

EASTGROUP PROPERTIES INC

Form 424B5

September 20, 2012

Table of Contents

Filed Pursuant To Rule 424(b)(5)

Registration No. 333-181353

CALCULATION OF REGISTRATION FEE

| | Title of Each Class of Securities Offered | Amount to be Registered (1) | Proposed Maximum Aggregate Offering Price (1) | Amount of Registration Fee (2) |
|--------------|--|--|--|---|
| Common Stock | | 2,000,000 shares | \$109,120,000 | \$12,505.15 |

- (1) Determined in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low reported sales prices on the New York Stock Exchange on September 18, 2012.
- (2) This filing fee is calculated in accordance with Rule 457 (r) and relates to the Registration Statement on Form S-3 (No. 333-181353) filed by East Group Properties, Inc. on May 11, 2012.

Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 11, 2012)

2,000,000 Shares

EastGroup Properties, Inc.

Common Stock

We have entered into separate sales agency financing agreements with each of BNY Mellon Capital Markets, LLC and Raymond James & Associates, Inc., which we refer to individually as a sales agent and together as the sales agents, relating to the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. In accordance with the terms of the sales agency financing agreements, we may offer and sell up to 2,000,000 shares of our common stock from time to time through the sales agents.

The common stock will be offered at market prices prevailing at the time of sale. We will pay each sales agent a commission not to exceed 2.0% of the sales price of all shares of common stock sold through it as our agent.

Our common stock is listed on the New York Stock Exchange under the symbol EGP. The last reported sales price of our common stock on September 19, 2012 was \$54.25 per share.

Investing in our common stock involves risks. Before investing in our common stock, you should carefully read the discussion of material risks of investing in our common stock on page 1 of the accompanying prospectus under the heading Risk Factors, as well as the risk factors discussed in the documents we file with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, and which we incorporate into this prospectus by reference.

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.

BNY Mellon Capital Markets, LLC

Raymond James

Edgar Filing: EASTGROUP PROPERTIES INC - Form 424B5

The date of this prospectus supplement is September 20, 2012.

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the sales agents have not, authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor the sales agents are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

TABLE OF CONTENTS

Prospectus Supplement

| | |
|--|------|
| <u>About This Prospectus Supplement</u> | Page |
| <u>EastGroup Properties, Inc.</u> | S-1 |
| <u>Use of Proceeds</u> | S-1 |
| <u>Plan of Distribution</u> | S-1 |
| <u>Experts</u> | S-3 |
| <u>Legal Matters</u> | S-3 |
| <u>Incorporation of Certain Documents By Reference</u> | S-3 |

Prospectus Dated May 11, 2012

| | |
|--|------|
| <u>Risk Factors</u> | Page |
| <u>Forward-Looking Information</u> | 1 |
| <u>About EastGroup Properties, Inc.</u> | 2 |
| <u>Ratio of Earnings To Fixed Charges</u> | 2 |
| <u>Use of Proceeds</u> | 2 |
| <u>Description of Capital Stock</u> | 3 |
| <u>Description of Common Stock</u> | 4 |
| <u>Description of Preferred Stock</u> | 5 |
| <u>Description of Warrants</u> | 6 |
| <u>Certain Provisions of Maryland Law and Our Charter and Bylaws</u> | 7 |
| <u>Material United States Federal Income Tax Considerations</u> | 10 |
| <u>Plan of Distribution</u> | 10 |
| <u>Selling Securityholders</u> | 12 |
| <u>Legal Matters</u> | 12 |
| <u>Experts</u> | 12 |
| <u>Where You Can Find More Information</u> | 12 |
| <u>Incorporation of Certain Documents By Reference</u> | 13 |

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document has two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering.

All references to we, our and us in this prospectus supplement means EastGroup Properties, Inc. and all entities owned or controlled by us except where it is made clear that the term means only the parent company. The term you refers to a prospective investor.

To the extent that any subject matter is addressed in both this prospectus supplement and the accompanying prospectus, the information contained in or incorporated by reference to this prospectus supplement updates or supersedes the information contained in the accompanying prospectus.

EASTGROUP PROPERTIES, INC.

