increases in unsecured debt interest resulting from the Company's unsecured debt activity described below. The details of the unsecured debt obtained in 2014 and 2015 are shown in the following table:

| NEW UNSECURED DEBT IN 2014 and 2015 | Effective Interest Rate | Date Obtained | Maturity Date | Amount (In thousands) |
|---|-------------------------|---------------|---------------|--------------------------|
| \$75 Million Unsecured Term Loan ⁽¹⁾ | 2.846% | 07/31/2014 | 07/31/2019 | \$75,000 |
| \$75 Million Unsecured Term Loan ⁽²⁾ | 3.031% | 03/02/2015 | 02/28/2022 | \$75,000 |
| \$25 Million Senior Unsecured Notes | 3.970% | 10/01/2015 | 10/01/2025 | 25,000 |
| \$50 Million Senior Unsecured Notes | 3.990% | 10/07/2015 | 10/07/2025 | 50,000 |
| Weighted Average/Total Amount for 2015 | 3.507% | | | \$150,000 |
| Weighted Average/Total Amount for 2014 and 2015 | 3.287% | | | \$225,000 |

(1)

The interest rate on this unsecured term loan is comprised of LIBOR plus 115 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 2.846% as of December 31, 2015. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swaps.

The interest rate on this unsecured term loan is comprised of LIBOR plus 140 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the (2)loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 3.031% as of December 31, 2015. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swaps.

Interest costs during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest increased \$315,000 for 2015 as compared to 2014.

Depreciation and Amortization expense from continuing operations increased \$2,976,000 for 2015 compared to 2014 primarily due to the operating properties acquired by the Company during 2014 and 2015 and the properties transferred from Development in 2014 and 2015.

General and Administrative expense increased \$2,365,000 for the year ended December 31, 2015, as compared to 2014. The increase was primarily due to accelerated restricted stock vesting for the Company's retiring Chief Executive Officer (CEO) and various costs associated with the CEO succession.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2015 and 2014 were as follows:

| | Estimated Useful Life | Years Ended December 31, 2015 2014 (In thousands) | |
|---|--------------------------|--|--------|
| Upgrade on Acquisitions | 40 yrs | \$5 | 246 |
| Tenant Improvements: | | | |
| New Tenants | Lease Life | 9,981 | 7,984 |
| New Tenants (first generation) ⁽¹⁾ | Lease Life | 119 | 290 |
| Renewal Tenants | Lease Life | 1,936 | 2,828 |
| Other: | | | |
| Building Improvements | 5-40 yrs | 4,599 | 3,339 |
| Roofs | 5-15 yrs | 7,562 | 4,367 |
| Parking Lots | 3-5 yrs | 808 | 503 |
| Other | 5 yrs | 768 | 305 |
| Total Capital Expenditures ⁽²⁾ | | \$25,778 | 19,862 |

(1) First generation refers only to space that has never been occupied under EastGroup's ownership.

(2) Reconciliation of Total Capital Expenditures to Real Estate Improvements on the Consolidated Statements of Cash Flows:

| | Years Ended December 31, 2015 2014 (In thousands) | |
|---|--|--------|
| Total Capital Expenditures | \$25,778 | 19,862 |
| Change in Real Estate Property Payables | (1,264 |) 662 |
| Real Estate Improvements | \$24,514 | 20,524 |

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in Depreciation and Amortization expense. Capitalized leasing costs for the years ended December 31, 2015 and 2014 were as follows:

| | Estimated Useful Life | Years Ended December 31, 2015 2014 (In thousands) | |
|---|--------------------------|--|--------|
| Development | Lease Life | \$3,824 | 2,866 |
| New Tenants | Lease Life | 3,864 | 3,606 |
| New Tenants (first generation) ⁽¹⁾ | Lease Life | 29 | 217 |
| Renewal Tenants | Lease Life | 3,773 | 5,469 |
| Total Capitalized Leasing Costs | | \$11,490 | 12,158 |
| Amortization of Leasing Costs | | \$9,038 | 8,284 |

(1) First generation refers only to space that has never been occupied under EastGroup's ownership.

Discontinued Operations

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amended the requirements for reporting discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components meets the criteria to be classified as held for sale or when the component or group of components is disposed of by sale or other than by sale. In addition, this ASU requires additional disclosures about both discontinued operations and the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. EastGroup performs an analysis of properties sold to determine whether the sales qualify for discontinued operations presentation. Typically, when the Company disposes of operating properties, the sales are not considered to be disposals of a component of an entity or a group of components of an entity representing a strategic shift that has (or will have) a major effect on the entity's operations and financial results. The Company adopted the provisions of ASU 2014-08 as of January 1, 2014, and has applied the provisions prospectively.

During 2015, EastGroup sold one operating property, the last building of its three Ambassador Row Warehouses in Dallas. During 2014, the Company sold the following properties: Northpoint Commerce Center in Oklahoma City, Tampa West Distribution Center VI in Tampa, Clay Campbell Distribution Center and Kirby Business Center in Houston, and two of its three Ambassador Row Warehouses in Dallas. The results of operations and gains on sales for the properties sold during 2015 and 2014 are reported under Income from Continuing Operations on the Consolidated Statements of Income and Comprehensive Income. The gains on sales are included in Gain on sales of real estate investments.

See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and gain on sales of real estate investments.

2014 Compared to 2013

Net Income Attributable to EastGroup Properties, Inc. Common Stockholders for 2014 was \$47,941,000 (\$1.53 per basic and \$1.52 per diluted share) compared to \$32,615,000 (\$1.08 per basic and diluted share) for 2013. EastGroup recognized Gain on sales of real estate investments of \$9,188,000 during 2014 and \$798,000 during 2013.

PNOI increased by \$13,054,000, or 9.1%, for 2014 compared to 2013. PNOI increased \$6,710,000 from newly developed properties, \$3,650,000 from 2013 and 2014 acquisitions, and \$3,136,000 from same property operations; PNOI decreased \$451,000 from 2014 dispositions. Lease termination fee income was \$1,205,000 and \$495,000 in 2014 and 2013, respectively. The Company recorded net bad debt recoveries of \$4,000 in 2014 and net bad debt expense of \$268,000 in 2013. Straight-lining of rent increased Income from real estate operations by \$1,881,000 and \$1,971,000 in 2014 and 2013, respectively.

The Company signed 157 leases with certain free rent concessions on 3,274,000 square feet during 2014 with total free rent concessions of \$3,816,000 over the lives of the leases, compared to 142 leases with free rent concessions on 3,787,000 square feet with total free rent concessions of \$4,723,000 over the lives of the leases in 2013.

Property expense to revenue ratios were 28.6% in 2014 compared to 28.7% in 2013. The Company's percentage of leased square footage was 96.7% at December 31, 2014, compared to 96.2% at December 31, 2013. Occupancy at the end of 2014 was 96.3% compared to 95.5% at the end of 2013.

Interest Expense increased \$294,000 in 2014 compared to 2013. The following table presents the components of Interest Expense for 2014 and 2013:

| | Years Ended December 31, | | Increase (Decrease) |
|--|--------------------------|---------------|------------------------|
| | 2014 | 2013 | |
| | (In thousands) | | |
| VARIABLE RATE INTEREST EXPENSE | | | |
| Unsecured bank credit facilities interest (excluding loan cost amortization) | \$1,843 | 2,110 | (267) |
| Amortization of loan costs - unsecured bank credit facilities | 413 | 410 | 3 |
| Total variable rate interest expense | 2,256 | 2,520 | (264) |
| FIXED RATE INTEREST EXPENSE | | | |
| Secured debt interest (excluding loan cost amortization) | 25,700 | 31,298 | (5,598) |
| Unsecured debt interest ⁽¹⁾ (excluding loan cost amortization) | 11,649 | 5,559 | 6,090 |
| Amortization of loan costs - secured debt | 521 | 706 | (185) |
| Amortization of loan costs - unsecured debt | 302 | 173 | 129 |
| Total fixed rate interest expense | 38,172 | 37,736 | 436 |
| Total interest | 40,428 | 40,256 | 172 |
| Less capitalized interest | (4,942) | (5,064) | 122 |
| TOTAL INTEREST EXPENSE | \$35,486 | 35,192 | 294 |

Includes interest on the Company's unsecured debt with fixed interest rates per the debt agreements or effectively (1) fixed interest rates due to interest rate swaps, as discussed in Note 13 in the Notes to Consolidated Financial Statements.

EastGroup's variable rate interest expense decreased by \$264,000 for 2014 as compared to 2013 primarily due to a decrease in the Company's average unsecured bank credit facilities borrowings as shown in the following table:

| | Years Ended December 31, | | Increase (Decrease) |
|--|--|---------|------------------------|
| | 2014 | 2013 | |
| | (In thousands, except rates of interest) | | |
| Average unsecured bank credit facilities borrowings | \$96,162 | 112,971 | (16,809) |
| Weighted average variable interest rates (excluding loan cost amortization) | 1.92 | % 1.87 | % |

The Company's fixed rate interest expense increased by \$436,000 for 2014 as compared to 2013. The increase was primarily due to an increase in unsecured debt interest, offset by a decrease in secured debt interest resulting from the Company's debt activity described below.

The details of the unsecured debt obtained by the Company in 2013 and 2014 are shown in the following table:

| NEW UNSECURED DEBT IN 2013 AND 2014 | Effective Interest Rate | Date Obtained | Maturity Date | Amount (In thousands) |
|---|-------------------------|---------------|---------------|--------------------------|
| \$100 Million Senior Unsecured Notes: | | | | |
| \$30 Million Notes | 3.800% | 08/28/2013 | 08/28/2020 | \$ 30,000 |
| \$50 Million Notes | 3.800% | 08/28/2013 | 08/28/2023 | 50,000 |
| \$20 Million Notes | 3.800% | 08/28/2013 | 08/28/2025 | 20,000 |
| \$75 Million Unsecured Term Loan ⁽¹⁾ | 3.752% | 12/20/2013 | 12/20/2020 | 75,000 |
| Weighted Average/Total Amount for 2013 | 3.779% | | | \$ 175,000 |
| \$75 Million Unsecured Term Loan ⁽²⁾ | 2.846% | 07/31/2014 | 07/31/2019 | \$ 75,000 |
| Weighted Average/Total Amount for 2013 and 2014 | 3.499% | | | \$ 250,000 |

The interest rate on this unsecured term loan is comprised of LIBOR plus 140 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into two interest rate swaps to convert the (1) loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 3.752% as of December 31, 2015. See Note 13 for additional information on the interest rate swaps.

The interest rate on this unsecured term loan is comprised of LIBOR plus 115 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the (2) loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 2.846% as of December 31, 2015. See Note 13 in the Notes to Consolidated Financial Statements for additional information on the interest rate swaps.

The increase in unsecured debt interest was partially offset by a decrease in secured debt interest resulting from regularly scheduled principal payments and debt repayments. Regularly scheduled secured debt principal payments were \$22,269,000 in 2014 and \$24,420,000 in 2013. The details of the secured debt repaid in 2013 and 2014 are shown in the following table:

| SECURED DEBT REPAID IN 2013 AND 2014 | Interest Rate | Date Repaid | Payoff Amount (In thousands) |
|--|---------------|-------------|---------------------------------|
| 35th Avenue, Beltway I, Broadway V, Lockwood, Northwest Point, Sunbelt, Techway Southwest I and World Houston 10, 11 & 14 | 4.75% | 08/06/2013 | \$ 33,476 |
| Airport Commerce Center I & II, Interchange Park, Ridge Creek Distribution Center I, Southridge XII, Waterford Distribution Center and World Houston 24, 25 & 27 | 5.75% | 12/06/2013 | 50,057 |
| Weighted Average/Total Amount for 2013 | 5.35% | | 83,533 |
| Kyrene Distribution Center | 9.00% | 06/30/2014 | 11 |
| Americas Ten I, Kirby, Palm River North I, II & III, Shady Trail, Westlake I & II and World Houston 17 | 5.68% | 07/10/2014 | 26,565 |
| Weighted Average/Total Amount for 2014 | 5.68% | | 26,576 |
| Weighted Average/Total Amount for 2013 and 2014 | 5.43% | | \$ 110,109 |

During 2013, EastGroup did not obtain any new secured debt; in 2014, the Company assumed the secured debt detailed in the following table:

| NEW SECURED DEBT IN 2014 | Date Obtained | Maturity Date | Amount |
|--------------------------|---------------|---------------|--------|
|--------------------------|---------------|---------------|--------|

| | Effective Interest Rate | | | (In thousands) |
|---|----------------------------|------------|------------|----------------|
| Ramona Distribution Center ⁽¹⁾ | 3.85% | 12/19/2014 | 11/30/2026 | \$2,847 |

In connection with the acquisition of Ramona Distribution Center, the Company assumed a mortgage of (1)\$2,617,000 and recorded a premium of \$230,000 to adjust the mortgage loan assumed to fair value. This premium is being amortized over the remaining life of the mortgage.

Interest costs during the period of construction of real estate properties are capitalized and offset against interest expense. Capitalized interest decreased \$122,000 for 2014 as compared to 2013.

Depreciation and Amortization expense from continuing operations increased \$4,525,000 for 2014 compared to 2013 primarily due to the operating properties acquired by the Company in 2013 and 2014 and the properties transferred from Development in 2013 and 2014.

Capital Expenditures

Capital expenditures for EastGroup's operating properties for the years ended December 31, 2014 and 2013 were as follows:

| | Estimated Useful Life | Years Ended December 31, | |
|---|--------------------------|--------------------------|--------|
| | | 2014 | 2013 |
| | | (In thousands) | |
| Upgrade on Acquisitions | 40 yrs | \$246 | 459 |
| Tenant Improvements: | | | |
| New Tenants | Lease Life | 7,984 | 8,124 |
| New Tenants (first generation) ⁽¹⁾ | Lease Life | 290 | 110 |
| Renewal Tenants | Lease Life | 2,828 | 2,982 |
| Other: | | | |
| Building Improvements | 5-40 yrs | 3,339 | 4,395 |
| Roofs | 5-15 yrs | 4,367 | 4,005 |
| Parking Lots | 3-5 yrs | 503 | 852 |
| Other | 5 yrs | 305 | 511 |
| Total Capital Expenditures ⁽²⁾ | | \$19,862 | 21,438 |

(1) First generation refers only to space that has never been occupied under EastGroup's ownership.

(2) Reconciliation of Total Capital Expenditures to Real Estate Improvements on the Consolidated Statements of Cash Flows:

| | Years Ended December 31, | |
|---|--------------------------|--------|
| | 2014 | 2013 |
| | (In thousands) | |
| Total Capital Expenditures | \$19,862 | 21,438 |
| Change in Real Estate Property Payables | 662 | (631) |
| Real Estate Improvements | \$20,524 | 20,807 |

Capitalized Leasing Costs

The Company's leasing costs (principally commissions) are capitalized and included in Other Assets. The costs are amortized over the terms of the associated leases and are included in Depreciation and Amortization expense. Capitalized leasing costs for the years ended December 31, 2014 and 2013 were as follows:

| | Estimated Useful Life | Years Ended December 31, | |
|---|--------------------------|--------------------------|--------|
| | | 2014 | 2013 |
| | | (In thousands) | |
| Development | Lease Life | \$2,866 | 3,895 |
| New Tenants | Lease Life | 3,606 | 4,317 |
| New Tenants (first generation) ⁽¹⁾ | Lease Life | 217 | 96 |
| Renewal Tenants | Lease Life | 5,469 | 4,978 |
| Total Capitalized Leasing Costs | | \$12,158 | 13,286 |
| Amortization of Leasing Costs ⁽²⁾ | | \$8,284 | 7,354 |

(1) First generation refers only to space that has never been occupied under EastGroup's ownership.

(2) Includes discontinued operations (applicable only for 2013).

Discontinued Operations

During 2014, the Company sold the following properties: Northpoint Commerce Center in Oklahoma City, Tampa West Distribution Center VI in Tampa, Clay Campbell Distribution Center and Kirby Business Center in Houston, and two of its three Ambassador Row Warehouses in Dallas. The results of operations and gains on sales for the

properties sold during 2014 are reported under Income from Continuing Operations on the Consolidated Statements of Income and Comprehensive Income. The gains on sales are included in Gain on sales of real estate investments.

Prior to the adoption of ASU 2014-08 effective January 1, 2014, the results of operations for the operating properties sold or held for sale during the reported periods were shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. Interest expense was not generally allocated to the properties held for sale or whose operations were included under Discontinued Operations unless the mortgage was required to be paid in full upon the sale of the property. ASU 2014-08 is described in further detail under Discontinued Operations under 2015 Compared to 2014.

The results of operations and gains on sales for the operating properties sold in 2013 are shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. During 2013, the Company sold three properties: Tampa West Distribution Center V and VII and Tampa East Distribution Center II in Tampa.

See Notes 1(f) and 2 in the Notes to Consolidated Financial Statements for more information related to discontinued operations and Gain on sales of real estate investments. The following table presents the components of revenue and expense for the operating properties sold or held for sale during 2014 and 2013.

| DISCONTINUED OPERATIONS | Years Ended December 31, | |
|--|--------------------------|-------|
| | 2014 | 2013 |
| | (In thousands) | |
| Income from real estate operations | \$— | 306 |
| Expenses from real estate operations | — | (87) |
| Property net operating income from discontinued operations | — | 219 |
| Depreciation and amortization | — | (130) |
| Income from real estate operations | — | 89 |
| Gain on sales of real estate investments | — | 798 |
| Income from discontinued operations | \$— | 887 |

RECENT ACCOUNTING PRONOUNCEMENTS

EastGroup has evaluated all ASUs released by the FASB through the date the financial statements were issued and determined that the following ASUs apply to the Company.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The effective date of ASU was extended by one year by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The new standard is effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures beginning with the Form 10-Q for the period ended March 31, 2018. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 801): Amendments to Consolidation Analysis, under which all legal entities are subject to reevaluation under the revised consolidation model. The ASU modifies whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with VIEs, and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. EastGroup plans to adopt ASU 2015-02 effective January 1, 2016. The Company does

not anticipate the adoption of ASU 2015-02 will have a material impact on the Company's financial condition or results of operations.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. For public business entities, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Entities should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, entities are required to comply with the applicable disclosures for a change in an accounting principle. EastGroup plans to adopt ASU 2015-03 effective January 1, 2016; as such, the Company plans to present

debt issuance costs as a direct deduction from the carrying amounts of its debt liabilities and to provide all necessary disclosures beginning with the Form 10-Q for the period ended March 31, 2016.

In August 2015, the FASB issued ASU 2015-15, Interest - Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which adds comments from the Securities and Exchange Commission (SEC) addressing ASU 2015-03, as discussed above, and debt issuance costs related to line-of-credit arrangements. The SEC commented it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. EastGroup plans to adopt ASU 2015-15 in connection with its adoption of ASU 2015-03 effective January 1, 2016. The Company does not anticipate the adoption of ASU 2015-15 will have a material impact on the Company's financial condition or results of operations.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized costs on the balance sheet. EastGroup plans to adopt ASU 2016-01 effective January 1, 2018. The Company does not anticipate the adoption of ASU 2016-01 will have a material impact on the Company's financial condition or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$131,385,000 for the year ended December 31, 2015. The primary other sources of cash were from borrowings on unsecured bank credit facilities, proceeds from unsecured debt, proceeds from common stock offerings and proceeds from sales of real estate investments. The Company distributed \$75,845,000 in common stock dividends during 2015. Other primary uses of cash were for repayments on unsecured bank credit facilities, secured debt repayments, development of properties, purchases of real estate and capital improvements at various properties.

Total debt at December 31, 2015 and 2014 is detailed below. The Company's unsecured bank credit facilities and unsecured term loans have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2015 and 2014.

| | December 31, | |
|----------------------------------|----------------|---------|
| | 2015 | 2014 |
| | (In thousands) | |
| Secured debt | \$351,401 | 453,776 |
| Unsecured debt | 530,000 | 380,000 |
| Unsecured bank credit facilities | 150,836 | 99,401 |
| Total debt | \$1,032,237 | 933,177 |

Until July 30, 2015, EastGroup had \$225 million and \$25 million unsecured bank credit facilities with margins over LIBOR of 117.5 basis points, facility fees of 22.5 basis points and maturity dates of January 5, 2017. The Company closed on amended credit facilities on July 30, 2015. The amended agreements expand the facilities to \$300 million and \$35 million, reduce the current applicable margins to 100 basis points and the current applicable facility fees to 20 basis points, and extend the maturity dates to July 30, 2019.

EastGroup's amended \$300 million unsecured revolving credit facility is with a group of nine banks and matures on July 30, 2019. The credit facility contains an option for a one-year extension (at the Company's election) and a \$150 million expansion (with agreement by all parties). The interest rate on each tranche is usually reset on a monthly basis and as of December 31, 2015, was LIBOR plus 100 basis points with an annual facility fee of 20 basis points. The margin and facility fee are subject to changes in the Company's credit ratings. At December 31, 2015, the weighted average interest rate was 1.394% on a balance of \$137,000,000.

The Company's amended \$35 million agreement matures on July 30, 2019, and it contains a provision that the credit facility would automatically be extended for one year if the extension option in the \$300 million facility is exercised. The interest rate is reset on a daily basis and as of December 31, 2015, was LIBOR plus 100 basis points with an annual facility fee of 20 basis points.

The margin and facility fee are subject to changes in the Company's credit ratings. At December 31, 2015, the interest rate was 1.430% on a balance of \$13,836,000.

As market conditions permit, EastGroup issues equity and/or employs fixed-rate debt, including variable-rate debt that has been swapped to an effectively fixed rate through the use of interest rate swaps, to replace the short-term bank borrowings. The Company believes its current operating cash flow and unsecured bank credit facilities provide the capacity to fund the operations of the Company. The Company also believes it can obtain debt financing and issue common and/or preferred equity. The Company intends to issue primarily unsecured fixed-rate debt, including variable-rate debt that has been swapped to an effectively fixed rate through the use of interest rate swaps, in the future. The Company may also access the public debt market in the future as a means to raise capital.

In March 2015, EastGroup closed a \$75 million senior unsecured term loan with a seven-year term and interest only payments. It bears interest at the annual rate of LIBOR plus an applicable margin (currently 1.4%) based on the Company's senior unsecured long-term debt rating. The Company also entered into an interest rate swap agreement to convert the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan providing a total effective fixed interest rate of 3.031%.

In October, EastGroup issued \$75 million of senior unsecured private placement notes. The 10-year notes have a weighted average interest rate of 3.98% with semi-annual interest payments. The notes will not be and have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

In March 2015, EastGroup repaid (with no penalty) a mortgage loan with a balance of \$57.4 million, an interest rate of 5.50%, and an original maturity date of April 5, 2015. In November 2015, the Company repaid (with no penalty) a mortgage loan with a balance of \$24.4 million, an interest rate of 4.98% and an original maturity date of December 5, 2015.

On February 19, 2014, EastGroup entered into Sales Agency Financing Agreements with BNY Mellon Capital Markets, LLC, Raymond James & Associates, Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated pursuant to which it may issue and sell up to 10,000,000 shares of its common stock from time to time. During 2015, the Company issued and sold 106,751 shares of common stock under its continuous equity program at an average price of \$60.26 per share with gross proceeds to the Company of \$6,433,000. The Company incurred offering-related costs of \$200,000 during the year, resulting in net proceeds to the Company of \$6,233,000. As of February 17, 2016, the Company has 8,646,849 shares of common stock remaining to sell under the program.