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

We are a corporation organized under the laws of the State of Maryland. Our principal executive offices are located at 190 East Capitol Street, Suite 400, Jackson, MS 39201-2152, and our telephone number is (601) 354-3555. We also have a web site at www.eastgroup.net. The information found on, or otherwise accessible through, our web site is not incorporated into, and does not form a part of, this prospectus.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of our common stock under the sales agency financing agreements from this offering for general corporate purposes, including working capital and the payment of costs of acquisition or development of industrial properties. Pending such use, the net proceeds will be used to reduce our outstanding variable rate debt. The weighted average interest rate on our variable rate debt was 1.15% as of September 14, 2012.

PLAN OF DISTRIBUTION

We have entered into sales agency financing agreements, each dated as of September 20, 2012, with BNY Mellon Capital Markets, LLC and Raymond James & Associates, Inc., which we refer to individually as a sales agent and together as the sales agents, under which we may issue and sell up to 2,000,000 shares of our common stock from time to time through the sales agents, as our agent for the offer and sale of the shares, for a 36-month period beginning on September 20, 2012. The sales, if any, of the common stock under the sales agency financing agreements will be made in at the market offerings as defined in Rule 415 of the Securities Act of 1933, including sales made directly on the New York Stock Exchange, the existing trading market for our common stock, or sales made to or through a market maker or through an electronic communications network. In addition, our common stock may be offered and sold by such other methods, including privately negotiated transactions, as we and any sales agent agree to in writing.

Table of Contents

From time to time during the term of the sales agency financing agreements, we may deliver an issuance notice to a sales agent specifying the length of the selling period (not to exceed 20 trading days), the amount of common stock to be sold (not to exceed 500,000 shares during any selling period without the sales agent's prior written consent) and the minimum price below which sales may not be made. Upon receipt of an issuance notice from us, and subject to the terms and conditions of the sales agency financing agreement, each sales agent has agreed to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such shares on such terms. We or the sales agent may suspend the offering of our common stock at any time upon proper notice to the other, upon which the selling period will immediately terminate. Settlement for sales of our common stock will occur on the later of: (i) the third trading day immediately following the last day of the selling period and (ii) the third trading day following the date on which any sales were made. The obligation of the sales agent under the applicable sales agency financing agreement to sell shares pursuant to any issuance notice is subject to a number of conditions, which the sales agent reserves the right to waive in its sole discretion.

We will pay the sales agents a commission not to exceed 2% of the sales price of all shares sold through it as agent under the sales agency financing agreement. We have also agreed to reimburse the sales agents for each of its reasonable documented out-of-pocket expenses, including fees and expenses of counsel (initial amount not to exceed \$40,000 and continuing due diligence in an amount not to exceed \$10,000 per fiscal quarter), in connection with the sales agency financing agreements.

We will deliver to the New York Stock Exchange copies of this prospectus supplement pursuant to the rules of the exchange. We will report at least quarterly the number of shares of our common stock sold through both sales agents in at-the-market offerings, the net proceeds to us and the compensation paid by us to the sales agents in connection with such sales of our common stock.

Sales of our common stock as contemplated by this prospectus supplement will be settled through the facilities of The Depository Trust Company or by such other means as we and the sales agents may agree upon.

In connection with the sale of our common stock hereunder, the sales agents may be deemed to be an underwriter within the meaning of the Securities Act of 1933, and the compensation paid to the sales agents may be deemed to be underwriting commissions or discounts. We have agreed to indemnify the sales agents against certain civil liabilities, including liabilities under the Securities Act of 1933.

The offering of our common stock pursuant to the sales agency financing agreement will terminate upon the earlier of (1) the sale of the 2,000,000 shares of our common stock subject to the sales agency financing agreements, (2) September 20, 2015 and (3) termination of each sales agency financing agreement by either the sales agent or us. Each sales agency financing agreement may be terminated by the sales agent or us at any time upon 10 days notice, and by the applicable sales agent in certain circumstances, including certain bankruptcy events relating to us or any material subsidiary, our failure to maintain a listing of our common stock on the New York Stock Exchange or the occurrence of a material adverse effect in our company.

We have agreed not to directly or indirectly sell, offer to sell, contract to sell, grant any option to sell or otherwise dispose of, our common stock or securities convertible into or exchangeable for our common stock, warrants or any rights to purchase or acquire our common stock for a period beginning on the first trading day prior to the delivery of any issuance notice to a sales agent and ending on the first trading day following the settlement date for our common stock sold pursuant to the applicable issuance notice, without the prior written consent of the sales agent. This consent may be given at any time without public notice. The restriction described in this paragraph does not apply to sales of:

common stock we offer or sell pursuant to the sales agency financing agreements;

our common stock that we issue as consideration in connection with acquisitions of businesses, assets or securities of other persons;

Table of Contents

our common stock that we issue upon conversion of convertible securities, or the exercise of warrants, options or other rights; or

our common stock or options to purchase common stock that we issue, in either case, pursuant to any employee or director stock option, incentive or benefit plan, any stock purchase or ownership plan or dividend reinvestment plan.

In the ordinary course of business, each sales agent and/or its affiliates have provided, and may in the future provide, investment banking, commercial banking, corporate trust services and other services for us from time to time for which they have received, and will in the future receive, customary fees and reimbursement of expenses.

EXPERTS

The consolidated financial statements and schedules of EastGroup Properties, Inc., as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2011, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

The legality of the securities offered hereby will be passed upon for us by Jaeckle Fleischmann & Mugel, LLP, Buffalo, New York who may rely upon an opinion of DLA Piper LLP (US), Baltimore, Maryland as to certain Maryland law matters. Sidley Austin LLP, Palo Alto, California will pass upon certain legal matters in connection with this offering for the sales agents.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

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

our annual report on Form 10-K for the year ended December 31, 2011, which incorporates certain sections of our Definitive Proxy Statement on Schedule 14A filed on April 20, 2012;

our quarterly report on Form 10-Q for the three months ended March 31, 2012;

our quarterly report on Form 10-Q for the three and six months ended June 30, 2012;

our current reports on Form 8-K filed May 11, 2012, May 16, 2012, June 1, 2012, and September 7, 2012; and

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

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

EastGroup Properties, Inc.

Attention: Chief Financial Officer

Edgar Filing: EASTGROUP PROPERTIES INC - Form 424B5

190 East Capitol Street, Suite 400

Jackson, MS 39201-2152

(601) 354-3555

S-3

Table of Contents

COMMON STOCK, PREFERRED STOCK, WARRANTS

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

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

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

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

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

The date of this Prospectus is May 11, 2012.

Table of Contents**TABLE OF CONTENTS**

| | Page |
|--|-------------|
| <u>Risk Factors</u> | 1 |
| <u>Forward-Looking Information</u> | 1 |
| <u>About EastGroup Properties, Inc.</u> | 2 |
| <u>Ratio of Earnings To Fixed Charges</u> | 2 |
| <u>Use of Proceeds</u> | 2 |
| <u>Description of Capital Stock</u> | 3 |
| <u>Description of Common Stock</u> | 4 |
| <u>Description of Preferred Stock</u> | 5 |
| <u>Description of Warrants</u> | 6 |
| <u>Certain Provisions of Maryland Law and Our Charter and Bylaws</u> | 7 |
| <u>Material United States Federal Income Tax Considerations</u> | 10 |
| <u>Plan of Distribution</u> | 10 |
| <u>Selling Securityholders</u> | 12 |
| <u>Legal Matters</u> | 12 |
| <u>Experts</u> | 12 |
| <u>Where You Can Find More Information</u> | 12 |
| <u>Incorporation of Certain Documents By Reference</u> | 13 |

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

Table of Contents

RISK FACTORS

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

FORWARD-LOOKING INFORMATION

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

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

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

changes in general economic conditions;

the extent of customer defaults or of any early lease terminations;

the Company's ability to lease or re-lease space at current or anticipated rents;

the availability of financing;

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

increases in interest rate levels;

increases in operating costs;

Edgar Filing: EASTGROUP PROPERTIES INC - Form 424B5

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

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

Table of Contents

changes in governmental regulation, tax rates and similar matters;

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

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

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

ABOUT EASTGROUP PROPERTIES, INC.

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

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

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

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to combined fixed charges and preferred stock dividends for the three months ended March 31, 2012 and the years ended December 31, 2011, 2010, 2009, 2008 and 2007 was 1.40, 1.49, 1.38, 1.55, 1.63 and 1.56, respectively.

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

USE OF PROCEEDS

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

Table of Contents

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

DESCRIPTION OF CAPITAL STOCK

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

The total number of shares of capital stock of all classes that we are authorized to issue is 100,000,000. Our charter authorizes the issuance of 70,000,000 shares of common stock, par value \$.0001 per share and 30,000,000 shares of Excess Stock, par value \$.0001 per share. As of May 11, 2012, 28,473,580 shares of common stock and no shares of Excess Stock were issued and outstanding. Our common stock is currently listed on the New York Stock Exchange under the symbols EGP .