On February 10, 2016, EastGroup executed a commitment letter for a \$65 million senior unsecured term loan which is expected to close on April 1, 2016. The loan will have a seven-year term and interest only payments. It will bear interest at the annual rate of LIBOR plus an applicable margin (currently 1.65%) based on the Company's senior unsecured long-term debt rating. The Company also entered into an interest rate swap agreement to convert the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan providing a total effective fixed interest rate of 2.863%.

Contractual Obligations

EastGroup's fixed, non-cancelable obligations as of December 31, 2015 were as follows:

| | Payments Due by Period | | | | |
|---|------------------------|---------------------|-----------|-----------|----------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| | (In thousands) | | | | |
| Secured Debt Obligations ⁽¹⁾ | \$351,401 | 92,804 | 69,555 | 64,666 | 124,376 |
| Interest on Secured Debt | 56,973 | 17,889 | 22,734 | 13,264 | 3,086 |
| Unsecured Debt ⁽¹⁾ | 530,000 | — | 130,000 | 180,000 | 220,000 |
| Interest on Unsecured Debt | 103,632 | 18,211 | 35,458 | 24,525 | 25,438 |
| Unsecured Bank Credit Facilities ^{(1) (2)} | 150,836 | — | — | 150,836 | — |
| Interest on Unsecured Bank Credit Facilities ⁽³⁾ | 9,985 | 2,778 | 5,555 | 1,652 | — |
| Operating Lease Obligations: | | | | | |
| Office Leases | 331 | 328 | 3 | — | — |
| Ground Leases | 14,966 | 756 | 1,512 | 1,512 | 11,186 |
| Real Estate Property Obligations ⁽⁴⁾ | 2,364 | 2,364 | — | — | — |
| Development Obligations ⁽⁵⁾ | 11,966 | 11,966 | — | — | — |
| Tenant Improvements ⁽⁶⁾ | 11,428 | 11,428 | — | — | — |
| Purchase Obligations | 366 | 102 | 244 | 20 | — |
| Total | \$1,244,248 | 158,626 | 265,061 | 436,475 | 384,086 |

(1) These amounts are included on the Consolidated Balance Sheets.

The Company's balances under its unsecured bank credit facilities change depending on the Company's cash needs and, as such, both the principal amounts and the interest rates are subject to variability. At December 31, 2015, the weighted average interest rate was 1.397% on the variable-rate debt that matures in July 2019. The \$300 million unsecured credit facility has options for a one-year extension (at the Company's election) and a \$150 million expansion (with agreement by all parties). The \$35 million unsecured credit facility automatically extends for one year if the extension option in the \$300 million revolving facility is exercised. As of December 31, 2015, the interest rate on the \$300 million facility was LIBOR plus 1.000% (weighted average interest rate of 1.394%) with an annual facility fee of 0.200%, and the interest rate on the \$35 million facility, which resets on a daily basis, was LIBOR plus 1.000% (1.430%) with an annual facility fee of 0.200%. The margin and facility fee are subject to changes in the Company's credit ratings.

(2) Represents an estimate of interest due on the Company's unsecured credit facilities based on the outstanding unsecured credit facilities as of December 31, 2015 and interest rates and maturity dates on the facilities as of December 31, 2015 as discussed in note 2 above.

(4) Represents commitments on real estate properties, except for tenant improvement obligations.

(5) Represents commitments on properties under development, except for tenant improvement obligations.

(6) Represents tenant improvement allowance obligations.

The Company anticipates that its current cash balance, operating cash flows, borrowings under its unsecured bank credit facilities, proceeds from new secured and unsecured debt and/or proceeds from the issuance of equity instruments will be adequate for (i) operating and administrative expenses, (ii) normal repair and maintenance expenses at its properties, (iii) debt service obligations, (iv) maintaining compliance with its debt covenants, (v) distributions to stockholders, (vi) capital improvements, (vii) purchases of properties, (viii) development, and (ix) any other normal business activities of the Company, both in the short-term and long-term.

INFLATION AND OTHER ECONOMIC CONSIDERATIONS

Most of the Company's leases include scheduled rent increases. Additionally, most of the Company's leases require the tenants to pay their pro rata share of operating expenses, including real estate taxes, insurance and common area maintenance, thereby reducing the Company's exposure to increases in operating expenses resulting from inflation. In the event inflation causes increases in the Company's general and administrative expenses or the level of interest rates, such increased costs would not be passed through to tenants and could adversely affect the Company's results of operations.

EastGroup's financial results are affected by general economic conditions in the markets in which the Company's properties are located. The state of the economy, or other adverse changes in general or local economic conditions, could result in the inability

of some of the Company's existing tenants to make lease payments and may therefore increase bad debt expense. It may also impact the Company's ability to (i) renew leases or re-lease space as leases expire, or (ii) lease development space. In addition, an economic downturn or recession could also lead to an increase in overall vacancy rates or a decline in rents the Company can charge to re-lease properties upon expiration of current leases. In all of these cases, EastGroup's cash flows would be adversely affected.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to interest rate changes primarily as a result of its unsecured bank credit facilities and long-term debt maturities. This debt is used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company's objective for interest rate risk management is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. The Company has two variable rate unsecured bank credit facilities as discussed under Liquidity and Capital Resources. As market conditions permit, EastGroup issues equity and/or employs fixed-rate debt, including variable-rate debt that has been swapped to an effectively fixed rate through the use of interest rate swaps, to replace the short-term bank borrowings. The Company's interest rate swaps are discussed in Note 13 in the Notes to Consolidated Financial Statements. The table below presents the principal payments due and weighted average interest rates, which include the impact of interest rate swaps, for both the fixed-rate and variable-rate debt as of December 31, 2015.

| | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total | Fair Value |
|---|----------|--------|---------|---------|---------|------------|---------|----------------|
| Secured debt (in thousands) | \$92,804 | 58,239 | 11,316 | 55,569 | 9,097 | 124,376 | 351,401 | 366,491 (1) |
| Weighted average interest rate | 5.79 | % 5.50 | % 5.21 | % 7.01 | % 4.43 | % 4.42 | % 5.40 | % |
| Unsecured debt (in thousands) | \$— | — | 130,000 | 75,000 | 105,000 | 220,000 | 530,000 | 509,326 (1) |
| Weighted average interest rate | — | — | 3.21 | % 2.85 | % 3.77 | % 3.60 | % 3.43 | % |
| Unsecured bank credit facilities (in thousands) | \$— | — | — | 150,836 | (2) — | — | 150,836 | 150,670 (3) |
| Weighted average interest rate | — | — | — | 1.40 | % (4) — | — | 1.40 | % |

(1) The fair value of the Company's fixed-rate debt, including variable-rate debt that has been swapped to an effectively fixed rate through the use of interest rate swaps, is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers.

(2) The variable-rate debt matures in July 2019 and is comprised of two unsecured bank credit facilities with balances of \$137,000,000 on the \$300 million unsecured bank credit facility and \$13,836,000 on the \$35 million unsecured bank credit facility as of December 31, 2015.

(3) The fair value of the Company's variable-rate debt is estimated by discounting expected cash flows at current market rates.

(4) Represents the weighted average interest rate as of December 31, 2015.

As the table above incorporates only those exposures that existed as of December 31, 2015, it does not consider those exposures or positions that could arise after that date. If the weighted average interest rate on the unsecured bank credit facilities, as shown above, changes by 10% or approximately 14 basis points, interest expense and cash flows would increase or decrease by approximately \$211,000 annually. This does not include variable-rate debt that has been effectively fixed through the use of interest rate swaps.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will,” “anticipates,” “expects,” “believes,” “intends,” “plans,” “seeks,” “estimates,” variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that the Company expects or anticipates will occur in the future, including statements relating to rent and occupancy growth, development activity, the acquisition or sale of properties, general conditions in the geographic areas where the Company operates and the availability of capital, are forward-looking statements. 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 tenant 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; the failure to maintain credit ratings with rating agencies; changes in the supply of and demand for industrial/warehouse properties; increases in interest rate levels; increases in operating costs; 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; and 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 those additional factors discussed under "Item 1A. Risk Factors" in Part I of this report. Although the Company believes the expectations reflected in the forward-looking statements are based upon reasonable assumptions at the time made, the Company can give no assurance that such expectations will be achieved. The Company assumes no obligation whatsoever to publicly update or revise any forward-looking statements. See also the information contained in the Company's reports filed or to be filed from time to time with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Registrant's Consolidated Balance Sheets as of December 31, 2015 and 2014, and its Consolidated Statements of Income and Comprehensive Income, Changes in Equity and Cash Flows and Notes to Consolidated Financial Statements for the years ended December 31, 2015, 2014 and 2013 and the Report of Independent Registered Public Accounting Firm thereon are included under Item 15 of this report and are incorporated herein by reference. Unaudited quarterly results of operations included in the Notes to Consolidated Financial Statements are also incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

(ii) Internal Control Over Financial Reporting.

(a) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). EastGroup's Management Report on Internal Control Over Financial Reporting is set forth in Part IV, Item 15 of this Form 10-K on page 42 and is incorporated herein by reference.

(b) Report of the independent registered public accounting firm.

The report of KPMG LLP, the Company's independent registered public accounting firm, on the Company's internal control over financial reporting is set forth in Part IV, Item 15 of this Form 10-K on page 42 and is incorporated herein by reference.

(c) Changes in internal control over financial reporting.

There was no change in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth information regarding the Company's executive officers and directors.

| Name | Position |
|---------------------|--|
| D. Pike Aloian | Director since 1999; Partner in Almanac Realty Investors, LLC (real estate advisory and investment management services) |
| H.C. Bailey, Jr. | Director since 1980; Chairman and President of H.C. Bailey Company (real estate development and investment) |
| H. Eric Bolton, Jr. | Director since 2013; Chairman and Chief Executive Officer of Mid-America Apartment Communities, Inc. |
| Hayden C. Eaves III | Director since 2002; President of Hayden Holdings, Inc. (real estate investment) |
| Fredric H. Gould | Director since 1998; Chairman of the General Partner of Gould Investors L.P., Chairman of BRT Realty Trust and Chairman of One Liberty Properties, Inc. |
| Mary E. McCormick | Director since 2005; Senior Advisor with Almanac Realty Investors, LLC (real estate advisory and investment management services) |
| David M. Osnos | Director since 1993; Of Counsel to the law firm of Arent Fox LLP |
| Leland R. Speed | Director since 1978; Chairman Emeritus of the Board of the Company since 2016; Chairman of the Board of the Company from 1983 to 2015 |
| David H. Hoster II | Director since 1993; Chairman of the Board of the Company since 2016; President of the Company from 1993 to 2015; Chief Executive Officer of the Company from 1997 to 2015 |
| Marshall A. Loeb | Director, President and Chief Executive Officer of the Company |
| N. Keith McKey | Executive Vice President, Chief Financial Officer, Secretary and Treasurer of the Company |
| John F. Coleman | Senior Vice President of the Company |
| Bruce Corkern | Senior Vice President, Chief Accounting Officer, Controller and Assistant Secretary of the Company |
| William D. Petsas | Senior Vice President of the Company |
| Brent W. Wood | Senior Vice President of the Company |

All other information required by Item 10 of Part III regarding the Company's executive officers and directors is incorporated herein by reference from the sections entitled "Corporate Governance and Board Matters" and "Executive Officers" in the Company's definitive Proxy Statement ("2016 Proxy Statement") to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for EastGroup's Annual Meeting of Stockholders to be held on May 26, 2016. The 2016 Proxy Statement will be filed within 120 days after the end of the Company's fiscal year ended December 31, 2015.

The information regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference from the subsection entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's 2016 Proxy Statement.

Information regarding EastGroup's code of business conduct and ethics found in the subsection captioned "Available Information" in Item 1 of Part I hereof is also incorporated herein by reference into this Item 10.

The information regarding the Company's audit committee, its members and the audit committee financial experts is incorporated herein by reference from the subsection entitled "Committees and Meeting Data" in the Company's 2016 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information included under the following captions in the Company's 2016 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based Awards in 2015," "Outstanding Equity Awards at 2015 Fiscal Year-End," "Option Exercises and Stock Vested in 2015," "Potential Payments upon Termination or Change in Control," "Compensation of Directors" and "Compensation Committee Interlocks." The information included under the heading "Report of the Compensation Committee" in the Company's 2016 Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the subsections entitled “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management and Directors” in the Company’s 2016 Proxy Statement.

The following table summarizes the Company’s equity compensation plan information as of December 31, 2015.
Equity Compensation Plan Information

| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b) Weighted-average exercise price of outstanding options, warrants and rights | (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|--|--|--|
| Equity compensation plans approved by security holders | — | — | 1,802,000 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | — | — | 1,802,000 |

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information regarding transactions with related parties and director independence is incorporated herein by reference from the subsection entitled "Independent Directors" and the section entitled “Certain Transactions and Relationships” in the Company's 2016 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information regarding principal auditor fees and services is incorporated herein by reference from the section entitled "Auditor Fees and Services" in the Company's 2016 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

| | Page |
|--|-----------|
| (1) Consolidated Financial Statements: | |
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>41</u> |
| <u>Management Report on Internal Control Over Financial Reporting</u> | <u>42</u> |
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>42</u> |
| <u>Consolidated Balance Sheets – December 31, 2015 and 2014</u> | <u>43</u> |
| <u>Consolidated Statements of Income and Comprehensive Income – Years ended December 31, 2015, 2014 and 2013</u> | <u>44</u> |
| <u>Consolidated Statements of Changes in Equity – Years ended December 31, 2015, 2014 and 2013</u> | <u>45</u> |
| <u>Consolidated Statements of Cash Flows – Years ended December 31, 2015, 2014 and 2013</u> | <u>46</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>47</u> |
| (2) Consolidated Financial Statement Schedules: | |
| <u>Report of Independent Registered Public Accounting Firm on Financial Statement Schedules</u> | <u>70</u> |
| <u>Schedule III – Real Estate Properties and Accumulated Depreciation</u> | <u>71</u> |
| <u>Schedule IV – Mortgage Loans on Real Estate</u> | <u>85</u> |

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted, or the required information is included in the Notes to Consolidated Financial Statements.

(3) Exhibits:
The following exhibits are filed with this Form 10-K or incorporated by reference to the listed document previously filed with the SEC:

| Number | Description |
|--------|--|
| (3) | Articles of Incorporation and Bylaws |
| (a) | 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). |
| (b) | EastGroup Properties, Inc. Bylaws, Amended through December 5, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed December 10, 2014). |
| (10) | Material Contracts (*Indicates management or compensatory agreement): |
| (a) | Form of Severance and Change in Control Agreement that the Company has entered into with Leland R. Speed, David H. Hoster II, Marshall A. Loeb and N. Keith McKey (incorporated by reference to Exhibit 10(a) to the Company's Form 8-K filed January 7, 2009).* |
| (b) | Form of Severance and Change in Control Agreement that the Company has entered into with John F. Coleman, William D. Petsas, Brent W. Wood and C. Bruce Corkern (incorporated by reference to Exhibit 10(b) to the Company's Form 8-K filed January 7, 2009).* |
| (c) | Third Amended and Restated Credit Agreement Dated January 2, 2013 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Regions Bank and SunTrust Bank as Co-Syndication Agents; U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Documentation Agents; PNC Capital Markets LLC, as Sole |

Lead Arranger and Sole Bookrunner; and the Lenders thereunder (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 8, 2013).

- (d) First Amendment to Third Amended and Restated Credit Agreement, dated as of August 9, 2013, among EastGroup Properties, L.P., EastGroup Properties, Inc. and PNC Bank, National Association, as administrative agent, and each of the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 30, 2013).
- (e) Second Amendment to Third Amended and Restated Credit Agreement dated as of July 30, 2015 by and among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; and each of the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 4, 2015).
- (f) EastGroup Properties, Inc. 2013 Equity Incentive Plan (incorporated by reference to Appendix A to the proxy material for the 2013 Annual Meeting of Stockholders).*
- (g) EastGroup Properties, Inc. Director Compensation Program (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 2, 2015).*
- (h) Note Purchase Agreement, dated as of August 28, 2013, among EastGroup Properties, L.P., EastGroup Properties, Inc. and the purchasers of the notes party thereto (including the form of the 3.80% Senior Notes due August 28, 2025) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 30, 2013).
- (i) Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and BNY Mellon Capital Markets, LLC (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed February 25, 2014).
- (j) Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 1.2 to the Company's Form 8-K filed February 25, 2014).
- (k) Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and Raymond James & Associates, Inc. (incorporated by reference to Exhibit 1.3 to the Company's Form 8-K filed February 25, 2014).
- (12) Statement of computation of ratio of earnings to combined fixed charges and preferred stock distributions (filed herewith)
- (21) Subsidiaries of EastGroup Properties, Inc. (filed herewith).
- (23) Consent of KPMG LLP (filed herewith).
- (24) Powers of attorney (filed herewith).
- (31) Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
- (a) Marshall A. Loeb, Chief Executive Officer
- (b) N. Keith McKey, Chief Financial Officer
- (32) Section 1350 Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
- (a) Marshall A. Loeb, Chief Executive Officer
- (b) N. Keith McKey, Chief Financial Officer
- (101) The following materials from EastGroup Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income and comprehensive income, (iii) consolidated statements of changes in equity, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.

(b) Exhibits

The exhibits required to be filed with this Report pursuant to Item 601 of Regulation S-K are listed under “Exhibits” in Part IV, Item 15(a)(3) of this Report and are incorporated herein by reference.

(c) Financial Statement Schedules

The Financial Statement Schedules required to be filed with this Report are listed under “Consolidated Financial Statement Schedules” in Part IV, Item 15(a)(2) of this Report, and are incorporated herein by reference.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES INC.:

We have audited the accompanying consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EastGroup Properties, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1(f) to the consolidated financial statements, the Company has changed its method of accounting for discontinued operations in 2014 due to the adoption of Accounting Standards Update 2014-08, Presentation of Financial Statements and Property, Plant and Equipment, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2016, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(Signed) KPMG LLP

Jackson, Mississippi
February 17, 2016

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

EastGroup's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, EastGroup conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The design of any system of internal control over financial reporting is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on EastGroup's evaluation under the framework in Internal Control – Integrated Framework (2013), management concluded that our internal control over financial reporting was effective as of December 31, 2015.

/s/ EASTGROUP PROPERTIES, INC.

Jackson, Mississippi
February 17, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES INC.:

We have audited EastGroup Properties, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, EastGroup Properties, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 17, 2016, expressed an unqualified opinion on those consolidated financial statements.

(Signed) KPMG LLP

Jackson, Mississippi
February 17, 2016

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|---|------------------|
| | 2015 | 2014 |
| | (In thousands, except for share and per share data) | |
| ASSETS | | |
| Real estate properties | \$2,049,007 | 1,894,973 |
| Development | 170,441 | 179,973 |
| | 2,219,448 | 2,074,946 |
| Less accumulated depreciation | (657,454) | (600,526) |
| | 1,561,994 | 1,474,420 |
| Unconsolidated investment | 8,004 | 7,884 |
| Cash | 48 | 11 |
| Other assets | 96,186 | 93,509 |
| TOTAL ASSETS | \$1,666,232 | 1,575,824 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Secured debt | \$351,401 | 453,776 |
| Unsecured debt | 530,000 | 380,000 |
| Unsecured bank credit facilities | 150,836 | 99,401 |
| Accounts payable and accrued expenses | 44,181 | 39,439 |
| Other liabilities | 30,613 | 27,593 |
| Total Liabilities | 1,107,031 | 1,000,209 |
| EQUITY | | |
| Stockholders' Equity: | | |
| Common shares; \$.0001 par value; 70,000,000 shares authorized; 32,421,460 shares issued and outstanding at December 31, 2015 and 32,232,587 at December 31, 2014 | 3 | 3 |
| Excess shares; \$.0001 par value; 30,000,000 shares authorized; no shares issued | — | — |
| Additional paid-in capital on common shares | 887,207 | 874,335 |
| Distributions in excess of earnings | (328,892) | (300,852) |
| Accumulated other comprehensive loss | (3,456) | (2,357) |
| Total Stockholders' Equity | 554,862 | 571,129 |
| Noncontrolling interest in joint ventures | 4,339 | 4,486 |
| Total Equity | 559,201 | 575,615 |
| TOTAL LIABILITIES AND EQUITY | \$1,666,232 | 1,575,824 |
| See accompanying Notes to Consolidated Financial Statements. | | |

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| | Years Ended December 31, | | |
|--|---------------------------------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| | (In thousands, except per share data) | | |
| REVENUES | | | |
| Income from real estate operations | \$234,918 | 219,706 | 201,849 |
| Other income | 90 | 123 | 322 |
| | 235,008 | 219,829 | 202,171 |
| EXPENSES | | | |
| Expenses from real estate operations | 67,402 | 62,797 | 57,885 |
| Depreciation and amortization | 73,290 | 70,314 | 65,789 |
| General and administrative | 15,091 | 12,726 | 11,725 |
| Acquisition costs | 164 | 210 | 191 |
| | 155,947 | 146,047 | 135,590 |
| OPERATING INCOME | 79,061 | 73,782 | 66,581 |
| OTHER INCOME (EXPENSE) | | | |
| Interest expense | (34,666) | (35,486) | (35,192) |
| Gain on sales of real estate investments | 2,903 | 9,188 | — |
| Other | 1,101 | 989 | 949 |
| INCOME FROM CONTINUING OPERATIONS | 48,399 | 48,473 | 32,338 |
| DISCONTINUED OPERATIONS | | | |
| Income from real estate operations | — | — | 89 |
| Gain on sales of nondepreciable real estate investments | — | — | — |
| Gain on sales of real estate investments | — | — | 798 |
| INCOME FROM DISCONTINUED OPERATIONS | — | — | 887 |
| NET INCOME | 48,399 | 48,473 | 33,225 |
| Net income attributable to noncontrolling interest in joint ventures | (533) | (532) | (610) |
| NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | 47,866 | 47,941 | 32,615 |
| Other comprehensive income (loss) - cash flow hedges | (1,099) | (3,986) | 2,021 |
| TOTAL COMPREHENSIVE INCOME | \$46,767 | 43,955 | 34,636 |
| BASIC PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | |
| Income from continuing operations | \$1.49 | 1.53 | 1.05 |
| Income from discontinued operations | — | — | 0.03 |

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| | | | |
|--|----------|--------|--------|
| Net income attributable to common stockholders | \$1.49 | 1.53 | 1.08 |
| Weighted average shares outstanding | 32,091 | 31,341 | 30,162 |
| DILUTED PER COMMON SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | |
| Income from continuing operations | \$1.49 | 1.52 | 1.05 |
| Income from discontinued operations | — | — | 0.03 |
| Net income attributable to common stockholders | \$1.49 | 1.52 | 1.08 |
| Weighted average shares outstanding | 32,196 | 31,452 | 30,269 |
| AMOUNTS ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | |
| Income from continuing operations | \$47,866 | 47,941 | 31,728 |
| Income from discontinued operations | — | — | 887 |
| Net income attributable to common stockholders | \$47,866 | 47,941 | 32,615 |