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

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

Our Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel or other evidence satisfactory to the Board of Directors and upon at least 15 days written notice from a transferee prior to a proposed transfer that, if consummated, would result in the intended transferee beneficially owning (as defined in our charter, and determined after the application of the applicable attribution rules of the Code) equity stock in excess of the 9.8% ownership limit and the satisfaction of such other conditions as the Board may direct, may in its sole and absolute discretion exempt a person from the 9.8% ownership limit.

Table of Contents

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

DESCRIPTION OF COMMON STOCK

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

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

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

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

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides that such actions need to be approved by a majority of the votes entitled to be cast on the matter. However, any merger, consolidation, share exchange, recapitalization, dissolution, sale of all or substantially all of our assets or any amendment to the provisions of our charter regarding the Board of Directors, indemnification of our directors and officers or amendment of the charter must be approved by at least two-thirds of our Board of Directors. Additionally, no amendment to our charter may be made that would, (i) in the determination of our Board of Directors, cause us not to qualify as a REIT, (ii) amend the provisions of our

Table of Contents

charter regarding removal of directors, (iii) amend our Bylaws, (iv) amend the provisions of our charter regarding the indemnification of directors and officers, (v) amend our charter, or (vi) impose cumulative voting in the election of directors, in each case, unless approved by the holders of not less than 80% of the votes entitled to be cast on the matter.

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

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

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

DESCRIPTION OF PREFERRED STOCK

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

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

- (i) The title and stated value of such shares of preferred stock;
- (ii) The number of such shares of preferred stock offered, the liquidation preference per share and the offering price of such shares of preferred stock;
- (iii) The voting rights of such shares of preferred stock;
- (iv) The dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such shares of preferred stock;
- (v) The date from which dividends on such shares of preferred stock will accumulate, if applicable;
- (vi) The procedures for any auction or remarketing, if any, for such shares of preferred stock;
- (vii) The provision for a sinking fund, if any, for such shares of preferred stock;

Edgar Filing: EASTGROUP PROPERTIES INC - Form 424B5

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

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

Table of Contents

- (x) The terms and conditions, if applicable, upon which the shares of preferred stock will be convertible into shares of our common stock, including the conversion price (or manner of calculation thereof);
- (xi) A discussion of federal income tax considerations applicable to such shares of preferred stock;
- (xii) The relative ranking and preferences of such shares of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;
- (xiii) Any limitations on issuance of any series of shares of preferred stock ranking senior to or on a parity with such series of shares of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;
- (xiv) Any limitations on direct or beneficial ownership and restrictions on transfer of such shares of preferred stock, in each case as may be appropriate to preserve our status as a REIT; and
- (xv) Any other specific terms, preferences, rights, limitations or restrictions of such shares of preferred stock.

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

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

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of shares of preferred stock or shares of common stock. Warrants may be issued independently or together with any other securities offered by any prospectus supplement and may be attached to or separate from such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent specified in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. Further terms of the warrants and the applicable warrant agreements will be set forth in the applicable prospectus supplement.

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

Table of Contents

CERTAIN PROVISIONS OF MARYLAND LAW AND OUR CHARTER AND BYLAWS

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

Maryland, the state of our incorporation, has certain anti-takeover statutes, including the business combination provisions and control share acquisition provisions, which may also have the effect of making it difficult to gain control of us or to change existing management. To date, we have not opted out of the business combination provisions or, except with respect to certain acquisitions of our stock by registered investment advisors, the control share acquisition provisions of the Maryland General Corporation Law (the MGCL).

Business Combinations

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

any person who beneficially owns directly or indirectly ten percent or more of the voting power of the outstanding voting stock of the corporation; or

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

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

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

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

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

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

The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested stockholder.

Control Share Acquisitions

Maryland law provides that holders of control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or

Edgar Filing: EASTGROUP PROPERTIES INC - Form 424B5

by directors who are also employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock

Table of Contents

which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

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

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

a majority or more of all voting power.

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

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

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

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

We have opted out of the control share acquisition statute solely to the extent that our shares are acquired by a person that is a registered investment advisor under the Investment Advisors Act of 1940, provided that such shares of stock are acquired in the ordinary course of business of the acquirer, in good faith and not with the intent to effect or to influence a change of control in us.

Certain Elective Provisions of Maryland Law

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

have at least three independent directors who are not officers or employees of the entity or are an acquiring person or are related to an acquiring person; and

have a class of equity securities that are subject to the reporting requirements of the Securities Exchange Act, may elect in their charter or bylaws or by resolution of the board of directors to be subject to all or part of a special subtitle which provides that:

Table of Contents

the corporation will have a staggered board of directors;

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

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

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

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

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

Board of Directors

Our bylaws provide that the number of our directors may be established by the Board of Directors but may not be fewer than three (unless there is no stock outstanding, in which case it may not be fewer than one) nor more than 15. Any vacancy may be filled by the stockholders at any regular meeting or special meeting called for that purpose. Any vacancy may also be filled by a majority of the remaining directors, except that a vacancy resulting from an increase in the number of directors must be filled by a majority of the entire Board of Directors.

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

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

Power to Issue Additional Shares of Common Stock and Preferred

\$150,680 84% \$136,860 50% 0% 101,140 37%

| | | | | | |
|-----------------------|--|-----------|------|-----------|------|
| Audit-Related Fees(2) | | 2,750 | 2% | 11,715 | 4% |
| Tax Fees(3) | | 16,220 | 9% | 15,975 | 6% |
| All Other Fees(4) | | 9,917 | 6% | 7,590 | 3% |
| Total | | \$179,567 | 100% | \$273,280 | 100% |

- (1) Audit Fees were for professional services rendered in connection with the review and audit of the Company's annual financial statements for the year ended December 31, 2010, and same period for the prior year as well as for the review of the Company's interim financial statements included in quarterly reports on Form 10-Q during the year ended December 31, 2010, and same period for the prior year.
- (2) Audit-Related Fees were for professional services rendered in connection with disclosure research (2010) and employee benefit plan audits (2009)
- (3) Tax Fees were for tax related services and totaled approximately \$16,220. The audit committee does not consider the tax related fees of \$16,220 to impair the auditor's independence.
- (4) All Other Fees were for out of pocket expenses.

Board of Directors

Director ages for nominees and current directors are at December 31, 2010. In 1990, National Security Insurance Company was reorganized as a holding company system pursuant to a plan of exchange whereby The National Security Group, Inc., (the "Company"), became the holding company for National Security Insurance Company (NSIC), and its prior subsidiaries: National Security Fire & Casualty Company (NSFC), and NATSCO, Inc. ("NATSCO"). Subsequently Omega One Insurance Company ("Omega One") was formed as a wholly owned subsidiary of the Fire Company. References to tenure with the Company (in the following biographical section) include the individual's tenure with NSIC prior to the reorganization.

In addition to the persons who are standing for re-election as directors (whose biographical information is included in Proposal One above), the following is a biographical summary of our other directors:

Frank B. O'Neil, 57
 Frank B. O'Neil is the Senior Vice President, Corporate Communications and Investor Relations and Assistant Corporate Secretary of ProAssurance Corporation (NYSE: PRA) of Birmingham, Alabama. He is a member of National Investor Relations Institute, the American Society of Corporate Secretaries and is a member of the Board of Directors of the Alabama Insurance Planning Commission. Mr. O'Neil has extensive knowledge of the insurance industry and regulation, financial reporting, investor communications, corporate governance, risk management and experience working with other public company boards.

Birmingham,
 Alabama

| | | | |
|---------------------|---------------------------------|--------------------|------|
| Term Expires 2013 | NSEC Board and Board Committees | Meeting Attendance | |
| Director since 2004 | Board of Directors | 4 of 4 | 100% |
| Independent | Compensation Committee | 4 of 4 | 100% |

Edgar Filing: EASTGROUP PROPERTIES INC - Form 424B5

Donald Pittman, 49
Audit Committee
Chairman

Donald Pittman has been in the private practice of law since June of 1988, in Enterprise, Alabama. He is a member of the Coffee County, State of Alabama and American Bar Associations. The Board concluded that Mr. Pittman has extensive experience with real estate, corporate, tax and estate law as well as risk management, financial acumen and industry knowledge developed through his tenure as a director and service as Audit Committee Chairman.