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Common Stock | Additional Paid-In Capital | Distributions In Excess Of Earnings | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interest in Joint Ventures | Total |
|--|-----------------|----------------------------------|---|--|--|-----------|
| (In thousands, except for share and per share data) | | | | | | |
| Balance, December 31, 2012 | \$3 | 731,950 | (245,249) | (392) | 4,864 | 491,176 |
| Net income | — | — | 32,615 | — | 610 | 33,225 |
| Net unrealized change in fair value of interest rate swaps | — | — | — | 2,021 | — | 2,021 |
| Common dividends declared – \$2.14 per share | — | — | (65,535) | — | — | (65,535) |
| Stock-based compensation, net of forfeitures | — | 5,540 | — | — | — | 5,540 |
| Issuance of 890,085 shares of common stock, common stock offering, net of expenses | — | 53,247 | — | — | — | 53,247 |
| Issuance of 4,500 shares of common stock, options exercised | — | 120 | — | — | — | 120 |
| Issuance of 3,577 shares of common stock, dividend reinvestment plan | — | 206 | — | — | — | 206 |
| Withheld 9,412 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock | — | (528) | — | — | — | (528) |
| Distributions to noncontrolling interest | — | — | — | — | (767) | (767) |
| Balance, December 31, 2013 | 3 | 790,535 | (278,169) | 1,629 | 4,707 | 518,705 |
| Net income | — | — | 47,941 | — | 532 | 48,473 |
| Net unrealized change in fair value of interest rate swaps | — | — | — | (3,986) | — | (3,986) |
| Common dividends declared – \$2.22 per share | — | — | (70,624) | — | — | (70,624) |
| Stock-based compensation, net of forfeitures | — | 6,567 | — | — | — | 6,567 |
| Issuance of 1,246,400 shares of common stock, common stock offering, net of expenses | — | 78,868 | — | — | — | 78,868 |
| Issuance of 3,626 shares of common stock, dividend reinvestment plan | — | 227 | — | — | — | 227 |
| Withheld 31,673 shares of common stock to satisfy tax withholding | — | (1,862) | — | — | — | (1,862) |

| | | | | | | |
|--|-----|---------|-----------|---------|-------|----------|
| obligations in connection with the vesting of restricted stock | | | | | | |
| Distributions to noncontrolling interest | — | — | — | — | (753) | (753) |
| Balance, December 31, 2014 | 3 | 874,335 | (300,852) | (2,357) | 4,486 | 575,615 |
| Net income | — | — | 47,866 | — | 533 | 48,399 |
| Net unrealized change in fair value of interest rate swaps | — | — | — | (1,099) | — | (1,099) |
| Common dividends declared – \$2.34 per share | — | — | (75,906) | — | — | (75,906) |
| Stock-based compensation, net of forfeitures | — | 8,423 | — | — | — | 8,423 |
| Issuance of 106,751 shares of common stock, common stock offering, net of expenses | — | 6,233 | — | — | — | 6,233 |
| Issuance of 4,536 shares of common stock, dividend reinvestment plan | — | 257 | — | — | — | 257 |
| Withheld 32,409 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock | — | (2,041) | — | — | — | (2,041) |
| Distributions to noncontrolling interest | — | — | — | — | (680) | (680) |
| Balance, December 31, 2015 | \$3 | 887,207 | (328,892) | (3,456) | 4,339 | 559,201 |

See accompanying Notes to Consolidated Financial Statements.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | | |
|---|--------------------------|-------------------|---------------------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| OPERATING ACTIVITIES | | | |
| Net income | \$48,399 | 48,473 | 33,225 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization from continuing operations | 73,290 | 70,314 | 65,789 |
| Depreciation and amortization from discontinued operations | — | — | 130 |
| Stock-based compensation expense | 6,733 | 5,146 | 4,229 |
| Gain on sales of land and real estate investments | (3,026 |) (9,286 |) (822) |
| Changes in operating assets and liabilities: | | | |
| Accrued income and other assets | (782 |) 523 | (1,629) |
| Accounts payable, accrued expenses and prepaid rent | 6,928 | 2,315 | 8,906 |
| Other | (157 |) (28 |) (78) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 131,385 | 117,457 | 109,750 |
| INVESTING ACTIVITIES | | | |
| Real estate development | (95,032 |) (97,696 |) (76,240) |
| Purchases of real estate | (31,574 |) (48,805 |) (72,397) |
| Real estate improvements | (24,514 |) (20,524 |) (20,807) |
| Proceeds from sales of real estate investments | 5,156 | 20,625 | 4,273 |
| Capital contributions to unconsolidated investment | — | (5,132 |) — |
| Repayments on mortgage loans receivable | 116 | 3,902 | 463 |
| Changes in accrued development costs | (1,705 |) 241 | 509 |
| Changes in other assets and other liabilities | (8,865 |) (12,181 |) (11,912) |
| NET CASH USED IN INVESTING ACTIVITIES | (156,418 |) (159,570 |) (176,111) |
| FINANCING ACTIVITIES | | | |
| Proceeds from unsecured bank credit facilities | 420,104 | 350,214 | 424,375 |
| Repayments on unsecured bank credit facilities | (368,669 |) (339,765 |) (411,583) |
| Repayments on secured debt | (102,337 |) (48,846 |) (107,953) |
| Proceeds from unsecured debt | 150,000 | 75,000 | 175,000 |

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| | | | | |
|--|---------------|---------------|---------------|----------|
| Debt issuance costs | (1,952 |) (499 |) (2,222 |) |
| Distributions paid to stockholders (not including dividends accrued on unvested restricted stock) | (75,845 |) (70,456 |) (64,798 |) |
| Proceeds from common stock offerings | 6,233 | 78,868 | 53,247 | |
| Proceeds from exercise of stock options | — | — | 120 | |
| Proceeds from dividend reinvestment plan | 256 | 216 | 206 | |
| Other | (2,720 |) (2,616 |) (1,281 |) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 25,070 | 42,116 | 65,111 | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 37 | 3 | (1,250 |) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 11 | 8 | 1,258 | |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$48 | 11 | 8 | |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | | |
| Cash paid for interest, net of amount capitalized of \$5,257, \$4,942, and \$5,064 for 2015, 2014 and 2013, respectively | \$33,164 | 34,426 | 32,880 | |
| Fair value of debt assumed by the Company in the purchase of real estate | — | 2,846 | — | |
| See accompanying Notes to Consolidated Financial Statements. | | | | |

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015, 2014 and 2013

(1) SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of EastGroup Properties, Inc., its wholly owned subsidiaries and its investment in any joint ventures in which the Company has a controlling interest. At December 31, 2015, 2014 and 2013, the Company had a controlling interest in two joint ventures: the 80% owned University Business Center and the 80% owned Castilian Research Center. The Company records 100% of the joint ventures' assets, liabilities, revenues and expenses with noncontrolling interests provided for in accordance with the joint venture agreements. The equity method of accounting is used for the Company's 50% undivided tenant-in-common interest in Industry Distribution Center II. All significant intercompany transactions and accounts have been eliminated in consolidation.

(b) Income Taxes

EastGroup, a Maryland corporation, has qualified as a real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the Company is required to distribute at least 90% of its ordinary taxable income to its stockholders. If the Company has a capital gain, it has the option of (i) deferring recognition of the capital gain through a tax-deferred exchange, (ii) declaring and paying a capital gain dividend on any recognized net capital gain resulting in no corporate level tax, or (iii) retaining and paying corporate income tax on its net long-term capital gain, with the shareholders reporting their proportional share of the undistributed long-term capital gain and receiving a credit or refund of their share of the tax paid by the Company. The Company distributed all of its 2015, 2014 and 2013 taxable income to its stockholders. Accordingly, no significant provisions for income taxes were necessary. The following table summarizes the federal income tax treatment for all distributions by the Company for the years ended 2015, 2014 and 2013.

Federal Income Tax Treatment of Share Distributions

| | Years Ended December 31, | | |
|--|--------------------------|---------|---------|
| | 2015 | 2014 | 2013 |
| Common Share Distributions: | | | |
| Ordinary dividends | \$2.24258 | 2.02398 | 1.91678 |
| Nondividend distributions | 0.02774 | 0.08974 | 0.21054 |
| Unrecaptured Section 1250 capital gain | 0.06968 | 0.09470 | 0.00270 |
| Other capital gain | — | 0.01158 | 0.00998 |
| Total Common Share Distributions | \$2.34000 | 2.22000 | 2.14000 |

EastGroup applies the principles of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, when evaluating and accounting for uncertainty in income taxes. With few exceptions, the Company's 2011 and earlier tax years are closed for examination by U.S. federal, state and local tax authorities. In accordance with the provisions of ASC 740, the Company had no significant uncertain tax positions as of December 31, 2015 and 2014.

The Company's income may differ for tax and financial reporting purposes principally because of (1) the timing of the deduction for the provision for possible losses and losses on investments, (2) the timing of the recognition of gains or losses from the sale of investments, (3) different depreciation methods and lives, (4) real estate properties having a

different basis for tax and financial reporting purposes, (5) mortgage loans having a different basis for tax and financial reporting purposes, thereby producing different gains upon collection of these loans, and (6) differences in book and tax allowances and timing for stock-based compensation expense.

(c) Income Recognition

Minimum rental income from real estate operations is recognized on a straight-line basis. The straight-line rent calculation on leases includes the effects of rent concessions and scheduled rent increases, and the calculated straight-line rent income is recognized over the lives of the individual leases. The Company maintains allowances for doubtful accounts receivable, including straight-line rents receivable, based upon estimates determined by management. Management specifically analyzes aged receivables, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Revenue is recognized on payments received from tenants for early terminations after all criteria have been met in accordance with ASC 840, Leases.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes gains on sales of real estate in accordance with the principles set forth in ASC 360, Property, Plant and Equipment. Upon closing of real estate transactions, the provisions of ASC 360 require consideration for the transfer of rights of ownership to the purchaser, receipt of an adequate cash down payment from the purchaser, adequate continuing investment by the purchaser and no substantial continuing involvement by the Company. If the requirements for recognizing gains have not been met, the sale and related costs are recorded, but the gain is deferred and recognized by a method other than the full accrual method.

The Company recognizes interest income on mortgage loans on the accrual method unless a significant uncertainty of collection exists. If a significant uncertainty exists, interest income is recognized as collected. If applicable, discounts on mortgage loans receivable are amortized over the lives of the loans using a method that does not differ materially from the interest method. The Company evaluates the collectibility of both interest and principal on each of its loans to determine whether the loans are impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the fair value of the underlying collateral (if the loan is collateralized) less costs to sell. As of December 31, 2015 and 2014, there was no significant uncertainty of collection; therefore, interest income was recognized. As of December 31, 2015 and 2014, the Company determined that no allowance for collectibility of the mortgage loans receivable was necessary.

(d) Real Estate Properties

EastGroup has one reportable segment—industrial properties. These properties are concentrated in major Sunbelt markets of the United States, primarily in the states of Florida, Texas, Arizona, California and North Carolina, have similar economic characteristics and also meet the other criteria that permit the properties to be aggregated into one reportable segment.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows (including estimated future expenditures necessary to substantially complete the asset) expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2015 and 2014, the Company determined that no impairment charges on the Company's real estate properties were necessary.

Depreciation of buildings and other improvements is computed using the straight-line method over estimated useful lives of generally 40 years for buildings and 3 to 15 years for improvements. Building improvements are capitalized, while maintenance and repair expenses are charged to expense as incurred. Significant renovations and improvements that improve or extend the useful life of the assets are capitalized. Depreciation expense for continuing and discontinued operations was \$59,882,000, \$57,303,000 and \$54,284,000 for 2015, 2014 and 2013, respectively.

(e) Development

During the period in which a property is under development, costs associated with development (i.e., land, construction costs, interest expense, property taxes and other costs associated with development) are aggregated into the total capitalized costs of the property. Included in these costs are management's estimates for the portions of internal costs (primarily personnel costs) deemed related to such development activities. The internal costs are allocated to specific development properties based on development activity. As the property becomes occupied, depreciation commences on the occupied portion of the building, and costs are capitalized only for the portion of the

building that remains vacant. When the property becomes 80% occupied or one year after completion of the shell construction (whichever comes first), capitalization of development costs, including interest expense, property taxes and internal personnel costs, ceases. The properties are then transferred to Real estate properties, and depreciation commences on the entire property (excluding the land).

(f) Real Estate Held for Sale

The Company considers a real estate property to be held for sale when it meets the criteria established under ASC 360, Property, Plant and Equipment, including when it is probable that the property will be sold within a year. Real estate properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale.

In April 2014, the FASB issued Accounting Standards Update (ASU) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amended the requirements for reporting discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components meets the criteria to be classified as held for sale or when the component or group of components is disposed of by sale or other than by sale. In addition, this ASU requires additional disclosures about both discontinued operations and the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. EastGroup performs an analysis of properties sold to determine whether the sales qualify for discontinued operations presentation. Typically, when the Company disposes of operating properties, the sales are not considered to be disposals of a component of an entity or a group of components of an entity representing a strategic shift that has (or will have) a major effect on the entity's operations and financial results. The Company adopted the provisions of ASU 2014-08 as of January 1, 2014, and has applied the provisions prospectively.

Prior to the adoption of ASU 2014-08, the results of operations for the operating properties sold or held for sale during the reported periods were shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. Interest expense was not generally allocated to the properties held for sale or whose operations are included under Discontinued Operations unless the mortgage was required to be paid in full upon the sale of the property.

(g) Derivative Instruments and Hedging Activities

EastGroup applies ASC 815, Derivatives and Hedging, which requires all entities with derivative instruments to disclose information regarding how and why the entity uses derivative instruments and how derivative instruments and related hedged items affect the entity's financial position, financial performance and cash flows. See Note 13 for a discussion of the Company's derivative instruments and hedging activities.

(h) Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(i) Amortization

Debt origination costs are deferred and amortized over the term of each loan using the effective interest method. Amortization of loan costs for continuing operations was \$1,336,000, \$1,236,000 and \$1,289,000 for 2015, 2014 and 2013, respectively.

Leasing costs are deferred and amortized using the straight-line method over the term of the lease. Leasing costs paid during the period are included in Changes in other assets and other liabilities in the Investing Activities section on the Consolidated Statements of Cash Flows. Leasing costs amortization expense for continuing and discontinued operations was \$9,038,000, \$8,284,000 and \$7,354,000 for 2015, 2014 and 2013, respectively.

Amortization expense for in-place lease intangibles is disclosed below in Business Combinations and Acquired Intangibles.

(j) Business Combinations and Acquired Intangibles

Upon acquisition of real estate properties, the Company applies the principles of ASC 805, Business Combinations, which requires that acquisition-related costs be recognized as expenses in the periods in which the costs are incurred and the services are received. The Codification also provides guidance on how to properly determine the allocation of the purchase price among the individual components of both the tangible and intangible assets based on their respective fair values. Goodwill is recorded when the purchase price exceeds the fair value of the assets and liabilities acquired. Factors considered by management in allocating the cost of the properties acquired include an estimate of

carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The allocation to tangible assets (land, building and improvements) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models. The Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar properties. The cost of the properties acquired may be adjusted based on indebtedness assumed from the seller that is determined to be above or below market rates.

The purchase price is also allocated among the following categories of intangible assets: the above or below market component of in-place leases, the value of in-place leases, and the value of customer relationships. The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate reflecting the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above and below market leases are included in Other Assets and Other Liabilities, respectively, on the Consolidated Balance Sheets and are amortized to rental income over the remaining terms of the respective leases. The total amount of intangible assets is further allocated to in-place lease values and customer relationship values based upon management's assessment of their respective values. These intangible assets are included in Other Assets on the Consolidated Balance Sheets and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amortization of above and below market leases increased rental income by \$448,000, \$421,000 and \$188,000 in 2015, 2014 and 2013, respectively. Amortization expense for in-place lease intangibles for continuing and discontinued operations was \$4,370,000, \$4,727,000 and \$4,281,000 for 2015, 2014 and 2013, respectively.

Projected amortization of in-place lease intangibles for the next five years as of December 31, 2015 is as follows:

| Years Ending December 31, | (In thousands) |
|---------------------------|----------------|
| 2016 | \$3,886 |
| 2017 | 2,540 |
| 2018 | 1,513 |
| 2019 | 1,078 |
| 2020 | 724 |

During 2015, the Company acquired Southpark Corporate Center and Springdale Business Center, both in Austin, Texas, for a total cost of \$31,574,000, of which \$28,648,000 was allocated to Real estate properties. EastGroup allocated \$5,494,000 of the total purchase price to land using third party land valuations for the Austin market. The market values are considered to be Level 3 inputs as defined by ASC 820, Fair Value Measurements and Disclosures (see Note 18 for additional information on ASC 820). Intangibles associated with the purchase of real estate were allocated as follows: \$3,453,000 to in-place lease intangibles (included in Other Assets on the Consolidated Balance Sheets) and \$527,000 to below market leases (included in Other Liabilities on the Consolidated Balance Sheets). These costs are amortized over the remaining lives of the associated leases in place at the time of acquisition.

During 2014, EastGroup acquired the following operating properties: Ridge Creek Distribution Center III in Charlotte, North Carolina; Colorado Crossing Distribution Center in Austin, Texas; and Ramona Distribution Center in Chino, California. The Company purchased these properties for a total cost of \$51,652,000, of which \$47,477,000 was allocated to Real estate properties. The Company allocated \$10,822,000 of the total purchase price to land using third party land valuations for the Charlotte, Austin and Chino markets. The market values are considered to be Level 3 inputs as defined by ASC 820. Intangibles associated with the purchase of real estate were allocated as follows: \$5,074,000 to in-place lease intangibles, \$4,000 to above market leases and \$903,000 to below market leases. The Company paid cash of \$48,805,000 for the properties and intangibles acquired, assumed a mortgage of \$2,617,000 and recorded a premium of \$230,000 to adjust the mortgage loan assumed to fair value.

During 2013, EastGroup acquired the following operating properties: Northfield Distribution Center in Dallas, Texas, and Interchange Park II in Charlotte, North Carolina. The Company purchased these properties for a total cost of \$72,397,000, of which \$65,387,000 was allocated to Real estate properties. The Company allocated \$13,218,000 of the total purchase price to land using third party land valuations for the Dallas and Charlotte markets. The market values are considered to be Level 3 inputs as defined by ASC 820. Intangibles associated with the purchase of real estate were allocated as follows: \$8,399,000 to in-place lease intangibles, \$158,000 to above market leases and \$1,547,000 to below market leases.

The Company periodically reviews the recoverability of goodwill (at least annually) and the recoverability of other intangibles (on a quarterly basis) for possible impairment. In management's opinion, no impairment of goodwill and other intangibles existed at December 31, 2015 and 2014.

(k) Stock-Based Compensation

In May 2004, the stockholders of the Company approved the EastGroup Properties, Inc. 2004 Equity Incentive Plan ("the 2004 Plan"), which was further amended by the Board of Directors in September 2005 and December

2006. This plan authorized the issuance of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation.

In April 2013, the Board of Directors adopted the EastGroup Properties, Inc. 2013 Equity Incentive Plan (the “2013 Equity Plan”) upon the recommendation of the Compensation Committee; the 2013 Equity Plan was approved by the Company's stockholders and became effective May 29, 2013. The 2013 Equity Plan replaced the 2004 Plan and the 2005 Directors Equity Incentive Plan. Typically, the Company issues new shares to fulfill stock grants or upon the exercise of stock options.

EastGroup applies the provisions of ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. ASC 718 requires that the compensation cost relating to share-based payment transactions be recognized in the financial

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

statements and that the cost be measured on the fair value of the equity or liability instruments issued. The cost for market-based awards and awards that only require service are expensed on a straight-line basis over the requisite service periods. The cost for performance-based awards is determined using the graded vesting attribution method which recognizes each separate vesting portion of the award as a separate award on a straight-line basis over the requisite service period. This method accelerates the expensing of the award compared to the straight-line method.

The total compensation expense for service and performance based awards is based upon the fair market value of the shares on the grant date, adjusted for estimated forfeitures. The grant date fair value for awards that have been granted and are subject to a future market condition (total shareholder return) are determined using a simulation pricing model developed to specifically accommodate the unique features of the awards (the Company did not have any such awards in 2015, 2014 or 2013).

During the restricted period for awards no longer subject to contingencies, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. Share certificates and dividends are delivered to the employee as they vest.

(l) Earnings Per Share

The Company applies ASC 260, Earnings Per Share, which requires companies to present basic and diluted earnings per share (EPS). Basic EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period. The Company's basic EPS is calculated by dividing Net Income Attributable to EastGroup Properties, Inc. Common Stockholders by the weighted average number of common shares outstanding. The weighted average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding, are considered forfeitable until the restrictions lapse and will not be included in the basic EPS calculation until the shares are vested.

Diluted EPS represents the amount of earnings for the period attributable to each share of common stock outstanding during the reporting period and to each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. The Company calculates diluted EPS by dividing Net Income Attributable to EastGroup Properties, Inc. Common Stockholders by the weighted average number of common shares outstanding plus the dilutive effect of unvested restricted stock and stock options had the options been exercised. The dilutive effect of stock options and their equivalents (such as unvested restricted stock) is determined using the treasury stock method which assumes exercise of the options as of the beginning of the period or when issued, if later, and assumes proceeds from the exercise of options are used to purchase common stock at the average market price during the period.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the reporting period and to disclose material contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(n) Risks and Uncertainties

The state of the overall economy can significantly impact the Company's operational performance and thus impact its financial position. Should EastGroup experience a significant decline in operational performance, it may affect the Company's ability to make distributions to its shareholders, service debt, or meet other financial obligations.

(o) Recent Accounting Pronouncements

EastGroup has evaluated all ASUs released by the FASB through the date the financial statements were issued and determined that the following ASUs apply to the Company.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The effective date of ASU was extended by one year by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The new standard is effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures beginning with the Form 10-Q for the period ended March 31, 2018. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 801): Amendments to Consolidation Analysis, under which all legal entities are subject to reevaluation under the revised consolidation model. The ASU modifies whether limited

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with VIEs, and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. EastGroup plans to adopt ASU 2015-02 effective January 1, 2016. The Company does not anticipate the adoption of ASU 2015-02 will have a material impact on the Company's financial condition or results of operations.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. For public business entities, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Entities should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, entities are required to comply with the applicable disclosures for a change in an accounting principle. EastGroup plans to adopt ASU 2015-03 effective January 1, 2016; as such, the Company plans to present debt issuance costs as a direct deduction from the carrying amounts of its debt liabilities and to provide all necessary disclosures beginning with the Form 10-Q for the period ended March 31, 2016.

In August 2015, the FASB issued ASU 2015-15, Interest - Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which adds comments from the Securities and Exchange Commission (SEC) addressing ASU 2015-03, as discussed above, and debt issuance costs related to line-of-credit arrangements. The SEC commented it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. EastGroup plans to adopt ASU 2015-15 in connection with its adoption of ASU 2015-03 effective January 1, 2016. The Company does not anticipate the adoption of ASU 2015-15 will have a material impact on the Company's financial condition or results of operations.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized costs on the balance sheet. EastGroup plans to adopt ASU 2016-01 effective January 1, 2018. The Company does not anticipate the adoption of ASU 2016-01 will have a material impact on the Company's financial condition or results of operations.

(p) Classification of Book Overdraft on Consolidated Statements of Cash Flows

The Company classifies changes in book overdraft in which the bank has not advanced cash to the Company to cover outstanding checks as an operating activity. Such amounts are included in Accounts payable, accrued expenses and prepaid rent in the Operating Activities section on the Consolidated Statements of Cash Flows.

(q) Reclassifications

Certain reclassifications have been made in the 2014 and 2013 consolidated financial statements to conform to the 2015 presentation.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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(2) REAL ESTATE PROPERTIES

The Company's Real estate properties and Development at December 31, 2015 and 2014 were as follows:

| | December 31, | |
|-------------------------------------|----------------|-----------|
| | 2015 | 2014 |
| | (In thousands) | |
| Real estate properties: | | |
| Land | \$301,435 | 283,116 |
| Buildings and building improvements | 1,393,688 | 1,284,961 |
| Tenant and other improvements | 353,884 | 326,896 |
| Development | 170,441 | 179,973 |
| | 2,219,448 | 2,074,946 |
| Less accumulated depreciation | (657,454) | (600,526) |
| | \$1,561,994 | 1,474,420 |

EastGroup acquired operating properties during 2015, 2014 and 2013 as discussed in Note 1(j).

Real estate properties held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amended the requirements for reporting discontinued operations. Prior to the adoption of ASU 2014-08, the results of operations for the operating properties sold or held for sale during the reported periods were shown under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. Interest expense was not generally allocated to the properties held for sale or whose operations were included under Discontinued Operations unless the mortgage was required to be paid in full upon the sale of the property. ASU 2014-08 is described in further in Note 1(f).

In 2015, EastGroup sold one operating property, the last of its three Ambassador Row Warehouses. The results of operations and gain on sale for the property sold during 2015 are reported under Income from Continuing Operations on the Consolidated Statements of Income and Comprehensive Income. The gain on sale is included in Gain on sales of real estate investments.

In 2014, the Company sold the following operating properties: Northpoint Commerce Center, Tampa West Distribution Center VI, Clay Campbell Distribution Center, Kirby Business Center and two of its three Ambassador Row Warehouses. The results of operations and gains on sales for the properties sold during 2014 are reported under Income from Continuing Operations on the Consolidated Statements of Income and Comprehensive Income. The gains on sales are included in Gain on sales of real estate investments.

In 2013, the Company sold the following operating properties: Tampa East Distribution Center II, Tampa West Distribution Center V and Tampa West Distribution Center VII. The results of operations and gains on sales for the properties sold in 2013 are reported under Discontinued Operations on the Consolidated Statements of Income and Comprehensive Income. No interest expense was allocated to the properties held for sale or whose operations are included under Discontinued Operations.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Gain on Sales of Real Estate

A summary of Gain on sales of real estate investments for the years ended December 31, 2015, 2014 and 2013 follows:

| Real Estate Properties | Location | Size (in Square Feet) | Date Sold | Net Sales Price | Basis | Recognized Gain |
|------------------------------------|-------------------|--------------------------------|------------|--------------------|--------|--------------------|
| (In thousands) | | | | | | |
| 2015 | | | | | | |
| Ambassador Row Warehouse | Dallas, TX | 185,000 | 04/13/2015 | \$4,998 | 2,095 | 2,903 |
| 2014 | | | | | | |
| Northpoint Commerce Center | Oklahoma City, OK | 58,000 | 03/28/2014 | \$3,471 | 3,376 | 95 |
| Tampa West Distribution Center VI | Tampa, FL | 9,000 | 07/08/2014 | 682 | 446 | 236 |
| Clay Campbell Distribution Center | Houston, TX | 118,000 | 09/30/2014 | 7,690 | 2,826 | 4,864 |
| Kirby Business Park | Houston, TX | 125,000 | 09/30/2014 | 5,306 | 2,989 | 2,317 |
| Ambassador Row Warehouses | Dallas, TX | 132,000 | 12/30/2014 | 3,358 | 1,682 | 1,676 |
| Total for 2014 | | | | \$20,507 | 11,319 | 9,188 |
| 2013 | | | | | | |
| Tampa West Distribution Center V | Tampa, FL | 12,000 | 12/20/2013 | \$609 | 442 | 167 |
| Tampa West Distribution Center VII | Tampa, FL | 6,000 | 12/20/2013 | 422 | 417 | 5 |
| Tampa East Distribution Center II | Tampa, FL | 31,000 | 12/30/2013 | 1,929 | 1,303 | 626 |
| Total for 2013 | | | | \$2,960 | 2,162 | 798 |

The table above includes sales of operating properties; the Company also sold parcels of land during the years presented. During the year ended December 31, 2015, EastGroup sold a small parcel of land in New Orleans for \$170,000 and recognized a gain on \$123,000. During the year ended December 31, 2014, EastGroup sold a small parcel of land in Orlando for a net sales price of \$118,000 and recognized a gain of \$98,000. During 2013, the Company sold a small parcel of land in Orlando for a net sales price of \$1,313,000 and recognized a gain of \$24,000. The gains on sales of land are included in Other on the Consolidated Statements of Income and Comprehensive Income.

The following table presents the components of revenues and expenses for the properties sold or held for sale during 2013.

| DISCONTINUED OPERATIONS | Year Ended December 31, 2013 (In thousands) |
|--|---|
| Income from real estate operations | \$306 |
| Expenses from real estate operations | (87) |
| Property net operating income from discontinued operations | 219 |

| | | |
|--|--------|---|
| Depreciation and amortization | (130 |) |
| Income from real estate operations | 89 | |
| Gain on sales of real estate investments | 798 | |
| Income from discontinued operations | \$ 887 | |

The Company's development program as of December 31, 2015, was comprised of the properties detailed in the table below. Costs incurred include capitalization of interest costs during the period of construction. The interest costs capitalized on development properties for 2015 were \$5,257,000 compared to \$4,942,000 for 2014 and \$5,064,000 for 2013. In addition, EastGroup capitalized internal development costs of \$4,467,000 during the year ended December 31, 2015, compared to \$4,040,000 during 2014 and \$3,730,000 in 2013.

Total capital invested for development during 2015 was \$95,032,000, which primarily consisted of costs of \$66,882,000 and \$20,395,000 as detailed in the development activity table below and costs of \$7,879,000 on development properties subsequent to transfer to Real Estate Properties. The capitalized costs incurred on development properties subsequent to transfer to Real Estate Properties include capital improvements at the properties and do not include other capitalized costs associated with development (i.e., interest expense, property taxes and internal personnel costs).

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| DEVELOPMENT | | Costs Incurred | | | Estimated Total Costs (²) | Anticipated Building Conversion Date |
|---|---------------------------------------|--|-----------------------------|---------------------------|---|--------------------------------------|
| | | Costs Transferred in 2015 (¹) | For the Year Ended 12/31/15 | Cumulative as of 12/31/15 | | |
| | (Unaudited) | | | | (Unaudited) | (Unaudited) |
| LEASE-UP | Building Size (Square feet) | | | | | |
| Alamo Ridge I, San Antonio, TX | 96,000 | \$— | 1,877 | 7,352 | 8,500 | 02/16 |
| Alamo Ridge II, San Antonio, TX | 62,000 | — | 773 | 4,139 | 4,700 | 02/16 |
| Madison II & III, Tampa, FL | 127,000 | — | 3,737 | 7,417 | 8,000 | 02/16 |
| West Road III, Houston, TX | 78,000 | — | 917 | 4,782 | 5,000 | 03/16 |
| Ten West Crossing 7, Houston, TX | 68,000 | — | 902 | 4,072 | 4,900 | 04/16 |
| West Road IV, Houston, TX | 65,000 | 1,292 | 3,393 | 4,685 | 5,400 | 08/16 |
| Kyrene 202 VI, Phoenix, AZ | 123,000 | 1,515 | 5,505 | 7,020 | 9,500 | 09/16 |
| ParkView 1-3, Dallas, TX | 276,000 | — | 13,180 | 17,256 | 19,600 | 10/16 |
| Total Lease-Up | 895,000 | 2,807 | 30,284 | 56,723 | 65,600 | |
| UNDER CONSTRUCTION | | | | | | |
| Alamo Ridge III, San Antonio, TX | 135,000 | 2,120 | 260 | 2,380 | 12,200 | 10/16 |
| South 35th Avenue, Phoenix, AZ (³) | 124,000 | — | 1,171 | 1,171 | 1,200 | 01/17 |
| Eisenhower Point 1 & 2, San Antonio, TX | 201,000 | 1,880 | 4,880 | 6,760 | 13,500 | 02/17 |
| Horizon III, Orlando, FL | 109,000 | 2,399 | 3,716 | 6,115 | 7,800 | 02/17 |
| Ten Sky Harbor, Phoenix, AZ | 64,000 | 1,653 | 1,999 | 3,652 | 6,000 | 03/17 |
| Steele Creek VI, Charlotte, NC | 137,000 | 1,273 | 1,631 | 2,904 | 7,600 | 05/17 |
| Total Under Construction | 770,000 | 9,325 | 13,657 | 22,982 | 48,300 | |
| PROSPECTIVE DEVELOPMENT (PRIMARILY LAND) | Estimated Building Size (Square feet) | | | | | |
| Phoenix, AZ | 261,000 | (3,168) | 3,192 | 3,487 | | |
| Tucson, AZ | 70,000 | — | — | 417 | | |
| Fort Myers, FL | 663,000 | — | — | 17,858 | | |
| Orlando, FL | 912,000 | (5,015) | 1,535 | 20,371 | | |
| Tampa, FL | 290,000 | (2,255) | 710 | 4,639 | | |
| Jackson, MS | 28,000 | — | — | 706 | | |
| Charlotte, NC | 281,000 | (1,273) | 711 | 4,421 | | |
| Dallas, TX | 519,000 | — | 6,477 | 8,126 | | |
| El Paso, TX | 251,000 | — | — | 2,444 | | |
| Houston, TX | 1,607,000 | (2,581) | 5,458 | 24,587 | | |
| San Antonio, TX | 453,000 | (4,000) | 4,858 | 3,680 | | |
| Total Prospective Development | 5,335,000 | (18,292) | 22,941 | 90,736 | | |
| | 7,000,000 | \$(6,160) | 66,882 | 170,441 | | |
| DEVELOPMENTS COMPLETED AND TRANSFERRED TO REAL | Building Size (Square | | | | | Building Conversion |

| ESTATE PROPERTIES DURING 2015 | feet) | | | | | Date |
|---|-----------|---------|--------|---|--------|-------|
| Horizon I, Orlando, FL | 109,000 | \$— | (16 |) | 7,096 | 02/15 |
| Kyrene 202 II, Phoenix, AZ | 45,000 | — | 61 | | 3,470 | 02/15 |
| Steele Creek III, Charlotte, NC | 108,000 | — | (179 |) | 7,141 | 02/15 |
| Steele Creek II, Charlotte, NC | 71,000 | — | 22 | | 4,945 | 03/15 |
| World Houston 39, Houston, TX | 94,000 | — | 420 | | 5,476 | 06/15 |
| World Houston 42, Houston, TX | 94,000 | 1,289 | 3,733 | | 5,022 | 07/15 |
| World Houston 41, Houston, TX | 104,000 | — | 603 | | 5,949 | 08/15 |
| Horizon II, Orlando, FL | 123,000 | — | 232 | | 7,892 | 09/15 |
| Sky Harbor 6, Phoenix, AZ | 31,000 | — | 1,352 | | 2,972 | 10/15 |
| Ten West Crossing 6, Houston, TX | 64,000 | — | 470 | | 4,712 | 10/15 |
| Thousand Oaks 4, San Antonio, TX | 66,000 | — | 1,576 | | 4,519 | 10/15 |
| West Road I, Houston, TX | 63,000 | — | 662 | | 4,939 | 10/15 |
| Kyrene 202 I, Phoenix, AZ | 75,000 | — | 195 | | 6,134 | 11/15 |
| Rampart IV, Denver, CO | 84,000 | — | 1,178 | | 8,125 | 11/15 |
| Oak Creek VIII, Tampa, FL | 108,000 | 2,255 | 3,074 | | 5,329 | 12/15 |
| Steele Creek IV, Charlotte, NC | 57,000 | — | 736 | | 4,196 | 12/15 |
| Horizon IV, Orlando, FL | 123,000 | 2,616 | 6,276 | | 8,892 | 12/15 |
| Total Transferred to Real Estate Properties | 1,419,000 | \$6,160 | 20,395 | | 96,809 | (4) |

- (1) Represents costs transferred from Prospective Development (primarily land) to Under Construction during the period. Negative amounts represent land inventory costs transferred to Under Construction.
- (2) Included in these costs are development obligations of \$12.0 million and tenant improvement obligations of \$4.3 million on properties under development.
- (3) This property is a manufacturing building undergoing redevelopment to a multi-tenant use building.
- (4) Represents cumulative costs at the date of transfer.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following schedule indicates approximate future minimum rental receipts under non-cancelable leases for real estate properties by year as of December 31, 2015:

Future Minimum Rental Receipts Under Non-Cancelable Leases

| Years Ending December 31, | (In thousands) |
|---------------------------|----------------|
| 2016 | \$176,082 |
| 2017 | 144,173 |
| 2018 | 110,845 |
| 2019 | 84,253 |
| 2020 | 58,448 |
| Thereafter | 87,841 |
| Total minimum receipts | \$661,642 |

Ground Leases

As of December 31, 2015, the Company owned two properties in Florida, two properties in Texas and one property in Arizona that are subject to ground leases. These leases have terms of 40 to 50 years, expiration dates of August 2031 to November 2037, and renewal options of 15 to 35 years, except for the one lease in Arizona which is automatically and perpetually renewed annually. Total ground lease expenditures for continuing and discontinued operations for the years ended December 31, 2015, 2014 and 2013 were \$756,000, \$745,000 and \$740,000, respectively. Payments are subject to increases at 3 to 10 year intervals based upon the agreed or appraised fair market value of the leased premises on the adjustment date or the Consumer Price Index percentage increase since the base rent date. The following schedule indicates approximate future minimum ground lease payments for these properties by year as of December 31, 2015:

Future Minimum Ground Lease Payments

| Years Ending December 31, | (In thousands) |
|---------------------------|----------------|
| 2016 | \$756 |
| 2017 | 756 |
| 2018 | 756 |
| 2019 | 756 |
| 2020 | 756 |
| Thereafter | 11,186 |
| Total minimum payments | \$14,966 |

(3) UNCONSOLIDATED INVESTMENT

The Company owns a 50% undivided tenant-in-common interest in Industry Distribution Center II, a 309,000 square foot warehouse distribution building in the City of Industry (Los Angeles), California. The building was constructed in 1998 and is 100% leased through December 2018 to a single tenant who owns the other 50% interest in the property. This investment is accounted for under the equity method of accounting and had a carrying value of \$8,004,000 at December 31, 2015, and \$7,884,000 at December 31, 2014.

(4) MORTGAGE LOANS RECEIVABLE

As of December 31, 2015 and 2014, the Company had two mortgage loans receivable, both of which are classified as first mortgage loans, have effective interest rates of 5.25% and mature in October 2017. Mortgage loans receivable are included in Other Assets on the Consolidated Balance Sheets. See Note 5 for a summary of Other Assets.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) OTHER ASSETS

A summary of the Company's Other Assets follows:

| | December 31, 2015 | December 31, 2014 |
|--|----------------------|----------------------|
| | (In thousands) | |
| Leasing costs (principally commissions) | \$59,043 | 56,171 |
| Accumulated amortization of leasing costs | (23,455 |) (22,951 |
| Leasing costs (principally commissions), net of accumulated amortization | 35,588 | 33,220 |
| | | |
| Straight-line rents receivable | 26,482 | 25,013 |
| Allowance for doubtful accounts on straight-line rents receivable | (167 |) (102 |
| Straight-line rents receivable, net of allowance for doubtful accounts | 26,315 | 24,911 |
| | | |
| Accounts receivable | 5,615 | 4,459 |
| Allowance for doubtful accounts on accounts receivable | (394 |) (379 |
| Accounts receivable, net of allowance for doubtful accounts | 5,221 | 4,080 |
| | | |
| Acquired in-place lease intangibles | 19,061 | 20,118 |
| Accumulated amortization of acquired in-place lease intangibles | (8,205 |) (8,345 |
| Acquired in-place lease intangibles, net of accumulated amortization | 10,856 | 11,773 |
| | | |
| Acquired above market lease intangibles | 1,337 | 1,575 |
| Accumulated amortization of acquired above market lease intangibles | (684 |) (699 |
| Acquired above market lease intangibles, net of accumulated amortization | 653 | 876 |
| | | |
| Loan costs | 8,788 | 8,166 |
| Accumulated amortization of loan costs | (4,460 |) (4,454 |
| Loan costs, net of accumulated amortization | 4,328 | 3,712 |
| | | |
| Mortgage loans receivable | 4,875 | 4,991 |
| Interest rate swap assets | 400 | 812 |
| Goodwill | 990 | 990 |
| Escrow deposits for 1031 exchange | — | 698 |
| Prepaid expenses and other assets | 6,960 | 7,446 |
| Total Other Assets | \$96,186 | 93,509 |

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) SECURED AND UNSECURED DEBT

A summary of Secured Debt follows:

| Property | Interest Rate | Monthly P&I Payment | Maturity Date | Carrying Amount of Securing Real Estate at December 31, 2015 (In thousands) | Balance at December 31, | |
|--|---------------|---------------------|---------------|--|-------------------------|---------|
| | | | | | 2015 | 2014 |
| Beltway II-IV, Commerce Park I, Eastlake, Fairgrounds, Nations Ford, Techway Southwest III, Wetmore 1-4 and World Houston 15 & 22 | 5.50% | \$536,552 | Repaid | \$— | — | 58,262 |
| Country Club I, Lake Pointe, Techway Southwest II and World Houston 19 & 20 | 4.98% | 256,952 | Repaid | — | — | 26,074 |
| Huntwood and Wiegman I | 5.68% | 265,275 | 09/05/2016 | 19,991 | 25,567 | 27,246 |
| Alamo Downs, Arion 1-15 & 17, Rampart I-IV, Santan 10 I and World Houston 16 | 5.97% | 557,467 | 10/05/2016 | 57,654 | 53,563 | 56,945 |
| Arion 16, Broadway VI, Chino, East University I & II, Northpark, Santan 10 II, 55 th Avenue and World Houston 1 & 2, 21 & 23 | 5.57% | 518,885 | 09/05/2017 | 49,692 | 50,971 | 54,259 |
| Dominguez, Industry I & III, Kingsview, Shaw, Walnut and Washington ⁽¹⁾ | 7.50% | 539,747 | 05/05/2019 | 47,123 | 54,689 | 56,970 |
| Blue Heron II | 5.39% | 16,176 | 02/29/2020 | 4,174 | 735 | 884 |
| 40 th Avenue, Beltway Crossing V, Centennial Park, Executive Airport, Ocean View, Techway Southwest IV, Wetmore 5-8 and World Houston 26, 28, 29 & 30 | 4.39% | 463,778 | 01/05/2021 | 68,092 | 61,312 | 64,119 |
| America Plaza, Central Green, Glenmont, Interstate I-III, Rojas, Stemmons Circle, Venture, West Loop and World Houston 3-9 | 4.75% | 420,045 | 06/05/2021 | 43,369 | 55,223 | 57,579 |
| Arion 18, Beltway Crossing VI & VII, Commerce Park II & III, Concord, Interstate V-VII, Lakeview, Ridge Creek II, Southridge IV & V and World Houston 32 | 4.09% | 329,796 | 01/05/2022 | 59,908 | 46,584 | 48,592 |
| Ramona | 3.85% | 16,287 | 11/30/2026 | 9,344 | 2,757 | 2,846 |
| | | | | \$359,347 | 351,401 | 453,776 |

- (1) This mortgage loan has a recourse liability of \$5.0 million which will be released based on the secured properties generating certain base rent amounts.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of Unsecured Debt follows:

| | Interest Rate | Maturity Date | Balance at December 31, | |
|---|---------------|---------------|-------------------------|---------|
| | | | 2015 | 2014 |
| | | | (In thousands) | |
| \$80 Million Unsecured Term Loan ⁽¹⁾ | 2.770% | 08/15/2018 | \$80,000 | 80,000 |
| \$50 Million Unsecured Term Loan | 3.910% | 12/21/2018 | 50,000 | 50,000 |
| \$75 Million Unsecured Term Loan ⁽²⁾ | 2.846% | 07/31/2019 | 75,000 | 75,000 |
| \$75 Million Unsecured Term Loan ⁽³⁾ | 3.752% | 12/20/2020 | 75,000 | 75,000 |
| \$75 Million Unsecured Term Loan ⁽⁴⁾ | 3.031% | 02/28/2022 | 75,000 | — |
| \$100 Million Senior Unsecured Notes: | | | | |
| \$30 Million Notes | 3.800% | 08/28/2020 | 30,000 | 30,000 |
| \$50 Million Notes | 3.800% | 08/28/2023 | 50,000 | 50,000 |
| \$20 Million Notes | 3.800% | 08/28/2025 | 20,000 | 20,000 |
| \$25 Million Senior Unsecured Notes | 3.970% | 10/01/2025 | 25,000 | — |
| \$50 Million Senior Unsecured Notes | 3.990% | 10/07/2025 | 50,000 | — |
| | | | \$530,000 | 380,000 |

(1) The interest rate on this unsecured term loan is comprised of LIBOR plus 175 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the loan's LIBOR rate to a fixed interest rate, providing the Company an effective interest rate on the term loan of 2.770% as of December 31, 2015. See Note 13 for additional information on the interest rate swap.

(2) The interest rate on this unsecured term loan is comprised of LIBOR plus 115 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 2.846% as of December 31, 2015. See Note 13 for additional information on the interest rate swap.

(3) The interest rate on this unsecured term loan is comprised of LIBOR plus 140 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into two interest rate swaps to convert the loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 3.752% as of December 31, 2015. See Note 13 for additional information on the interest rate swaps.

(4) The interest rate on this unsecured term loan is comprised of LIBOR plus 140 basis points subject to a pricing grid for changes in the Company's coverage ratings. The Company entered into an interest rate swap to convert the loan's LIBOR rate to a fixed interest rate, providing the Company a weighted average effective interest rate on the term loan of 3.031% as of December 31, 2015. See Note 13 for additional information on the interest rate swap.

The Company's unsecured term loans have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2015.

The Company currently intends to repay its debt obligations, both in the short-term and long-term, through its operating cash flows, borrowings under its unsecured bank credit facilities, proceeds from new debt (primarily unsecured), and/or proceeds from the issuance of equity instruments.

Principal payments on long-term debt, including Secured Debt and Unsecured Debt (not including Unsecured Bank Credit Facilities), due during the next five years as of December 31, 2015 are as follows:

| Years Ending December 31, | (In thousands) |
|---------------------------|----------------|
| 2016 | \$92,804 |
| 2017 | 58,239 |

| | |
|------|---------|
| 2018 | 141,316 |
| 2019 | 130,569 |
| 2020 | 114,097 |

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) UNSECURED BANK CREDIT FACILITIES

Until July 30, 2015, EastGroup had \$225 million and \$25 million unsecured bank credit facilities with margins over LIBOR of 117.5 basis points, facility fees of 22.5 basis points and maturity dates of January 5, 2017. The Company closed amended credit facilities on July 30, 2015. The amended agreements expand the facilities to \$300 million and \$35 million, reduce the current applicable margins to 100 basis points and the current applicable facility fees to 20 basis points, and extend the maturity dates to July 30, 2019.