Enterprise, Alabama

| | NSEC Board and Board Committees | Meeting Attendance | |
|---------------------|---------------------------------|--------------------|------|
| Term Expires 2013 | | 5 of 5 | 100% |
| Director since 2002 | Board of Directors | 5 of 5 | 100% |
| Independent | Audit Committee | 6 of 6 | 100% |

L. Brunson White, 54

L. Brunson White is Senior Vice President - Marketing for Alabama Gas Corporation, an Energen Company. Energen Corporation (NYSE:EGN) is a diversified energy company with headquarters in Birmingham, Alabama. Mr. White has worked for Energen Corporation for over 30 years in the areas of planning, development, technology, sales and marketing. Brunson White has extensive technology and regulatory experience having served as chief information officer of a highly regulated publicly traded company as well as risk management, financial acumen and industry knowledge developed through his tenure as a director and member of the Audit Committee.

Birmingham,
Alabama

| | NSEC Board and Board Committees | Meeting Attendance | |
|---------------------|---------------------------------|--------------------|------|
| Term Expires 2013 | | 4 of 4 | 100% |
| Director since 2002 | Board of Directors | 4 of 4 | 100% |
| Independent | Audit Committee | 6 of 6 | 100% |

Winfield Baird, 78
Chairman of the
Board

Winfield Baird is a Chartered Financial Analyst, and currently a financial advisor with Baird Financial Management in Birmingham, Alabama. He previously served as President of Investment Counselors of Alabama, Inc. He was formerly a partner and manager at the Birmingham office of J. C. Bradford & Company. Mr. Baird has extensive leadership experience as board chairman, financial acumen, risk management and investment management and regulatory knowledge developed through his experience as an investment advisor.

Birmingham,
Alabama

| | NSEC Board and Board Committees | Meeting Attendance | |
|---------------------|---|--------------------|------|
| Term Expires 2012 | | 4 of 4 | 100% |
| Director since 1964 | Board of Directors | 4 of 4 | 100% |
| Independent | Nominating Committee Executive Committee | 1 of 1 | 100% |

Fleming G Brooks, 65
Nominating
Committee
Chairman

Fleming G. Brooks is Chairman of the Board of Brooks Peanut Company, Inc. of Samson, Alabama and various affiliates of that Company. He either serves currently or has served in the past, in various positions with associations of the agricultural community. Mr. Brooks has extensive executive management and leadership experience having served as chairman and CEO of a diversified privately held agribusiness entity and industry knowledge developed through his tenure as a director.

Samson, Alabama

| | NSEC Board and Board Committees | Meeting Attendance | |
|---------------------|--|--------------------|--------------|
| Term Expires 2012 | | 4 of 4 | 100% |
| Director since 2004 | Board of Directors | 4 of 4 | 100% |
| Independent | Nominating Committee Dividend Committee | 1 of 1 4 of 4 | 100% 100% |

Jack E. Brunson has served as a director since 1999 and as President of NSFC since 1997. He also serves on the Boards of Directors of NSFC and Omega One. He joined the Company in 1982. Mr. Brunson has extensive leadership experience as president of an insurance subsidiary, financial acumen and risk management experience developed through his operational and director experiences, as well as extensive industry knowledge represented by his 28 year tenure with the Company and Chartered Property and Casualty Underwriter certification.

Elba, Alabama

| | | | |
|---------------------|---------------------------------|--------------------|-----|
| Term Expires 2012 | NSEC Board and Board Committees | Meeting Attendance | |
| Director since 1999 | Board of Directors | 3 of 4 | 75% |
| | Dividend Committee | 3 of 4 | 75% |

Walter Wilkerson is a certified public accountant and partner in the firm of Brunson, Wilkerson, Bowden & Associates, P.C. in Enterprise, Alabama. He is also a member of the American Institute of Certified Public Accountants, Alabama Society of Certified Public Accountants and Florida Institute of Certified Public Accountants. Mr. Wilkerson has extensive leadership experience as a managing partner, financial acumen and risk management experience developed through his experience in public accounting and involvement in business operations and planning. He has been designated as the Audit Committee financial expert under NASDAQ listing standards, and has developed significant industry knowledge through his tenure as a director.