EastGroup's amended \$300 million unsecured revolving credit facility is with a group of nine banks and matures on July 30, 2019. The credit facility contains an option for a one-year extension (at the Company's election) and a \$150 million expansion (with agreement by all parties). The interest rate on each tranche is usually reset on a monthly basis and as of December 31, 2015, was LIBOR plus 100 basis points with an annual facility fee of 20 basis points. The margin and facility fee are subject to changes in the Company's credit ratings. At December 31, 2015, the weighted average interest rate was 1.394% on a balance of \$137,000,000.

The Company's amended \$35 million agreement matures on July 30, 2019, and it contains a provision that the credit facility would automatically be extended for one year if the extension option in the \$300 million facility is exercised. The interest rate is reset on a daily basis and as of December 31, 2015, was LIBOR plus 100 basis points with an annual facility fee of 20 basis points. The margin and facility fee are subject to changes in the Company's credit ratings. At December 31, 2015, the interest rate was 1.430% on a balance of \$13,836,000.

Average unsecured bank credit facilities borrowings were \$109,777,000 in 2015 compared to \$96,162,000 in 2014 with weighted average interest rates of 1.85% in 2015 compared to 1.92% in 2014. Weighted average interest rates (including amortization of loan costs) were 2.30% for 2015 and 2.35% for 2014. Amortization of unsecured bank credit facilities costs was \$493,000, \$413,000 and \$410,000 for 2015, 2014 and 2013, respectively.

The Company's unsecured bank credit facilities have certain restrictive covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage, and the Company was in compliance with all of its debt covenants at December 31, 2015.

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of the Company's Accounts Payable and Accrued Expenses follows:

| | December 31, | |
|--|----------------|--------|
| | 2015 | 2014 |
| | (In thousands) | |
| Property taxes payable | \$16,055 | 15,216 |
| Development costs payable | 6,215 | 7,920 |
| Property capital expenditures payable | 2,818 | 1,554 |
| Interest payable | 3,704 | 3,500 |
| Dividends payable on unvested restricted stock | 2,157 | 2,096 |
| Other payables and accrued expenses | 13,232 | 9,153 |
| Total Accounts Payable and Accrued Expenses | \$44,181 | 39,439 |

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) OTHER LIABILITIES

A summary of the Company's Other Liabilities follows:

| | December 31, | |
|--|----------------|----------|
| | 2015 | 2014 |
| | (In thousands) | |
| Security deposits | \$ 13,943 | 12,803 |
| Prepaid rent and other deferred income | 10,003 | 8,971 |
| Acquired below-market lease intangibles | 3,485 | 3,657 |
| Accumulated amortization of below-market lease intangibles | (1,353 |) (1,380 |
| Acquired below-market lease intangibles, net of accumulated amortization | 2,132 | 2,277 |
| Interest rate swap liabilities | 3,960 | 3,314 |
| Prepaid tenant improvement reimbursements | 493 | 212 |
| Other liabilities | 82 | 16 |
| Total Other Liabilities | \$ 30,613 | 27,593 |

(10) COMMON STOCK ACTIVITY

The following table presents the common stock activity for the three years ended December 31, 2015:

| | Years Ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2015 | 2014 | 2013 |
| | Common Shares | | |
| Shares outstanding at beginning of year | 32,232,587 | 30,937,225 | 29,928,490 |
| Common stock offerings | 106,751 | 1,246,400 | 890,085 |
| Stock options exercised | — | — | 4,500 |
| Dividend reinvestment plan | 4,536 | 3,626 | 3,577 |
| Incentive restricted stock granted | 100,622 | 71,642 | 112,099 |
| Incentive restricted stock forfeited | — | (2,375 |) — |
| Director common stock awarded | 9,373 | 7,742 | 7,469 |
| Director restricted stock granted | — | — | 417 |
| Restricted stock withheld for tax obligations | (32,409 |) (31,673 |) (9,412 |
| Shares outstanding at end of year | 32,421,460 | 32,232,587 | 30,937,225 |

Common Stock Issuances

The following table presents the common stock issuance activity for the three years ended December 31, 2015:

| Years Ended December 31, | Number of Common Shares Issued | Net Proceeds (In thousands) |
|--------------------------|-----------------------------------|--------------------------------|
| 2015 | 106,751 | \$ 6,233 |
| 2014 | 1,246,400 | 78,868 |
| 2013 | 890,085 | 53,247 |

Dividend Reinvestment Plan

The Company has a dividend reinvestment plan that allows stockholders to reinvest cash distributions in new shares of the Company.

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EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) STOCK-BASED COMPENSATION

The Company follows the provisions of ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. ASC 718 requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued.

Equity Incentive Plan

In May 2004, the stockholders of the Company approved the EastGroup Properties, Inc. 2004 Equity Incentive Plan (the “2004 Plan”) that authorized the issuance of up to 1,900,000 shares of common stock to employees in the form of options, stock appreciation rights, restricted stock, deferred stock units, performance shares, bonus stock or stock in lieu of cash compensation. The 2004 Plan was further amended by the Board of Directors in September 2005 and December 2006.

In April 2013, the Board of Directors adopted the EastGroup Properties, Inc. 2013 Equity Incentive Plan (the “2013 Equity Plan”) upon the recommendation of the Compensation Committee; the 2013 Equity Plan was approved by the Company's stockholders and became effective May 29, 2013. The 2013 Equity Plan replaced the 2004 Plan and the 2005 Directors Equity Incentive Plan. The 2013 Equity Plan permits the grant of awards to employees and directors with respect to 2,000,000 shares of common stock.

There were 1,802,000, 1,900,800 and 1,971,164 total shares available for grant under the 2013 Equity Plan as of December 31, 2015, 2014, and 2013, respectively. Typically, the Company issues new shares to fulfill stock grants. Stock-based compensation cost for employees was \$7,891,000, \$6,071,000 and \$5,087,000 for 2015, 2014 and 2013, respectively, of which \$1,672,000, \$1,415,000 and \$1,253,000 were capitalized as part of the Company's development costs for the respective years.

Employee Equity Awards

The Company's restricted stock program is designed to provide incentives for management to achieve goals established by the Compensation Committee. The awards act as a retention device, as they vest over time, allowing participants to benefit from dividends on shares as well as potential stock appreciation. Equity awards align management's interests with the long-term interests of shareholders. The vesting periods of the Company's restricted stock plans vary, as determined by the Compensation Committee. Restricted stock is granted to executive officers subject to both continued service and the satisfaction of certain annual performance goals and multi-year market conditions as determined by the Compensation Committee. Restricted stock is granted to non-executive officers subject only to continued service. The cost for market-based awards and awards that only require service is amortized on a straight-line basis over the requisite service periods. The total compensation expense for service and performance based awards is based upon the fair market value of the shares on the grant date, adjusted for estimated forfeitures.

In March 2015, the Compensation Committee of the Company's Board of Directors (the Committee) evaluated the Company's performance compared to certain annual performance goals (primarily funds from operations (FFO) per share and total shareholder return) for the year ended December 31, 2014. Based on the evaluation, 42,447 shares were awarded to the Company's executive officers at a grant date fair value of \$61.13 per share. These shares vested 20% on both the dates shares were determined and awarded and on January 1, 2016, and will vest 20% per year on January 1 in years 2017, 2018 and 2019. The shares will be expensed on a straight-line basis over the remaining service period.

Also in March 2015, the Committee evaluated the Company's total return, both on an absolute basis for 2014 as well as on a relative basis compared to the NAREIT Equity Index, NAREIT Industrial Index and Russell 2000 Index for

the five-year period ended December 31, 2014. Based on the evaluation, 34,650 shares were awarded to the Company's executive officers at a grant date fair value of \$61.13 per share. These shares vested 25% on both the dates shares were determined and awarded and on January 1, 2016, and will vest 25% per year on January 1 in years 2017 and 2018. The shares will be expensed on a straight-line basis over the remaining service period.

In the second quarter of 2015, the Company's Board of Directors approved an equity compensation plan for its executive officers based upon certain annual performance measures (primarily FFO per share and total shareholder return). Any shares issued pursuant to this compensation plan will be determined by the Compensation Committee in its discretion and issued in the first quarter of 2016. The number of shares to be issued on the grant date could range from zero to 49,366. These shares will vest 20% on the date shares are determined and awarded and generally will vest 20% per year on each January 1 for the subsequent four years.

Also in the second quarter of 2015, EastGroup's Board of Directors approved a long-term equity compensation plan for the Company's executive officers. The awards will be based on the results of the Company's total shareholder return, both on an absolute basis for 2015 as well as on a relative basis compared to the NAREIT Equity Index, NAREIT Industrial Index and Russell

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2000 Index over the five-year period ended December 31, 2015. Any shares issued pursuant to this equity compensation plan will be determined by the Compensation Committee and issued in the first quarter of 2016. The number of shares to be issued on the grant date could range from zero to 51,432. These shares will vest 25% on the date shares are determined and awarded and generally will vest 25% per year on each January 1 for the subsequent three years.

Notwithstanding the foregoing, shares issued to the Company's retiring Chief Executive Officer, David H. Hoster II, vested on January 1, 2016; the shares expected to be awarded to Mr. Hoster in the first quarter of 2016 will become fully vested on the date shares are determined and awarded. In addition, shares issued to the Company's Chief Financial Officer, N. Keith McKey, will become fully vested no later than April 6, 2016.

During the second quarter of 2015, 23,525 shares were granted to certain non-executive officers subject only to continued service as of the vesting date. These shares, which had a grant date fair value of \$60.89 per share, vested 20% on January 1, 2016 and will vest 20% per year on January 1 in years 2017, 2018, 2019 and 2020.

During the restricted period for awards no longer subject to contingencies, the Company accrues dividends and holds the certificates for the shares; however, the employee can vote the shares. For shares subject to contingencies, dividends are accrued based upon the number of shares expected to be awarded. Share certificates and dividends are delivered to the employee as they vest. As of December 31, 2015, there was \$5,080,000 of unrecognized compensation cost related to unvested restricted stock compensation for employees and directors that is expected to be recognized over a weighted average period of 2.7 years.

Following is a summary of the total restricted shares granted, forfeited and delivered (vested) to employees with the related weighted average grant date fair value share prices for 2015, 2014 and 2013. Of the shares that vested in 2015, 2014 and 2013, 32,409 shares, 31,673 shares and 9,412 shares, respectively, were withheld by the Company to satisfy the tax obligations for those employees who elected this option as permitted under the applicable equity plan. The fair value of shares that were granted during 2015, 2014 and 2013 was \$6,145,000, \$4,439,000 and \$6,364,000, respectively. As of the vesting date, the fair value of shares that vested during 2015, 2014 and 2013 was \$6,664,000, \$5,712,000 and \$1,700,000, respectively.

| Restricted Stock Activity: | Years Ended December 31, 2015 | | 2014 | | 2013 | |
|-------------------------------|----------------------------------|---|----------|---|----------|---|
| | Shares | Weighted Average Grant Date Fair Value | Shares | Weighted Average Grant Date Fair Value | Shares | Weighted Average Grant Date Fair Value |
| Unvested at beginning of year | 265,911 | \$49.79 | 293,989 | \$47.17 | 212,206 | \$42.84 |
| Granted | 100,622 | 61.07 | 71,642 | 61.96 | 112,099 | 56.77 |
| Forfeited | — | — | (2,375) | 52.72 | — | — |
| Vested | (105,835) | 53.40 | (97,345) | 50.76 | (30,316) | 52.32 |
| Unvested at end of year | 260,698 | 52.68 | 265,911 | 49.79 | 293,989 | 47.17 |

Following is a vesting schedule of the total unvested shares as of December 31, 2015:

| Unvested Shares Vesting Schedule | Number of Shares |
|----------------------------------|---------------------|
| 2016 | 139,333 |
| 2017 | 41,138 |
| 2018 | 31,215 |

| | |
|-----------------------|---------|
| 2019 | 24,507 |
| 2020 | 24,505 |
| Total Unvested Shares | 260,698 |

Employee Stock Options

The Company has not granted stock options to employees since 2002. Outstanding employee stock options vested equally over a two-year period; accordingly, all options are now vested. There were no employee stock option exercises during 2015, 2014 or 2013.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
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Directors Equity Awards

The Company previously had a directors equity plan that was approved by stockholders and adopted in 2005 (the "2005 Plan"), which authorized the issuance of up to 50,000 shares of common stock through awards of shares and restricted shares granted to non-employee directors of the Company. The 2005 Plan was further amended by the Board of Directors in May 2006, May 2008, May 2011 and May 2012. The 2005 Plan was replaced by the 2013 Equity Plan effective May 29, 2013, and the Board of Directors has adopted a policy under the 2013 Equity Plan pursuant to which awards will be made to non-employee Directors. The current policy provides that the Company shall automatically award an annual retainer share award to each non-employee Director who has been elected or reelected as a member of the Board of Directors at the Annual Meeting. The number of shares shall be equal to \$75,000 divided by the fair market value of a share on the date of such election. If a non-employee Director is elected or appointed to the Board of Directors other than at an Annual Meeting of the Company, the annual retainer share award shall be pro rated. The policy also provides that each new non-employee Director appointed or elected will receive an automatic award of restricted shares of Common Stock on the effective date of election or appointment equal to \$25,000 divided by the fair market value of the Company's Common Stock on such date. These restricted shares will vest over a four-year period upon the performance of future service as a Director, subject to certain exceptions.

Directors were issued 9,373 shares, 7,742 shares and 7,469 shares of common stock as annual retainer awards for 2015, 2014 and 2013, respectively. In addition, during 2013, 417 shares were granted to a newly elected non-employee Director subject only to continued service as of the vesting date. The shares, which have a grant date fair value of \$59.97 per share, vested 25% on each of December 6, 2014 and 2015 and will vest 25% per year on December 6 in years 2016 and 2017. As of the vesting date, the fair value of shares that vested during 2015 and 2014 was \$6,000 and \$7,000, respectively. Stock-based compensation expense for directors was \$514,000, \$490,000 and \$395,000 for 2015, 2014 and 2013, respectively.

There were no director stock options exercised in 2015 or 2014. The intrinsic value realized by directors from the exercise of options was \$172,000 for 2013. There were no director stock options granted or expired during the years presented below. Following is a summary of the total director stock options exercised with related weighted average exercise share prices for 2015, 2014 and 2013.

| Stock Option Activity: | Years Ended December 31, | | | | | |
|----------------------------------|--------------------------|----------|--------|----------|---------|----------|
| | 2015 | Weighted | 2014 | Weighted | 2013 | Weighted |
| | Shares | Average | Shares | Average | Shares | Average |
| | | Exercise | | Exercise | | Exercise |
| | | Price | | Price | | Price |
| Outstanding at beginning of year | — | \$— | — | \$— | 4,500 | \$26.60 |
| Exercised | — | — | — | — | (4,500) | 26.60 |
| Outstanding at end of year | — | — | — | — | — | — |
| Exercisable at end of year | — | \$— | — | \$— | — | \$— |

(12) COMPREHENSIVE INCOME

Total Comprehensive Income is comprised of net income plus all other changes in equity from non-owner sources and is presented on the Consolidated Statements of Income and Comprehensive Income. The components of Accumulated Other Comprehensive Income (Loss) for 2015, 2014 and 2013 are presented in the Company's Consolidated Statements of Changes in Equity and are summarized below. See Note 13 for information regarding the Company's interest rate swaps.

| | Years Ended December 31, | | |
|--|--------------------------|----------|--------|
| | 2015 | 2014 | 2013 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS): | (In thousands) | | |
| Balance at beginning of year | \$ (2,357) | 1,629 | (392) |
| Change in fair value of interest rate swaps | (1,099) | (3,986) | 2,021 |
| Balance at end of year | \$ (3,456) | (2,357) | 1,629 |

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risk, including interest rate, liquidity and credit risk primarily by managing the amount, sources, and duration of its debt funding and, to a limited extent, the use of derivative instruments.

Specifically, the Company has entered into derivative instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative instruments, described below, are used to manage differences in the amount, timing and duration of the Company's known or expected cash payments principally related to certain of the Company's borrowings.

The Company's objective in using interest rate derivatives is to change variable interest rates to fixed interest rates by using interest rate swaps. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

As of December 31, 2015, EastGroup had five interest rate swaps outstanding, all of which are used to hedge the variable cash flows associated with unsecured loans. All of the Company's interest rate swaps convert the related loans' LIBOR rate components to fixed interest rates for the entire terms of the loans, and the Company has concluded that each of the hedging relationships is highly effective.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Other Comprehensive Income (Loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives, which is immaterial for the periods reported, is recognized directly in earnings (included in Other on the Consolidated Statements of Income and Comprehensive Income).

Amounts reported in Other Comprehensive Income (Loss) related to derivatives will be reclassified to Interest Expense as interest payments are made on the Company's variable-rate debt. The Company estimates that an additional \$2,934,000 will be reclassified from Other Comprehensive Income as an increase to Interest Expense over the next twelve months.

As of January 1, 2013, the Company changed its valuation methodology for over-the-counter ("OTC") derivatives to discount cash flows based on Overnight Index Swap ("OIS") rates. Uncollateralized or partially-collateralized trades are discounted at OIS, but include appropriate economic adjustments for funding costs (i.e., a LIBOR-OIS basis adjustment to approximate uncollateralized cost of funds) and credit risk. The Company made the changes to better align its inputs, assumptions, and pricing methodologies with those used in its principal market by most dealers and major market participants. As of January 1, 2015, the Company began calculating its derivative prices using mid-market prices; prior to that date, the Company used bid-market prices. The changes in valuation methodology were applied prospectively and were considered changes in accounting estimates resulting from recent developments in the marketplace. Management has assessed the impact of the changes for all periods presented and has deemed the impact to be immaterial to the Company's financial statements.

As of December 31, 2015 and 2014, the Company had the following outstanding interest rate derivatives that are designated as cash flow hedges of interest rate risk:

| Interest Rate Derivative | Notional Amount as of December 31, 2015 (In thousands) | Notional Amount as of December 31, 2014 |
|--------------------------|--|--|
| Interest Rate Swap | \$80,000 | \$80,000 |
| Interest Rate Swap | \$75,000 | \$75,000 |
| Interest Rate Swap | \$75,000 | — |
| Interest Rate Swap | \$60,000 | \$60,000 |
| Interest Rate Swap | \$15,000 | \$15,000 |

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2015 and 2014. See Note 18 for additional information on the fair value of the Company's interest rate swaps.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | Derivatives As of December 31, 2015 | | Derivatives As of December 31, 2014 | |
|---|---|------------|--|------------|
| | Balance Sheet Location (In thousands) | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as cash flow hedges: | | | | |
| Interest rate swap assets | Other Assets | \$400 | Other Assets | \$812 |
| Interest rate swap liabilities | Other Liabilities | 3,960 | Other Liabilities | 3,314 |

The table below presents the effect of the Company's derivative financial instruments on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013:

| | Years Ended December 31, | | |
|--|--------------------------|----------|---------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS | | | |
| Interest Rate Swaps: | | | |
| Amount of income (loss) recognized in Other Comprehensive Income (Loss) on derivatives | \$ (5,374 |) (6,777 |) 1,350 |
| Amount of loss reclassified from Accumulated Other Comprehensive Income (Loss) into Interest Expense | (4,275 |) (2,791 |) (671 |

See Note 12 for additional information on the Company's Accumulated Other Comprehensive Income (Loss) resulting from its interest rate swaps.

Derivative financial agreements expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company believes it minimizes the credit risk by transacting with financial institutions the Company regards as credit-worthy.

The Company has an agreement with its derivative counterparties containing a provision stating that the Company could be declared in default on its derivative obligations if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender.

As of December 31, 2015, the fair value of derivatives in an asset position related to these agreements was \$400,000, and the fair value of derivatives in a liability position related to these agreements was \$3,960,000. If the Company breached any of the contractual provisions of the derivative contract, it would be required to settle its obligation under the agreements at the swap termination value. As of December 31, 2015, the swap termination value of derivatives in an asset position was an asset in the amount of \$407,000, and the swap termination value of derivatives in a liability position was a liability in the amount of \$4,039,000.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) EARNINGS PER SHARE

The Company applies ASC 260, Earnings Per Share, which requires companies to present basic and diluted EPS. Reconciliation of the numerators and denominators in the basic and diluted EPS computations is as follows:

| | 2015 | 2014 | 2013 |
|--|----------------|--------|--------|
| | (In thousands) | | |
| BASIC EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | |
| Numerator – net income attributable to common stockholders | \$47,866 | 47,941 | 32,615 |
| Denominator – weighted average shares outstanding | 32,091 | 31,341 | 30,162 |
| DILUTED EPS COMPUTATION FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS | | | |
| Numerator – net income attributable to common stockholders | \$47,866 | 47,941 | 32,615 |
| Denominator: | | | |
| Weighted average shares outstanding | 32,091 | 31,341 | 30,162 |
| Unvested restricted stock | 105 | 111 | 107 |
| Total Shares | 32,196 | 31,452 | 30,269 |

(15) QUARTERLY RESULTS OF OPERATIONS – UNAUDITED

| | 2015 Quarter Ended | | | | 2014 Quarter Ended | | | |
|--|---------------------------------------|-----------|-----------|-----------|--------------------|-----------|-----------|-----------|
| | Mar 31 | Jun 30 | Sep 30 | Dec 31 | Mar 31 | Jun 30 | Sep 30 | Dec 31 |
| | (In thousands, except per share data) | | | | | | | |
| Revenues | \$57,959 | 60,989 | 58,795 | 61,269 | 53,128 | 54,037 | 63,693 | 59,148 |
| Expenses | (47,898) | (46,326) | (46,698) | (49,691) | (44,614) | (44,795) | (45,832) | (46,292) |
| Net Income | 10,061 | 14,663 | 12,097 | 11,578 | 8,514 | 9,242 | 17,861 | 12,856 |
| Net income attributable to noncontrolling interest in joint ventures | (131) | (130) | (129) | (143) | (142) | (124) | (132) | (134) |
| Net income attributable to EastGroup Properties, Inc. common stockholders | \$9,930 | 14,533 | 11,968 | 11,435 | 8,372 | 9,118 | 17,729 | 12,722 |
| BASIC PER SHARE DATA FOR NET INCOME ATTRIBUTABLE TO EASTGROUP PROPERTIES, INC. COMMON STOCKHOLDERS ⁽¹⁾ | | | | | | | | |
| Net income attributable to common stockholders | \$0.31 | 0.45 | 0.37 | 0.36 | 0.27 | 0.29 | 0.56 | 0.40 |
| Weighted average shares outstanding | 32,032 | 32,045 | 32,126 | 32,159 | 30,806 | 31,137 | 31,515 | 31,892 |
| DILUTED PER SHARE DATA FOR NET INCOME ATTRIBUTABLE TO | | | | | | | | |

EASTGROUP PROPERTIES,
INC. COMMON
STOCKHOLDERS ⁽¹⁾

| | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Net income attributable to common stockholders | \$0.31 | 0.45 | 0.37 | 0.35 | 0.27 | 0.29 | 0.56 | 0.40 |
| Weighted average shares outstanding | 32,109 | 32,139 | 32,248 | 32,314 | 30,886 | 31,244 | 31,644 | 32,043 |

The above quarterly earnings per share calculations are based on the weighted average number of common shares outstanding during each quarter for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each quarter for diluted earnings per share. The annual (1)earnings per share calculations in the Consolidated Statements of Income and Comprehensive Income are based on the weighted average number of common shares outstanding during each year for basic earnings per share and the weighted average number of outstanding common shares and common share equivalents during each year for diluted earnings per share. The sum of quarterly financial data may vary from the annual data due to rounding.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(16) DEFINED CONTRIBUTION PLAN

EastGroup maintains a 401(k) plan for its employees. The Company makes matching contributions of 50% of the employee's contribution (limited to 10% of compensation as defined by the plan) and may also make annual discretionary contributions. The Company's total expense for this plan was \$585,000, \$457,000 and \$550,000 for 2015, 2014 and 2013, respectively.

(17) LEGAL MATTERS

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties, other than routine litigation (that is not material) arising in the ordinary course of business.

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also provides guidance for using fair value to measure financial assets and liabilities. The Codification requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments in accordance with ASC 820 at December 31, 2015 and 2014.

| | December 31, | | 2014 | |
|---------------------------------------|---|---------------|-----------------------------------|---------------|
| | 2015 Carrying Amount ⁽¹⁾ | Fair Value | Carrying Amount ⁽¹⁾ | Fair Value |
| | (In thousands) | | | |
| Financial Assets: | | | | |
| Cash and cash equivalents | \$48 | 48 | 11 | 11 |
| Cash held in escrow for 1031 exchange | — | — | 698 | 698 |
| Mortgage loans receivable | 4,875 | 4,896 | 4,991 | 5,055 |
| Interest rate swap assets | 400 | 400 | 812 | 812 |
| Financial Liabilities: | | | | |
| Secured debt | 351,401 | 366,491 | 453,776 | 478,659 |
| Unsecured debt | 530,000 | 509,326 | 380,000 | 364,295 |
| Unsecured bank credit facilities | 150,836 | 150,670 | 99,401 | 99,638 |
| Interest rate swap liabilities | 3,960 | 3,960 | 3,314 | 3,314 |

(1) Carrying amounts shown in the table are included in the Consolidated Balance Sheets under the indicated captions, except as indicated in the notes below.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value due to the short maturity of those instruments.

Cash held in escrow for 1031 exchange (included in Other Assets on the Consolidated Balance Sheets): The carrying amounts approximate fair value due to the short maturity of those instruments.

Mortgage loans receivable (included in Other Assets on the Consolidated Balance Sheets): The fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities (Level 2 input).

Interest rate swap assets (included in Other Assets on the Consolidated Balances Sheets): The instruments are recorded at fair value based on models using inputs, such as interest rate yield curves, LIBOR swap curves and OIS curves, observable for substantially the full term of the contract (Level 2 input). See Note 13 for additional information on the Company's interest rate swaps.

EASTGROUP PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Secured debt: The fair value of the Company's secured debt is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers (Level 2 input).

Unsecured debt: The fair value of the Company's unsecured debt is estimated by discounting expected cash flows at the rates currently offered to the Company for debt of the same remaining maturities, as advised by the Company's bankers (Level 2 input).

Unsecured bank credit facilities: The fair value of the Company's unsecured bank credit facilities is estimated by discounting expected cash flows at current market rates (Level 2 input).

Interest rate swap liabilities (included in Other Liabilities on the Consolidated Balance Sheets): The instruments are recorded at fair value based on models using inputs, such as interest rate yield curves, LIBOR swap curves and OIS curves, observable for substantially the full term of the contract (Level 2 input). See Note 13 for additional information on the Company's interest rate swaps.

(19) SUBSEQUENT EVENTS

On February 12, 2016, EastGroup sold its Northwest Point Distribution and Service Centers in Houston. The sale of the properties, which contain 232,000 square feet, generated gross sales proceeds of approximately \$15.6 million. The Company expects to record a gain on the sale in the first quarter of 2016.

On February 10, 2016, EastGroup executed a commitment letter for a \$65 million senior unsecured term loan which is expected to close on April 1, 2016. The loan will have a seven-year term and interest only payments. It will bear interest at the annual rate of LIBOR plus an applicable margin (currently 1.65%) based on the Company's senior unsecured long-term debt rating. The Company also entered into an interest rate swap agreement to convert the loan's LIBOR rate component to a fixed interest rate for the entire term of the loan providing a total effective fixed interest rate of 2.863%.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

THE BOARD OF DIRECTORS AND STOCKHOLDERS
EASTGROUP PROPERTIES, INC.:

Under date of February 17, 2016, we reported on the consolidated balance sheets of EastGroup Properties, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015, which are included in the 2015 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in Item 15(a)(2) of Form 10-K. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in note 1(f) to the consolidated financial statements, the Company elected to change its method of accounting for discontinued operations in 2014.

(Signed) KPMG LLP

Jackson, Mississippi
February 17, 2016

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | Total | Accumulated Depreciation | Year Acquired | Year Constructed |
|-------------------------------------|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | |
| Real Estate Properties (c): | | | | | | | | | | |
| Industrial: | | | | | | | | | | |
| FLORIDA | | | | | | | | | | |
| Tampa | | | | | | | | | | |
| 56th Street Commerce Park | \$ — | 843 | 3,567 | 4,324 | 843 | 7,891 | 8,734 | 5,568 | 1993 | 1981/86/97 |
| Jetport Commerce Park | — | 1,575 | 6,591 | 5,738 | 1,575 | 12,329 | 13,904 | 7,654 | 1993-99 | 1974-85 |
| Westport Commerce Center | — | 980 | 3,800 | 2,611 | 980 | 6,411 | 7,391 | 4,281 | 1994 | 1983/87 |
| Benjamin Distribution Center I & II | — | 843 | 3,963 | 1,490 | 883 | 5,413 | 6,296 | 3,481 | 1997 | 1996 |
| Benjamin Distribution Center III | — | 407 | 1,503 | 482 | 407 | 1,985 | 2,392 | 1,485 | 1999 | 1988 |
| Palm River Center | — | 1,190 | 4,625 | 2,493 | 1,190 | 7,118 | 8,308 | 4,330 | 1997/98 | 1990/97/98 |
| Palm River North I & III | — | 1,005 | 4,688 | 2,295 | 1,005 | 6,983 | 7,988 | 3,887 | 1998 | 2000 |
| Palm River North II | — | 634 | 4,418 | 381 | 634 | 4,799 | 5,433 | 3,254 | 1997/98 | 1999 |
| Palm River South I | — | 655 | 3,187 | 619 | 655 | 3,806 | 4,461 | 1,607 | 2000 | 2005 |
| Palm River South II | — | 655 | — | 4,360 | 655 | 4,360 | 5,015 | 1,951 | 2000 | 2006 |
| Walden Distribution Center I | — | 337 | 3,318 | 498 | 337 | 3,816 | 4,153 | 1,920 | 1997/98 | 2001 |
| Walden Distribution Center II | — | 465 | 3,738 | 981 | 465 | 4,719 | 5,184 | 2,517 | 1998 | 1998 |
| Oak Creek Distribution Center I | — | 1,109 | 6,126 | 1,364 | 1,109 | 7,490 | 8,599 | 3,504 | 1998 | 1998 |
| Oak Creek Distribution Center II | — | 647 | 3,603 | 1,104 | 647 | 4,707 | 5,354 | 2,193 | 2003 | 2001 |
| | — | 439 | — | 3,178 | 556 | 3,061 | 3,617 | 1,020 | 2005 | 2007 |

| | | | | | | | | | | | |
|--|---|-------|--------|-------|-------|--------|--------|-------|------|---------|--|
| Oak Creek Distribution Center III | | | | | | | | | | | |
| Oak Creek Distribution Center IV | — | 682 | 6,472 | 669 | 682 | 7,141 | 7,823 | 2,271 | 2005 | 2001 | |
| Oak Creek Distribution Center V | — | 724 | — | 5,817 | 916 | 5,625 | 6,541 | 1,932 | 2005 | 2007 | |
| Oak Creek Distribution Center VI | — | 642 | — | 5,039 | 812 | 4,869 | 5,681 | 1,318 | 2005 | 2008 | |
| Oak Creek Distribution Center VIII | — | 843 | — | 6,188 | 1,051 | 5,980 | 7,031 | 15 | 2005 | 2015 | |
| Oak Creek Distribution Center IX | — | 618 | — | 4,962 | 780 | 4,800 | 5,580 | 1,068 | 2005 | 2009 | |
| Oak Creek Distribution Center A | — | 185 | — | 1,492 | 185 | 1,492 | 1,677 | 395 | 2005 | 2008 | |
| Oak Creek Distribution Center B | — | 227 | — | 1,497 | 227 | 1,497 | 1,724 | 392 | 2005 | 2008 | |
| Airport Commerce Center | — | 1,257 | 4,012 | 923 | 1,257 | 4,935 | 6,192 | 2,453 | 1998 | 1998 | |
| Westlake Distribution Center | — | 1,333 | 6,998 | 2,150 | 1,333 | 9,148 | 10,481 | 4,851 | 1998 | 1998/99 | |
| Expressway Commerce Center I | — | 915 | 5,346 | 1,044 | 915 | 6,390 | 7,305 | 2,997 | 2002 | 2004 | |
| Expressway Commerce Center II | — | 1,013 | 3,247 | 385 | 1,013 | 3,632 | 4,645 | 1,743 | 2003 | 2001 | |
| Silo Bend Distribution Center | — | 4,131 | 27,497 | 1,149 | 4,131 | 28,646 | 32,777 | 4,284 | 2011 | 1987/90 | |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | Accumulated Depreciation | Year Acquired | Year Constructed | |
|----------------------------------|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------------------------|---------------|------------------|---------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | Total |
| Tampa East Distribution Center | — | 791 | 4,758 | 458 | 791 | 5,216 | 6,007 | 906 | 2011 | 1984 |
| Tampa West Distribution Center | — | 2,139 | 8,502 | 1,052 | 2,140 | 9,553 | 11,693 | 1,626 | 2011 | 1975/93/94 |
| Madison Distribution Center | — | 495 | 2,779 | 381 | 495 | 3,160 | 3,655 | 521 | 2012 | 2007 |
| Orlando Chancellor Center | — | 291 | 1,711 | 252 | 291 | 1,963 | 2,254 | 1,122 | 1996/97 | 1996/97 |
| Exchange Distribution Center I | — | 603 | 2,414 | 2,135 | 603 | 4,549 | 5,152 | 3,059 | 1994 | 1975 |
| Exchange Distribution Center II | — | 300 | 945 | 298 | 300 | 1,243 | 1,543 | 675 | 2002 | 1976 |
| Exchange Distribution Center III | — | 320 | 997 | 403 | 320 | 1,400 | 1,720 | 811 | 2002 | 1980 |
| Sunbelt Distribution Center | — | 1,474 | 5,745 | 5,757 | 1,474 | 11,502 | 12,976 | 7,803 | 1989/97/98 | 1974/87/97/98 |
| John Young Commerce Center I | — | 497 | 2,444 | 931 | 497 | 3,375 | 3,872 | 1,804 | 1997/98 | 1997/98 |
| John Young Commerce Center II | — | 512 | 3,613 | 489 | 512 | 4,102 | 4,614 | 2,415 | 1998 | 1999 |
| Altamonte Commerce Center I | — | 1,498 | 2,661 | 2,585 | 1,498 | 5,246 | 6,744 | 3,560 | 1999 | 1980/82 |
| Altamonte Commerce Center II | — | 745 | 2,618 | 1,196 | 745 | 3,814 | 4,559 | 1,948 | 2003 | 1975 |
| Sunport Center I | — | 555 | 1,977 | 708 | 555 | 2,685 | 3,240 | 1,364 | 1999 | 1999 |
| Sunport Center II | — | 597 | 3,271 | 1,501 | 597 | 4,772 | 5,369 | 3,165 | 1999 | 2001 |
| | — | 642 | 3,121 | 1,029 | 642 | 4,150 | 4,792 | 1,940 | 1999 | 2002 |

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| | | | | | | | | | | | |
|---------------------------------------|-------|-------|-------|--------|-------|--------|--------|-------|------|------|--|
| Sunport Center III | | | | | | | | | | | |
| Sunport Center IV | — | 642 | 2,917 | 1,474 | 642 | 4,391 | 5,033 | 1,953 | 1999 | 2004 | |
| Sunport Center V | — | 750 | 2,509 | 2,183 | 750 | 4,692 | 5,442 | 2,478 | 1999 | 2005 | |
| Sunport Center VI | — | 672 | — | 3,472 | 672 | 3,472 | 4,144 | 1,186 | 1999 | 2006 | |
| Southridge Commerce Park I | — | 373 | — | 4,822 | 373 | 4,822 | 5,195 | 2,555 | 2003 | 2006 | |
| Southridge Commerce Park II | — | 342 | — | 4,421 | 342 | 4,421 | 4,763 | 2,001 | 2003 | 2007 | |
| Southridge Commerce Park III | — | 547 | — | 5,538 | 547 | 5,538 | 6,085 | 1,809 | 2003 | 2007 | |
| Southridge Commerce Park IV (h) | 3,102 | 506 | — | 4,584 | 506 | 4,584 | 5,090 | 1,588 | 2003 | 2006 | |
| Southridge Commerce Park V (h) | 2,980 | 382 | — | 4,508 | 382 | 4,508 | 4,890 | 1,828 | 2003 | 2006 | |
| Southridge Commerce Park VI | — | 571 | — | 5,182 | 571 | 5,182 | 5,753 | 1,527 | 2003 | 2007 | |
| Southridge Commerce Park VII | — | 520 | — | 6,727 | 520 | 6,727 | 7,247 | 1,932 | 2003 | 2008 | |
| Southridge Commerce Park VIII | — | 531 | — | 6,343 | 531 | 6,343 | 6,874 | 1,588 | 2003 | 2008 | |
| Southridge Commerce Park IX | — | 468 | — | 6,413 | 468 | 6,413 | 6,881 | 867 | 2003 | 2012 | |
| Southridge Commerce Park X | — | 414 | — | 4,826 | 414 | 4,826 | 5,240 | 415 | 2003 | 2012 | |
| Southridge Commerce Park XI | — | 513 | — | 5,870 | 513 | 5,870 | 6,383 | 653 | 2003 | 2012 | |
| Southridge Commerce Park XII | — | 2,025 | — | 16,930 | 2,025 | 16,930 | 18,955 | 3,763 | 2005 | 2008 | |

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | | Accumulated Depreciation | Year Acquired | Year Constructed |
|--|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | Total | | | |
| Horizon Commerce Park I | — | 991 | — | 6,464 | 991 | 6,464 | 7,455 | 300 | 2008 | 2014 |
| Horizon Commerce Park II | — | 1,111 | — | 7,114 | 1,111 | 7,114 | 8,225 | 249 | 2008 | 2014 |
| Horizon Commerce Park IV | — | 1,097 | — | 8,131 | 1,097 | 8,131 | 9,228 | — | 2008 | 2015 |
| Jacksonville Deerwood Distribution Center | — | 1,147 | 1,799 | 2,929 | 1,147 | 4,728 | 5,875 | 2,572 | 1989 | 1978 |
| Phillips Distribution Center | — | 1,375 | 2,961 | 4,317 | 1,375 | 7,278 | 8,653 | 4,929 | 1994 | 1984/95 |
| Lake Pointe Business Park | — | 3,442 | 6,450 | 7,607 | 3,442 | 14,057 | 17,499 | 9,915 | 1993 | 1986/87 |
| Ellis Distribution Center | — | 540 | 7,513 | 1,149 | 540 | 8,662 | 9,202 | 4,266 | 1997 | 1977 |
| Westside Distribution Center | — | 2,011 | 15,374 | 7,139 | 2,011 | 22,513 | 24,524 | 10,675 | 1997/2008 | 1984/85 |
| Beach Commerce Center | — | 476 | 1,899 | 634 | 476 | 2,533 | 3,009 | 1,270 | 2000 | 2000 |
| Interstate Distribution Center | — | 1,879 | 5,700 | 1,682 | 1,879 | 7,382 | 9,261 | 3,436 | 2005 | 1990 |
| Fort Lauderdale/Palm Beach area Linpro Commerce Center | — | 613 | 2,243 | 1,775 | 616 | 4,015 | 4,631 | 3,023 | 1996 | 1986 |
| Cypress Creek Business Park | — | — | 2,465 | 1,853 | — | 4,318 | 4,318 | 2,710 | 1997 | 1986 |
| Lockhart Distribution Center | — | — | 3,489 | 2,828 | — | 6,317 | 6,317 | 3,795 | 1997 | 1986 |
| Interstate Commerce Center | — | 485 | 2,652 | 786 | 485 | 3,438 | 3,923 | 2,137 | 1998 | 1988 |
| Executive Airport Distribution Center (k) | 7,990 | 1,991 | 4,857 | 5,108 | 1,991 | 9,965 | 11,956 | 4,361 | 2001 | 2004/06 |

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| | | | | | | | | | | |
|--|--------|-------|--------|-------|-------|--------|--------|-------|---------|---------|
| Sample 95 Business Park | — | 2,202 | 8,785 | 3,052 | 2,202 | 11,837 | 14,039 | 7,242 | 1996/98 | 1990/99 |
| Blue Heron Distribution Center | — | 975 | 3,626 | 1,850 | 975 | 5,476 | 6,451 | 3,245 | 1999 | 1986 |
| Blue Heron Distribution Center II | 735 | 1,385 | 4,222 | 809 | 1,385 | 5,031 | 6,416 | 2,242 | 2004 | 1988 |
| Blue Heron Distribution Center III | — | 450 | — | 2,664 | 450 | 2,664 | 3,114 | 772 | 2004 | 2009 |
| Fort Myers SunCoast Commerce Center I | — | 911 | — | 4,768 | 928 | 4,751 | 5,679 | 1,471 | 2005 | 2008 |
| SunCoast Commerce Center II | — | 911 | — | 4,952 | 928 | 4,935 | 5,863 | 1,705 | 2005 | 2007 |
| SunCoast Commerce Center III | — | 1,720 | — | 6,556 | 1,763 | 6,513 | 8,276 | 1,746 | 2006 | 2008 |
| CALIFORNIA | | | | | | | | | | |
| San Francisco area | | | | | | | | | | |
| Wiegman Distribution Center I (i) | 9,409 | 2,197 | 8,788 | 1,948 | 2,308 | 10,625 | 12,933 | 5,548 | 1996 | 1986/87 |
| Wiegman Distribution Center II | — | 2,579 | 4,316 | 110 | 2,579 | 4,426 | 7,005 | 434 | 2012 | 1998 |
| Huntwood Distribution Center (i) | 16,158 | 3,842 | 15,368 | 2,987 | 3,842 | 18,355 | 22,197 | 9,591 | 1996 | 1988 |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | Gross Amount Carried at | | Accumulated Depreciation | Year Acquired | Year Constructed |
|--|--------------|-----------------------------|----------------------------|---|---|-------------------------|----------------------------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | | Land | Buildings and Improvements | | | |
| San Clemente Distribution Center | — | 893 | 2,004 | 852 | 893 | 2,856 | 3,749 | 1,622 | 1997 | 1978 |
| Yosemite Distribution Center | — | 259 | 7,058 | 1,329 | 259 | 8,387 | 8,646 | 4,213 | 1999 | 1974/87 |
| Los Angeles area Kingsview Industrial Center (e) | 2,605 | 643 | 2,573 | 615 | 643 | 3,188 | 3,831 | 1,748 | 1996 | 1980 |
| Dominguez Distribution Center (e) | 7,615 | 2,006 | 8,025 | 1,170 | 2,006 | 9,195 | 11,201 | 5,128 | 1996 | 1977 |
| Main Street Distribution Center | — | 1,606 | 4,103 | 787 | 1,606 | 4,890 | 6,496 | 2,519 | 1999 | 1999 |
| Walnut Business Center (e) | 6,604 | 2,885 | 5,274 | 1,555 | 2,885 | 6,829 | 9,714 | 3,512 | 1996 | 1966/90 |
| Washington Distribution Center (e) | 4,891 | 1,636 | 4,900 | 658 | 1,636 | 5,558 | 7,194 | 2,838 | 1997 | 1996/97 |
| Chino Distribution Center (f) | 8,774 | 2,544 | 10,175 | 1,623 | 2,544 | 11,798 | 14,342 | 6,987 | 1998 | 1980 |
| Ramona Distribution Center | 2,757 | 3,761 | 5,751 | 3 | 3,761 | 5,754 | 9,515 | 171 | 2014 | 1984 |
| Industry Distribution Center I (e) | 18,306 | 10,230 | 12,373 | 4,323 | 10,230 | 16,696 | 26,926 | 7,547 | 1998 | 1959 |
| Industry Distribution Center III (e) | 1,941 | — | 3,012 | (157) | — | 2,855 | 2,855 | 2,855 | 2007 | 1992 |
| Chestnut Business Center | — | 1,674 | 3,465 | 220 | 1,674 | 3,685 | 5,359 | 1,723 | 1998 | 1999 |
| Los Angeles Corporate Center | — | 1,363 | 5,453 | 3,056 | 1,363 | 8,509 | 9,872 | 5,176 | 1996 | 1986 |
| Santa Barbara | | | | | | | | | | |

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| | | | | | | | | | | |
|---|--------|-------|--------|-------|-------|--------|--------|--------|------|------------|
| University Business Center | — | 5,517 | 22,067 | 5,766 | 5,519 | 27,831 | 33,350 | 15,216 | 1996 | 1987/88 |
| Castilian Research Center | — | 2,719 | 1,410 | 4,846 | 2,719 | 6,256 | 8,975 | 1,418 | 2005 | 2007 |
| Fresno Shaw Commerce Center (e) | 12,727 | 2,465 | 11,627 | 4,627 | 2,465 | 16,254 | 18,719 | 9,689 | 1998 | 1978/81/87 |
| San Diego Eastlake Distribution Center | — | 3,046 | 6,888 | 1,751 | 3,046 | 8,639 | 11,685 | 4,854 | 1997 | 1989 |
| Ocean View Corporate Center (k) | 9,603 | 6,577 | 7,105 | 686 | 6,577 | 7,791 | 14,368 | 2,143 | 2010 | 2005 |
| TEXAS Dallas Interstate Distribution Center I & II (g) | 6,114 | 1,746 | 4,941 | 3,189 | 1,746 | 8,130 | 9,876 | 5,562 | 1988 | 1978 |
| Interstate Distribution Center III (g) | 2,488 | 519 | 2,008 | 1,491 | 519 | 3,499 | 4,018 | 1,650 | 2000 | 1979 |
| Interstate Distribution Center IV | — | 416 | 2,481 | 456 | 416 | 2,937 | 3,353 | 1,337 | 2004 | 2002 |
| Interstate Distribution Center V, VI & VII (h) | 4,646 | 1,824 | 4,106 | 1,694 | 1,824 | 5,800 | 7,624 | 2,225 | 2009 | 1979/80/81 |
| Venture Warehouses (g) | 4,785 | 1,452 | 3,762 | 2,515 | 1,452 | 6,277 | 7,729 | 4,628 | 1988 | 1979 |
| Stemmons Circle (g) | 1,899 | 363 | 2,014 | 690 | 363 | 2,704 | 3,067 | 1,699 | 1998 | 1977 |

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | Accumulated Depreciation | Year Acquired | Year Constructed | |
|---|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------------------------|---------------|------------------|--------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | Total |
| North Stemmons II | — | 150 | 583 | 506 | 150 | 1,089 | 1,239 | 528 | 2002 | 1971 |
| North Stemmons III | — | 380 | 2,066 | 48 | 380 | 2,114 | 2,494 | 571 | 2007 | 1974 |
| Shady Trail Distribution Center | — | 635 | 3,621 | 1,094 | 635 | 4,715 | 5,350 | 2,032 | 2003 | 1998 |
| Valwood Distribution Center | — | 4,361 | 34,405 | 1,788 | 4,361 | 36,193 | 40,554 | 4,819 | 2012 | 1986/87/97/98 |
| Northfield Distribution Center | — | 12,471 | 50,713 | 1,357 | 12,470 | 52,071 | 64,541 | 6,834 | 2013 | 1999-2001/03/04/08 |
| Houston Northwest Point Business Park | — | 1,243 | 5,640 | 4,703 | 1,243 | 10,343 | 11,586 | 6,916 | 1994 | 1984/85 |
| Lockwood Distribution Center | — | 749 | 5,444 | 1,985 | 749 | 7,429 | 8,178 | 4,209 | 1997 | 1968/69 |
| West Loop Distribution Center (g) | 4,739 | 905 | 4,383 | 2,366 | 905 | 6,749 | 7,654 | 4,149 | 1997/2000 | 1980 |
| World Houston Int'l Business Ctr 1 & 2 (f) | 5,143 | 3660 | 5,893 | 1,854 | 660 | 7,747 | 8,407 | 4,212 | 1998 | 1996 |
| World Houston Int'l Business Ctr 3, 4 & 5 (g) | 5,343 | 1,025 | 6,413 | 1,193 | 1,025 | 7,606 | 8,631 | 4,127 | 1998 | 1998 |
| World Houston Int'l Business Ctr 6 (g) | 2,079 | 425 | 2,423 | 510 | 425 | 2,933 | 3,358 | 1,663 | 1998 | 1998 |
| World Houston Int'l Business Ctr 7 & 8 (g) | 5,840 | 680 | 4,584 | 4,170 | 680 | 8,754 | 9,434 | 4,940 | 1998 | 1998 |
| World Houston Int'l Business Ctr 9 (g) | 4,265 | 800 | 4,355 | 1,734 | 800 | 6,089 | 6,889 | 2,544 | 1998 | 1998 |
| World Houston Int'l Business | — | 933 | 4,779 | 349 | 933 | 5,128 | 6,061 | 2,209 | 2001 | 1999 |

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| | | | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|---------|------|
| Ctr 10 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 638 | 3,764 | 1,195 | 638 | 4,959 | 5,597 | 2,515 | 1999 | 1999 |
| Ctr 11 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 340 | 2,419 | 383 | 340 | 2,802 | 3,142 | 1,477 | 2000 | 2002 |
| Ctr 12 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 282 | 2,569 | 374 | 282 | 2,943 | 3,225 | 1,784 | 2000 | 2002 |
| Ctr 13 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 722 | 2,629 | 535 | 722 | 3,164 | 3,886 | 1,600 | 2000 | 2003 |
| Ctr 14 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 731 | — | 6,124 | 731 | 6,124 | 6,855 | 2,904 | 2000 | 2007 |
| Ctr 15 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | 3,373 | 519 | 4,248 | 1,144 | 519 | 5,392 | 5,911 | 2,791 | 2000 | 2005 |
| Ctr 16 (j) | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 373 | 1,945 | 799 | 373 | 2,744 | 3,117 | 1,177 | 2000 | 2004 |
| Ctr 17 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 323 | 1,512 | 251 | 323 | 1,763 | 2,086 | 764 | 2005 | 1995 |
| Ctr 18 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 373 | 2,256 | 1,126 | 373 | 3,382 | 3,755 | 1,785 | 2000 | 2004 |
| Ctr 19 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 1,008 | 1,948 | 1,307 | 1,008 | 3,255 | 4,263 | 1,758 | 2000 | 2004 |
| Ctr 20 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | 2,410 | 436 | — | 3,504 | 436 | 3,504 | 3,940 | 1,233 | 2000/03 | 2006 |
| Ctr 21 (f) | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 436 | — | 4,537 | 436 | 4,537 | 4,973 | 1,748 | 2000 | 2007 |
| Ctr 22 | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | 4,927 | 910 | — | 7,145 | 910 | 7,145 | 8,055 | 2,479 | 2000 | 2007 |
| Ctr 23 (f) | | | | | | | | | | |
| World Houston | | | | | | | | | | |
| Int'l Business | — | 837 | — | 5,516 | 837 | 5,516 | 6,353 | 2,066 | 2005 | 2008 |
| Ctr 24 | | | | | | | | | | |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized to Subsequent Acquisitions | Gross Amount Carried at Close of Period | | Total | Accumulated Depreciation | Year Acquired | Year Constructed |
|---|--------------|-----------------------------|----------------------------|--|---|----------------------------|-------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | |
| World Houston Int'l Business Ctr 25 | — | 508 | — | 3,762 | 508 | 3,762 | 4,270 | 1,203 | 2005 | 2008 |
| World Houston Int'l Business Ctr 26 (k) | 2,432 | 445 | — | 3,194 | 445 | 3,194 | 3,639 | 978 | 2005 | 2008 |
| World Houston Int'l Business Ctr 27 | — | 837 | — | 5,004 | 837 | 5,004 | 5,841 | 1,378 | 2005 | 2008 |
| World Houston Int'l Business Ctr 28 (k) | 3,176 | 550 | — | 4,202 | 550 | 4,202 | 4,752 | 1,134 | 2005 | 2009 |
| World Houston Int'l Business Ctr 29 (k) | 3,288 | 782 | — | 4,138 | 974 | 3,946 | 4,920 | 1,042 | 2007 | 2009 |
| World Houston Int'l Business Ctr 30 (k) | 4,512 | 981 | — | 5,771 | 1,222 | 5,530 | 6,752 | 1,754 | 2007 | 2009 |
| World Houston Int'l Business Ctr 31A | — | 684 | — | 3,912 | 684 | 3,912 | 4,596 | 1,078 | 2008 | 2011 |
| World Houston Int'l Business Ctr 31B | — | 546 | — | 3,537 | 546 | 3,537 | 4,083 | 560 | 2008 | 2012 |
| World Houston Int'l Business Ctr 32 (h) | 4,195 | 1,225 | — | 5,660 | 1,526 | 5,359 | 6,885 | 847 | 2007 | 2012 |
| World Houston Int'l Business Ctr 33 | — | 1,166 | — | 7,859 | 1,166 | 7,859 | 9,025 | 829 | 2011 | 2013 |
| World Houston Int'l Business Ctr 34 | — | 439 | — | 3,373 | 439 | 3,373 | 3,812 | 370 | 2005 | 2012 |
| World Houston Int'l Business Ctr 35 | — | 340 | — | 2,475 | 340 | 2,475 | 2,815 | 227 | 2005 | 2012 |
| World Houston Int'l Business Ctr 36 | — | 685 | — | 4,878 | 685 | 4,878 | 5,563 | 486 | 2011 | 2013 |
| World Houston Int'l Business | — | 759 | — | 6,370 | 759 | 6,370 | 7,129 | 497 | 2011 | 2013 |

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| | | | | | | | | | | | |
|------------------|-------|-------|-------|-------|-------|-------|--------|-------|------|-----------|--|
| Ctr 37 | | | | | | | | | | | |
| World Houston | | | | | | | | | | | |
| Int'l Business | — | 1,053 | — | 7,312 | 1,053 | 7,312 | 8,365 | 703 | 2011 | 2013 | |
| Ctr 38 | | | | | | | | | | | |
| World Houston | | | | | | | | | | | |
| Int'l Business | — | 620 | — | 5,199 | 620 | 5,199 | 5,819 | 154 | 2011 | 2014 | |
| Ctr 39 | | | | | | | | | | | |
| World Houston | | | | | | | | | | | |
| Int'l Business | — | 1,072 | — | 9,340 | 1,072 | 9,340 | 10,412 | 396 | 2011 | 2014 | |
| Ctr 40 | | | | | | | | | | | |
| World Houston | | | | | | | | | | | |
| Int'l Business | — | 649 | — | 5,954 | 649 | 5,954 | 6,603 | 105 | 2011 | 2014 | |
| Ctr 41 | | | | | | | | | | | |
| World Houston | | | | | | | | | | | |
| Int'l Business | — | 571 | — | 4,812 | 571 | 4,812 | 5,383 | 77 | 2011 | 2015 | |
| Ctr 42 | | | | | | | | | | | |
| America Plaza | 3,910 | 662 | 4,660 | 993 | 662 | 5,653 | 6,315 | 3,129 | 1998 | 1996 | |
| (g) | | | | | | | | | | | |
| Central Green | | | | | | | | | | | |
| Distribution | 2,930 | 566 | 4,031 | 135 | 566 | 4,166 | 4,732 | 2,179 | 1999 | 1998 | |
| Center (g) | | | | | | | | | | | |
| Glenmont | | | | | | | | | | | |
| Business Park | 6,141 | 936 | 6,161 | 2,823 | 936 | 8,984 | 9,920 | 4,852 | 1998 | 1999/2000 | |
| (g) | | | | | | | | | | | |
| Techway | | | | | | | | | | | |
| Southwest I | — | 729 | 3,765 | 2,281 | 729 | 6,046 | 6,775 | 3,257 | 2000 | 2001 | |
| Techway | | | | | | | | | | | |
| Southwest II | — | 550 | 3,689 | 1,283 | 550 | 4,972 | 5,522 | 2,332 | 2000 | 2004 | |
| Techway | | | | | | | | | | | |
| Southwest III | — | 597 | — | 5,578 | 751 | 5,424 | 6,175 | 2,426 | 1999 | 2006 | |
| Techway | | | | | | | | | | | |
| Southwest IV | 4,187 | 535 | — | 5,730 | 674 | 5,591 | 6,265 | 1,765 | 1999 | 2008 | |
| (k) | | | | | | | | | | | |
| Beltway | | | | | | | | | | | |
| Crossing | — | 458 | 5,712 | 2,450 | 458 | 8,162 | 8,620 | 3,678 | 2002 | 2001 | |
| Business Park I | | | | | | | | | | | |
| Beltway | | | | | | | | | | | |
| Crossing | — | 415 | — | 2,892 | 415 | 2,892 | 3,307 | 1,092 | 2005 | 2007 | |
| Business Park II | | | | | | | | | | | |
| Beltway | | | | | | | | | | | |
| Crossing | — | 460 | — | 3,094 | 460 | 3,094 | 3,554 | 1,216 | 2005 | 2008 | |
| Business Park | | | | | | | | | | | |
| III | | | | | | | | | | | |
| Beltway | | | | | | | | | | | |
| Crossing | — | 460 | — | 3,035 | 460 | 3,035 | 3,495 | 1,194 | 2005 | 2008 | |
| Business Park | | | | | | | | | | | |
| IV | | | | | | | | | | | |
| Beltway | | | | | | | | | | | |
| Crossing | 3,711 | 701 | — | 4,852 | 701 | 4,852 | 5,553 | 1,707 | 2005 | 2008 | |
| Business Park V | | | | | | | | | | | |
| (k) | | | | | | | | | | | |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Initial Cost to the Company | | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | | Accumulated Depreciation | Year Acquired | Year Constructed |
|--|-----------------------------|------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|
| | Encumbrances | Land | Buildings and Improvements | | Land | Buildings and Improvements | Total | | | |
| Beltway Crossing Business Park VI (h) | 4,043 | 618 | — | 6,017 | 618 | 6,017 | 6,635 | 1,522 | 2005 | 2008 |
| Beltway Crossing Business Park VII (h) | 4,052 | 765 | — | 5,884 | 765 | 5,884 | 6,649 | 1,958 | 2005 | 2009 |
| Beltway Crossing Business Park VIII | — | 721 | — | 4,576 | 721 | 4,576 | 5,297 | 939 | 2005 | 2011 |
| Beltway Crossing Business Park IX | — | 418 | — | 2,113 | 418 | 2,113 | 2,531 | 282 | 2007 | 2012 |
| Beltway Crossing Business Park X | — | 733 | — | 3,871 | 733 | 3,871 | 4,604 | 477 | 2007 | 2012 |
| Beltway Crossing Business Park XI | — | 690 | — | 4,101 | 690 | 4,101 | 4,791 | 366 | 2007 | 2013 |
| West Road Business Park I | — | 621 | — | 4,324 | 621 | 4,324 | 4,945 | 159 | 2012 | 2014 |
| West Road Business Park II | — | 981 | — | 5,285 | 981 | 5,285 | 6,266 | 235 | 2012 | 2014 |
| Ten West Crossing 1 | — | 566 | — | 2,997 | 566 | 2,997 | 3,563 | 314 | 2012 | 2013 |
| Ten West Crossing 2 | — | 829 | — | 4,385 | 833 | 4,381 | 5,214 | 453 | 2012 | 2013 |
| Ten West Crossing 3 | — | 609 | — | 4,357 | 613 | 4,353 | 4,966 | 446 | 2012 | 2013 |
| Ten West Crossing 4 | — | 694 | — | 4,506 | 699 | 4,501 | 5,200 | 365 | 2012 | 2014 |
| Ten West Crossing 5 | — | 933 | — | 5,866 | 940 | 5,859 | 6,799 | 322 | 2012 | 2014 |
| Ten West Crossing 6 | — | 640 | — | 4,113 | 644 | 4,109 | 4,753 | 96 | 2012 | 2014 |
| El Paso | — | — | 20,725 | 8,420 | — | 29,145 | 29,145 | 16,841 | 1997/2000 | 1987/95 |

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| | | | | | | | | | | | |
|-------------------|--------|-------|--------|-------|-------|--------|--------|--------|------|--------------|--|
| Butterfield | | | | | | | | | | | |
| Trail | | | | | | | | | | | |
| Rojas | | | | | | | | | | | |
| Commerce Park | 4,690 | 900 | 3,659 | 3,016 | 900 | 6,675 | 7,575 | 4,707 | 1999 | 1986 | |
| (g) | | | | | | | | | | | |
| Americas Ten | | | | | | | | | | | |
| Business Center | — | 526 | 2,778 | 1,181 | 526 | 3,959 | 4,485 | 2,125 | 2001 | 2003 | |
| I | | | | | | | | | | | |
| San Antonio | | | | | | | | | | | |
| Alamo | | | | | | | | | | | |
| Downs | | | | | | | | | | | |
| Distribution | 5,077 | 1,342 | 6,338 | 1,216 | 1,342 | 7,554 | 8,896 | 3,948 | 2004 | 1986/2002 | |
| Center (j) | | | | | | | | | | | |
| Arion Business | | | | | | | | | | | |
| Park 1-13, 15 (j) | 23,508 | 4,143 | 31,432 | 5,616 | 4,143 | 37,048 | 41,191 | 15,762 | 2005 | 1988-2000/06 | |
| Arion Business | | | | | | | | | | | |
| Park 14 (j) | 2,180 | 423 | — | 3,397 | 423 | 3,397 | 3,820 | 1,218 | 2005 | 2006 | |
| Arion Business | | | | | | | | | | | |
| Park 16 (f) | 2,424 | 427 | — | 3,535 | 427 | 3,535 | 3,962 | 1,073 | 2005 | 2007 | |
| Arion Business | | | | | | | | | | | |
| Park 17 (j) | 2,622 | 616 | — | 3,978 | 616 | 3,978 | 4,594 | 1,939 | 2005 | 2007 | |
| Arion Business | | | | | | | | | | | |
| Park 18 (h) | 1,689 | 418 | — | 2,354 | 418 | 2,354 | 2,772 | 947 | 2005 | 2008 | |
| Wetmore | | | | | | | | | | | |
| Business Center | — | 1,494 | 10,804 | 3,097 | 1,494 | 13,901 | 15,395 | 6,337 | 2005 | 1998/99 | |
| 1-4 | | | | | | | | | | | |
| Wetmore | | | | | | | | | | | |
| Business Center | 2,573 | 412 | — | 3,438 | 412 | 3,438 | 3,850 | 1,407 | 2006 | 2008 | |
| 5 (k) | | | | | | | | | | | |
| Wetmore | | | | | | | | | | | |
| Business Center | 2,726 | 505 | — | 3,574 | 505 | 3,574 | 4,079 | 1,243 | 2006 | 2008 | |
| 6 (k) | | | | | | | | | | | |
| Wetmore | | | | | | | | | | | |
| Business Center | 2,930 | 546 | — | 3,838 | 546 | 3,838 | 4,384 | 818 | 2006 | 2008 | |
| 7 (k) | | | | | | | | | | | |
| Wetmore | | | | | | | | | | | |
| Business Center | 5,812 | 1,056 | — | 7,640 | 1,056 | 7,640 | 8,696 | 2,049 | 2006 | 2008 | |
| 8 (k) | | | | | | | | | | | |
| Fairgrounds | | | | | | | | | | | |
| Business Park | — | 1,644 | 8,209 | 2,102 | 1,644 | 10,311 | 11,955 | 4,420 | 2007 | 1985/86 | |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | Total | Accumulated Depreciation | Year Acquired | Year Constructed |
|--|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | |
| Rittiman Distribution Center | — | 1,083 | 6,649 | 289 | 1,083 | 6,938 | 8,021 | 957 | 2011 | 2000 |
| Thousand Oaks Distribution Center 1 | — | 607 | — | 4,286 | 607 | 4,286 | 4,893 | 674 | 2008 | 2012 |
| Thousand Oaks Distribution Center 2 | — | 794 | — | 4,719 | 794 | 4,719 | 5,513 | 646 | 2008 | 2012 |
| Thousand Oaks Distribution Center 3 | — | 772 | — | 4,457 | 772 | 4,457 | 5,229 | 414 | 2008 | 2013 |
| Thousand Oaks Distribution Center 4 | — | 753 | — | 3,953 | 753 | 3,953 | 4,706 | 24 | 2013 | 2015 |
| Austin Colorado Crossing Distribution Center | — | 4,602 | 19,757 | 61 | 4,602 | 19,818 | 24,420 | 1,698 | 2014 | 2009 |
| Southpark Corporate Center | — | 2,670 | 14,756 | — | 2,670 | 14,756 | 17,426 | 268 | 2015 | 1995 |
| Springdale Business Center | — | 2,824 | 8,398 | — | 2,824 | 8,398 | 11,222 | 111 | 2015 | 2000 |
| ARIZONA | | | | | | | | | | |
| Phoenix area | | | | | | | | | | |
| Broadway Industrial Park I | — | 837 | 3,349 | 932 | 837 | 4,281 | 5,118 | 2,523 | 1996 | 1971 |
| Broadway Industrial Park II | — | 455 | 482 | 180 | 455 | 662 | 1,117 | 408 | 1999 | 1971 |
| Broadway Industrial Park III | — | 775 | 1,742 | 531 | 775 | 2,273 | 3,048 | 1,268 | 2000 | 1983 |
| Broadway Industrial Park IV | — | 380 | 1,652 | 783 | 380 | 2,435 | 2,815 | 1,406 | 2000 | 1986 |
| Broadway Industrial Park V | — | 353 | 1,090 | 120 | 353 | 1,210 | 1,563 | 638 | 2002 | 1980 |
| Broadway Industrial Park VI (f) | 1,904 | 599 | 1,855 | 658 | 599 | 2,513 | 3,112 | 1,387 | 2002 | 1979 |
| Broadway Industrial Park | — | 450 | 650 | 232 | 450 | 882 | 1,332 | 136 | 2011 | 1999 |

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| | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|--------|--------|-------|------|-----------|
| VII Kyrene Distribution Center Southpark Distribution Center Santan 10 Distribution Center I (j) Santan 10 Distribution Center II (f) Chandler Freeways Kyrene 202 Business Park I Kyrene 202 Business Park II Metro Business Park 35th Avenue Distribution Center (original building currently undergoing redevelopment) 51st Avenue Distribution Center East University Distribution Center I & II (f) | — | 1,490 | 4,453 | 1,514 | 1,490 | 5,967 | 7,457 | 3,490 | 1999 | 1981/2001 |
| | — | 918 | 2,738 | 644 | 918 | 3,382 | 4,300 | 1,472 | 2001 | 2000 |
| | 2,176 | 846 | 2,647 | 319 | 846 | 2,966 | 3,812 | 1,306 | 2001 | 2005 |
| | 3,797 | 1,088 | — | 5,119 | 1,088 | 5,119 | 6,207 | 1,976 | 2004 | 2007 |
| | — | 1,525 | — | 7,381 | 1,525 | 7,381 | 8,906 | 516 | 2012 | 2013 |
| | — | 653 | — | 5,777 | 653 | 5,777 | 6,430 | 145 | 2011 | 2014 |
| | — | 387 | — | 3,414 | 387 | 3,414 | 3,801 | 110 | 2011 | 2014 |
| | — | 1,927 | 7,708 | 6,747 | 1,927 | 14,455 | 16,382 | 9,101 | 1996 | 1977/79 |
| | — | 418 | 2,381 | 206 | 418 | 2,587 | 3,005 | 1,226 | 1997 | 1967 |
| | — | 300 | 2,029 | 977 | 300 | 3,006 | 3,306 | 1,765 | 1998 | 1987 |
| | 4,365 | 1,120 | 4,482 | 1,533 | 1,120 | 6,015 | 7,135 | 3,525 | 1998 | 1987/89 |

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | Total | Accumulated Depreciation | Year Acquired | Year Constructed |
|--|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | |
| East University Distribution Center III | — | 444 | 698 | 208 | 444 | 906 | 1,350 | 184 | 2010 | 1981 |
| 55th Avenue Distribution Center (f) | 3,394 | 912 | 3,717 | 919 | 917 | 4,631 | 5,548 | 2,848 | 1998 | 1987 |
| Interstate Commons Distribution Center I | — | 798 | 3,632 | 1,708 | 798 | 5,340 | 6,138 | 2,914 | 1999 | 1988 |
| Interstate Commons Distribution Center II | — | 320 | 2,448 | 429 | 320 | 2,877 | 3,197 | 1,372 | 1999 | 2000 |
| Interstate Commons Distribution Center III | — | 242 | — | 2,996 | 242 | 2,996 | 3,238 | 861 | 2000 | 2008 |
| Airport Commons Distribution Center | — | 1,000 | 1,510 | 1,336 | 1,000 | 2,846 | 3,846 | 1,479 | 2003 | 1971 |
| 40th Avenue Distribution Center (k) | 4,519 | 703 | — | 6,059 | 703 | 6,059 | 6,762 | 1,670 | 2004 | 2008 |
| Sky Harbor Business Park | — | 5,839 | — | 21,324 | 5,839 | 21,324 | 27,163 | 5,785 | 2006 | 2008 |
| Sky Harbor Business Park 6 Tucson | — | 807 | — | 2,177 | 807 | 2,177 | 2,984 | 20 | 2014 | 2015 |
| Country Club Commerce Center I | — | 506 | 3,564 | 2,173 | 693 | 5,550 | 6,243 | 2,338 | 1997/2003 | 1994/2003 |
| Country Club Commerce Center II | — | 442 | 3,381 | 37 | 442 | 3,418 | 3,860 | 1,056 | 2007 | 2000 |
| Country Club Commerce Center III & IV | — | 1,407 | — | 11,794 | 1,575 | 11,626 | 13,201 | 3,432 | 2007 | 2009 |
| Airport Distribution | — | 1,103 | 4,672 | 1,549 | 1,103 | 6,221 | 7,324 | 3,576 | 1998 | 1995 |

| | | | | | | | | | | |
|--|--------|-------|--------|-------|-------|--------|--------|-------|------|---------|
| Center Southpointe Distribution | — | — | 3,982 | 2,950 | — | 6,932 | 6,932 | 3,997 | 1999 | 1989 |
| Center Benan Distribution | — | 707 | 1,842 | 635 | 707 | 2,477 | 3,184 | 1,287 | 2005 | 2001 |
| Center NORTH CAROLINA Charlotte area NorthPark Business Park (f) | 13,833 | 2,758 | 15,932 | 3,924 | 2,758 | 19,856 | 22,614 | 7,910 | 2006 | 1987-89 |
| Lindbergh Business Park | — | 470 | 3,401 | 444 | 470 | 3,845 | 4,315 | 1,371 | 2007 | 2001/03 |
| Commerce Park Center I | — | 765 | 4,303 | 791 | 765 | 5,094 | 5,859 | 1,687 | 2007 | 1983 |
| Commerce Park Center II (h) | 1,362 | 335 | 1,603 | 297 | 335 | 1,900 | 2,235 | 475 | 2010 | 1987 |
| Commerce Park Center III (h) | 2,225 | 558 | 2,225 | 868 | 558 | 3,093 | 3,651 | 726 | 2010 | 1981 |
| Nations Ford Business Park Airport | — | 3,924 | 16,171 | 3,128 | 3,924 | 19,299 | 23,223 | 7,679 | 2007 | 1989/94 |
| Commerce Center | — | 1,454 | 10,136 | 1,620 | 1,454 | 11,756 | 13,210 | 3,374 | 2008 | 2001/02 |
| Interchange Park I | — | 986 | 7,949 | 476 | 986 | 8,425 | 9,411 | 2,240 | 2008 | 1989 |
| Interchange Park II | — | 746 | 1,456 | 55 | 746 | 1,511 | 2,257 | 121 | 2013 | 2000 |
| Ridge Creek Distribution Center I | — | 1,284 | 13,163 | 780 | 1,284 | 13,943 | 15,227 | 3,341 | 2008 | 2006 |
| Ridge Creek Distribution Center II (h) | 10,142 | 3,033 | 11,497 | 2,116 | 3,033 | 13,613 | 16,646 | 1,688 | 2011 | 2003 |
| Ridge Creek Distribution Center III | — | 2,459 | 11,147 | 381 | 2,459 | 11,528 | 13,987 | 702 | 2014 | 2013 |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | | Accumulated Depreciation | Year Acquired | Year Constructed | |
|--|-----------------------------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|---------|
| | Encumbrance Land | Buildings and Improvements | | Land | Buildings and Improvements | Total | | | | |
| Lakeview Business Center (h) | 4,332 | 2,392 | 5,068 | 650 | 1,392 | 5,718 | 7,110 | 978 | 2011 | 1996 |
| Steele Creek Commerce Park I | — | 993 | — | 4,314 | 1,010 | 4,297 | 5,307 | 372 | 2013 | 2014 |
| Steele Creek Commerce Park II | — | 941 | — | 4,457 | 957 | 4,441 | 5,398 | 246 | 2013 | 2014 |
| Steele Creek Commerce Park III | — | 1,464 | — | 6,396 | 1,469 | 6,391 | 7,860 | 295 | 2013 | 2014 |
| Steele Creek Commerce Park IV | — | 684 | — | 3,925 | 687 | 3,922 | 4,609 | 32 | 2013 | 2015 |
| Waterford Distribution Center | — | 654 | 3,392 | 501 | 654 | 3,893 | 4,547 | 928 | 2008 | 2000 |
| LOUISIANA | | | | | | | | | | |
| New Orleans Elmwood Business Park | — | 2,861 | 6,337 | 4,264 | 2,861 | 10,601 | 13,462 | 7,125 | 1997 | 1979 |
| Riverbend Business Park | — | 2,557 | 17,623 | 6,210 | 2,557 | 23,833 | 26,390 | 12,750 | 1997 | 1984 |
| COLORADO | | | | | | | | | | |
| Denver Rampart Distribution Center I (j) | 3,618 | 1,023 | 3,861 | 1,455 | 1,023 | 5,316 | 6,339 | 3,872 | 1988 | 1987 |
| Rampart Distribution Center II (j) | 2,492 | 230 | 2,977 | 1,164 | 230 | 4,141 | 4,371 | 2,610 | 1996/97 | 1996/97 |
| Rampart Distribution Center III (j) | 3,660 | 1,098 | 3,884 | 1,431 | 1,098 | 5,315 | 6,413 | 2,703 | 1997/98 | 1999 |
| Rampart Distribution Center IV (j) | 4,855 | 590 | — | 7,918 | 590 | 7,918 | 8,508 | 52 | 2012 | 2014 |
| Concord Distribution Center (h) | 3,816 | 1,051 | 4,773 | 439 | 1,051 | 5,212 | 6,263 | 1,760 | 2007 | 2000 |

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| | | | | | | | | | | |
|--|---------|-----------|---------|---------|---------|-----------|-----------|---------|------|------|
| Centennial Park (k) NEVADA Las Vegas Arville | 3,857 | 350 | 3,319 | 1,697 | 750 | 5,016 | 5,766 | 1,579 | 2007 | 1990 |
| Distribution Center MISSISSIPPI Jackson area Interchange | — | 4,933 | 5,094 | 330 | 4,933 | 5,424 | 10,357 | 1,527 | 2009 | 1997 |
| Business Park Tower Automotive Metro | — | 343 | 5,007 | 3,080 | 343 | 8,087 | 8,430 | 4,926 | 1997 | 1981 |
| Airport Commerce Center I TENNESSEE Memphis | — | — | 9,958 | 1,228 | 17 | 11,169 | 11,186 | 4,333 | 2001 | 2002 |
| Memphis I | — | 303 | 1,479 | 1,029 | 303 | 2,508 | 2,811 | 1,439 | 2001 | 2003 |
| | — | 250 | 1,916 | 1,426 | 250 | 3,342 | 3,592 | 1,868 | 1998 | 1975 |
| | 351,298 | 2,088,884 | 965,253 | 784,870 | 301,435 | 1,747,572 | 2,049,007 | 657,292 | | |

SCHEDULE III

REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Encumbrances | Initial Cost to the Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | | Accumulated Depreciation | Year Acquired | Year Constructed |
|-----------------------------------|--------------|-----------------------------|----------------------------|---|---|----------------------------|--------|--------------------------|---------------|------------------|
| | | Land | Buildings and Improvements | | Land | Buildings and Improvements | Total | | | |
| Industrial Development (d): | | | | | | | | | | |
| FLORIDA | | | | | | | | | | |
| Oak Creek | | | | | | | | | | |
| Distribution Center land | — | 1,226 | — | 2,345 | 1,447 | 2,124 | 3,571 | — | 2005 | n/a |
| Madison | | | | | | | | | | |
| Distribution Center II & III | — | 624 | — | 6,793 | 624 | 6,793 | 7,417 | 61 | 2012 | 2015 |
| Madison | | | | | | | | | | |
| Distribution Center land | — | 565 | — | 503 | 565 | 503 | 1,068 | — | 2012 | n/a |
| Horizon | | | | | | | | | | |
| Commerce Park III | — | 991 | — | 5,124 | 991 | 5,124 | 6,115 | — | 2008/09 | n/a |
| Horizon | | | | | | | | | | |
| Commerce Park land | — | 9,160 | — | 11,211 | 9,160 | 11,211 | 20,371 | — | 2008/09 | n/a |
| SunCoast | | | | | | | | | | |
| Commerce Center land | — | 10,892 | — | 6,966 | 11,104 | 6,754 | 17,858 | — | 2006 | n/a |
| TEXAS | | | | | | | | | | |
| North Stemmons land | | | | | | | | | | |
| ParkView | — | 537 | — | 276 | 537 | 276 | 813 | — | 2001 | n/a |
| Commerce Center 1-3 | | | | | | | | | | |
| ParkView | — | 2,663 | — | 14,593 | 2,663 | 14,593 | 17,256 | — | 2014 | 2015 |
| Commerce Center land | | | | | | | | | | |
| CreekView 121 land | — | 400 | — | 104 | 405 | 99 | 504 | — | 2014 | n/a |
| Valwood | | | | | | | | | | |
| Distribution Center land | — | 5,874 | — | 499 | 5,874 | 499 | 6,373 | — | 2015 | n/a |
| World Houston | | | | | | | | | | |
| Int'l Business Center land | — | 416 | — | 20 | 416 | 20 | 436 | — | 2012 | n/a |
| World Houston | | | | | | | | | | |
| Int'l Business Center land - 2011 | — | 4,617 | — | 3,200 | 5,351 | 2,466 | 7,817 | — | 2000 | n/a |
| World Houston | | | | | | | | | | |
| Int'l Business Center land - 2011 | — | 3,498 | — | 3,861 | 4,783 | 2,576 | 7,359 | — | 2011 | n/a |

| | | | | | | | | | | |
|---|---|-------|---|-------|-------|-------|-------|----|------|------|
| expansion World Houston Int'l Business Ctr land - 2015 | — | 6,040 | — | 246 | 6,040 | 246 | 6,286 | — | 2015 | n/a |
| expansion Ten West Crossing 7 | — | 584 | — | 3,488 | 588 | 3,484 | 4,072 | — | 2012 | 2015 |
| Ten West Crossing land | — | 1,127 | — | 797 | 1,135 | 789 | 1,924 | — | 2012 | n/a |
| West Road Business Park III | — | 597 | — | 4,185 | 597 | 4,185 | 4,782 | — | 2012 | 2015 |
| West Road Business Park IV | — | 621 | — | 4,064 | 621 | 4,064 | 4,685 | 5 | 2012 | 2015 |
| West Road Business Park land | — | 483 | — | 718 | 484 | 717 | 1,201 | — | 2012 | n/a |
| Americas Ten Business Center II & III land | — | 1,365 | — | 1,079 | 1,365 | 1,079 | 2,444 | — | 2001 | n/a |
| Alamo Ridge Business Park I | — | 623 | — | 6,729 | 623 | 6,729 | 7,352 | 96 | 2007 | 2015 |
| Alamo Ridge Business Park II | — | 402 | — | 3,737 | 402 | 3,737 | 4,139 | — | 2007 | 2015 |
| Alamo Ridge Business Park III | — | 907 | — | 1,473 | 907 | 1,473 | 2,380 | — | 2007 | n/a |
| Alamo Ridge Business Park land | — | 356 | — | 487 | 355 | 488 | 843 | — | 2007 | n/a |
| Eisenhower Point Business Park 1 & 2 | — | 1,881 | — | 4,879 | 1,881 | 4,879 | 6,760 | — | 2015 | n/a |
| Eisenhower Point Business Park land | — | 2,513 | — | 324 | 2,519 | 318 | 2,837 | — | 2015 | n/a |
| ARIZONA Kyrene 202 Business Park VI | — | 936 | — | 6,084 | 936 | 6,084 | 7,020 | — | 2011 | 2015 |

SCHEDULE III
REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2015 (In thousands, except footnotes)

| Description | Initial Cost to the Company | | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at Close of Period | | Accumulated Depreciation | Year Acquired | Year Constructed | Buildings and Improvements |
|---|-----------------------------|---------|----------------------------|---|---|----------------------------|--------------------------|---------------|------------------|----------------------------|
| | Encumbrances | Land | Buildings and Improvements | | Land | Buildings and Improvements | | | | |
| Kyrene 202 Business Park land | — | 1,244 | — | 878 | 1,244 | 878 | 2,122 | — | 2011 | n/a |
| 35th Avenue Distribution Center - redevelopment | — | — | — | 1,171 | — | 1,171 | 1,171 | — | 1997 | n/a |
| Ten Sky Harbor Business Center | — | 1,568 | — | 2,084 | 1,569 | 2,083 | 3,652 | — | 2015 | n/a |
| Falcon Field Business Center land | — | 1,315 | — | 50 | 1,315 | 50 | 1,365 | — | 2015 | n/a |
| Airport Distribution Center II land | — | 300 | — | 117 | 300 | 117 | 417 | — | 2000 | n/a |
| NORTH CAROLINA Steele Creek Commerce Center VI | — | 867 | — | 2,037 | 869 | 2,035 | 2,904 | — | 2013/14 | n/a |
| Steele Creek Commerce Center land | — | 1,804 | — | 999 | 1,821 | 982 | 2,803 | — | 2013/14/15 | n/a |
| Airport Commerce Center III land | — | 855 | — | 763 | 855 | 763 | 1,618 | — | 2008 | n/a |
| MISSISSIPPI Metro Airport Commerce Center II land | — | 307 | — | 399 | 307 | 399 | 706 | — | 2001 | n/a |
| Total real estate owned | — | 68,158 | — | 102,283 | 70,653 | 99,788 | 170,441 | 162 | | |
| (a)(b) | \$351,401 | 367,042 | 965,253 | 887,153 | 372,088 | 1,847,360 | 2,219,448 | 657,454 | | |

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

(a) Changes in Real Estate Properties follow:

| | Years Ended December 31, | | |
|--|--------------------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| Balance at beginning of year | \$2,074,946 | 1,927,326 | 1,768,032 |
| Purchases of real estate properties | 28,648 | 47,477 | 65,387 |
| Development of real estate properties | 95,032 | 97,696 | 76,240 |
| Improvements to real estate properties | 25,778 | 19,862 | 21,438 |
| Carrying amount of investments sold | (4,750 |) (17,049 |) (3,475 |
| Write-off of improvements | (206 |) (366 |) (296 |
| Balance at end of year ⁽¹⁾ | \$2,219,448 | 2,074,946 | 1,927,326 |

(1) Includes 20% noncontrolling interests in Castilian Research Center of \$1,795,000 at December 31, 2015 and \$1,794,000 at December 31, 2014 and in University Business Center of \$6,670,000 and \$6,536,000, respectively.

Changes in the accumulated depreciation on real estate properties follow:

| | Years Ended December 31, | | |
|---|--------------------------|----------|---------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| Balance at beginning of year | \$600,526 | 550,113 | 496,247 |
| Depreciation expense | 59,882 | 57,303 | 54,284 |
| Accumulated depreciation on assets sold | (2,748 |) (6,525 |) (126 |
| Other | (206 |) (365 |) (292 |
| Balance at end of year | \$657,454 | 600,526 | 550,113 |

(b) The estimated aggregate cost of real estate properties at December 31, 2015 for federal income tax purposes was approximately \$2,188,766,000 before estimated accumulated tax depreciation of \$425,700,000. The federal income tax return for the year ended December 31, 2015, has not been filed and accordingly, this estimate is based on preliminary data.

(c) The Company computes depreciation using the straight-line method over the estimated useful lives of the buildings (generally 40 years) and improvements (generally 3 to 15 years).

(d) The Company transfers development properties to real estate properties the earlier of 80% occupancy or one year after completion of the shell construction.

(e) EastGroup has a \$54,689,000 limited recourse first mortgage loan with an insurance company secured by Dominguez, Industry I & III, Kingsview, Shaw, Walnut and Washington. The loan has a recourse liability of \$5 million which will be released based on the secured properties generating certain base rent amounts.

(f) EastGroup has a \$50,971,000 non-recourse first mortgage loan with an insurance company secured by Arion 16, Broadway VI, Chino, East University I & II, Northpark, Santan 10 II, 55th Avenue and World Houston 1 & 2 and 21 & 23.

(g) EastGroup has a \$55,223,000 non-recourse first mortgage loan with an insurance company secured by America Plaza, Central Green, Glenmont, Interstate I-III, Rojas, Stemmons Circle, Venture, West Loop and World Houston

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EastGroup has a \$46,584,000 non-recourse first mortgage loan with an insurance company secured by Arion 18, (h) Beltway Crossing VI & VII, Commerce Park II & III, Concord, Interstate V-VII, Lakeview, Ridge Creek II, Southridge IV & V and World Houston 32.

(i) EastGroup has a \$25,567,000 non-recourse first mortgage loan with an insurance company secured by Huntwood and Wiegman I.

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(j) EastGroup has a \$53,563,000 non-recourse first mortgage loan with an insurance company secured by Alamo Downs, Arion 1-15 & 17, Rampart I-IV, Santan 10 I and World Houston 16.

EastGroup has a \$61,312,000 non-recourse first mortgage loan with an insurance company secured by 40th Avenue, Beltway Crossing V, Centennial Park, Executive Airport, Ocean View, Techway Southwest IV, Wetmore 5-8 and World Houston 26, 28, 29 & 30.

SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
December 31, 2015

| | Number of Loans | Interest Rate | Maturity Date | Periodic Payment Terms |
|--------------------------|--|------------------------------------|--|------------------------------------|
| First mortgage loans: | | | | |
| JCB Limited - California | 1 | 5.25 % | October 2017 | Principal and interest due monthly |
| JCB Limited - California | 1 | 5.25 % | October 2017 | Principal and interest due monthly |
| Total mortgage loans (a) | 2 | | | |
| | Face Amount of Mortgages Dec. 31, 2015 (In thousands) | Carrying Amount of Mortgages | Principal Amount of Loans Subject to Delinquent Principal or Interest (b) | |
| First mortgage loans: | | | | |
| JCB Limited - California | \$1,977 | 1,977 | — | |
| JCB Limited - California | 2,898 | 2,898 | — | |
| Total mortgage loans | \$4,875 | 4,875 | (c)(d) — | |

(a) Reference is made to allowance for possible losses on mortgage loans receivable in the Notes to Consolidated Financial Statements.

(b) Interest in arrears for three months or less is disregarded in computing principal amount of loans subject to delinquent interest.

(c) Changes in mortgage loans follow:

| | Years Ended December 31, | | |
|--|--------------------------|---------|-------|
| | 2015 | 2014 | 2013 |
| | (In thousands) | | |
| Balance at beginning of year | \$4,991 | 8,870 | 9,323 |
| Advances on mortgage loans receivable | — | — | — |
| Payments on mortgage loans receivable | (116) | (3,902) | (463) |
| Amortization of discount on mortgage loan receivable | — | 23 | 10 |
| Balance at end of year | \$4,875 | 4,991 | 8,870 |

(d) The aggregate cost for federal income tax purposes is approximately \$4.88 million. The federal income tax return for the year ended December 31, 2015, has not been filed and, accordingly, the income tax basis of mortgage loans as of December 31, 2015, is based on preliminary data.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

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.

EASTGROUP PROPERTIES, INC.

By: /s/ MARSHALL A. LOEB

Marshall A. Loeb, Chief Executive Officer, President & Director
February 17, 2016

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.

*

D. Pike Aloian, Director
February 17, 2016

*

H. C. Bailey, Jr., Director
February 17, 2016

*

H. Eric Bolton, Jr., Director
February 17, 2016

*

Hayden C. Eaves III, Director
February 17, 2016

*

Fredric H. Gould, Director
February 17, 2016

*

Mary Elizabeth McCormick, Director
February 17, 2016

*

David M. Osnos, Director
February 17, 2016

*

Leland R. Speed, Chairman Emeritus of the Board
February 17, 2016

*

David H. Hoster II, Chairman of the Board
February 17, 2016

/s/ N. KEITH MCKEY

* By N. Keith McKey, Attorney-in-fact
February 17, 2016

/s/ MARSHALL A. LOEB

Marshall A. Loeb, Chief Executive Officer,
President & Director
(Principal Executive Officer)
February 17, 2016

/s/ BRUCE CORKERN

Bruce Corkern, Sr. Vice-President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)
February 17, 2016

/s/ N. KEITH MCKEY

N. Keith McKey, Executive Vice-President,
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)

February 17, 2016

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EXHIBIT INDEX

(3) Exhibits:

The following exhibits are filed with this Form 10-K or incorporated by reference to the listed document previously filed with the SEC:

| Number | Description |
|--------|---|
| (3) | Articles of Incorporation and Bylaws |
| (a) | 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). |
| (b) | EastGroup Properties, Inc. Bylaws, Amended through December 5, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed December 10, 2014). |
| (10) | Material Contracts (*Indicates management or compensatory agreement): |
| (a) | Form of Severance and Change in Control Agreement that the Company has entered into with Leland R. Speed, David H. Hoster II, Marshall A. Loeb and N. Keith McKey (incorporated by reference to Exhibit 10(a) to the Company's Form 8-K filed January 7, 2009).* |
| (b) | Form of Severance and Change in Control Agreement that the Company has entered into with John F. Coleman, William D. Petsas, Brent W. Wood and C. Bruce Corkern (incorporated by reference to Exhibit 10(b) to the Company's Form 8-K filed January 7, 2009).* |
| (c) | Third Amended and Restated Credit Agreement Dated January 2, 2013 among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; Regions Bank and SunTrust Bank as Co-Syndication Agents; U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Documentation Agents; PNC Capital Markets LLC, as Sole Lead Arranger and Sole Bookrunner; and the Lenders thereunder (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 8, 2013). |
| (d) | First Amendment to Third Amended and Restated Credit Agreement, dated as of August 9, 2013, among EastGroup Properties, L.P., EastGroup Properties, Inc. and PNC Bank, National Association, as administrative agent, and each of the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 30, 2013). |
| (e) | Second Amendment to Third Amended and Restated Credit Agreement dated as of July 30, 2015 by and among EastGroup Properties, L.P.; EastGroup Properties, Inc.; PNC Bank, National Association, as Administrative Agent; and each of the financial institutions party thereto as lenders (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 4, 2015). |
| (f) | EastGroup Properties, Inc. 2013 Equity Incentive Plan (incorporated by reference to Appendix A to the proxy material for the 2013 Annual Meeting of Stockholders).* |
| (g) | EastGroup Properties, Inc. Director Compensation Program (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 2, 2015).* |
| (h) | Note Purchase Agreement, dated as of August 28, 2013, among EastGroup Properties, L.P., EastGroup Properties, Inc. and the purchasers of the notes party thereto (including the form of the 3.80% Senior Notes due August 28, 2025) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 30, 2013). |
| (i) | Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and BNY Mellon Capital Markets, LLC (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed February 25, 2014). |
| (j) | Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 1.2 to the Company's Form 8-K filed February 25, 2014). |

- (k) Sales Agency Financing Agreement dated February 19, 2014 between EastGroup Properties, Inc. and Raymond James & Associates, Inc. (incorporated by reference to Exhibit 1.3 to the Company's Form 8-K filed February 25, 2014).
- (12) Statement of computation of ratio of earnings to combined fixed charges and preferred stock distributions (filed herewith)
- (21) Subsidiaries of EastGroup Properties, Inc. (filed herewith).

- (23) Consent of KPMG LLP (filed herewith).
- (24) Powers of attorney (filed herewith).
- (31) Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
 - (a) Marshall A. Loeb, Chief Executive Officer
 - (b) N. Keith McKey, Chief Financial Officer
- (32) Section 1350 Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
 - (a) Marshall A. Loeb, Chief Executive Officer
 - (b) N. Keith McKey, Chief Financial Officer

- The following materials from EastGroup Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income and comprehensive income, (iii) consolidated statements of changes in equity, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.
- (101)