Enterprise, Alabama

| | | | |
|---------------------|---------------------------------|--------------------|------|
| Term Expires 2012 | NSEC Board and Board Committees | Meeting Attendance | |
| Director since 1984 | Board of Directors | 4 of 4 | 100% |
| | Audit Committee | 6 of 6 | 100% |
| | Executive Committee | | |

Director Compensation

The Compensation Committee periodically reviews levels of director compensation for non-employee directors of the Company. The goal of the compensation review is to provide a median level of director compensation relative to peer group companies to attract and retain individuals to provide independent oversight of management and bring diverse business ideas in order to provide input into strategic plans and objectives of the organization.

Non-employee directors are currently paid an annual base retainer of \$23,000. Reflecting the additional workload of their oversight duties and Committee assignments, the Chairman of the Board of Directors is paid an additional \$7,000 per year (\$30,000 in total); Audit Committee members are paid an additional \$4,000 per year (\$27,000 in total) and its Chairman is paid an additional \$5,000 per year (\$28,000 in total); Compensation Committee members are paid an additional \$2,000 per year (\$25,000 in total) and its Chairman is paid an additional \$3,000 per year (\$26,000 in total). These retainers are paid in equal quarterly installments.

Directors are required to attend at least 75% of the total of all Board of Directors meetings and Committee meetings for any consecutive twelve-month period. If this attendance standard is not met, the Director's retainer for the following twelve-month period will be proportionately reduced. Full reimbursement is provided for travel expenses associated with Board or Committee meetings or other Company functions.

Directors may annually elect to defer compensation into a non-qualified deferred compensation plan (NQDC). Participants in the NQDC plan may select from a group of externally managed investment options. The Company also does not guarantee returns for any component of funds deferred in the NQDC plan.

Director Compensation Table

| Name | Fees Earned or paid in Cash | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and | | Total |
|---------------------|--------------------------------------|-----------------|------------------|--|---|---------------------------|--------|
| | | | | | Non-qualified Deferred Compensation | All Other Compensation | |
| Winfield Baird | 30,000 | - | - | - | 30,059 | - | 60,059 |
| Fleming G. Brooks | 23,000 | - | - | - | 13,254 | - | 36,254 |
| Fred Clark, Jr. | 25,000 | - | - | - | 1,479 | - | 26,479 |
| Mickey Murdock | 23,000 | - | - | - | 31,361 | - | 54,361 |
| Frank B. O'Neil | 25,000 | - | - | - | 13,484 | - | 38,484 |
| Donald Pittman | 28,000 | - | - | - | 3,243 | - | 31,243 |
| Paul C. Wesch | 26,000 | - | - | - | 8,550 | - | 34,550 |
| L. Brunson White | 27,000 | - | - | - | - | - | 27,000 |
| Walter P. Wilkerson | 27,000 | - | - | - | 38,240 | - | 65,240 |

Selection of Directors

The Board of Directors is responsible for management oversight, and its goal is to assemble a board that works cohesively and that constructively challenges and questions management. The Nominating Committee Charter sets forth the following guidelines for Board membership:

- Experience as a board member of another publically traded corporation
- Experience in industries or with technologies relevant to the Company
 - Experience in accounting or financial reporting
- Other such professional experience as the Nominating Committee shall determine to qualify an individual for Board Service

It is the goal of the Nominating Committee to ensure that the Board and its Committees include independent directors as promulgated by NASDAQ and the Securities and Exchange Commission. Directors shall exercise good business judgment and even temperament. Directors shall exhibit high ethical standards. Directors shall also be independent thinkers with the intelligence to articulate their thoughts and opinions in a constructive manner. As stated in the Nominating Committee's Charter, it is the Company's policy to not discriminate on the basis of race, gender or ethnicity and the board is supportive of any qualified candidate who would also provide the board with more diversity. The Board has not adopted any policy on diversity with respect to its directors, but seeks a balance of experience among the directors so that the Board as a whole has experience and training from various disciplines and industries.

To review the charter of the Nominating Committee in its entirety, please visit:

<http://www.nationalsecuritygroup.com/public/Investors/NominatingCommitteeCharter.aspx>

Board Leadership Structure and Risk Oversight

While the By-Laws and corporate governance policy do not require that the Chairman and Chief Executive Officer positions be separate, the Board believes that having separate positions is the appropriate leadership structure for the Company at this time. Currently the Board is comprised of eight independent directors, two employee directors, one retired employee director and two non-voting directors emeritus. Independent directors and management have different perspectives and roles in strategy development. The Company does not have a lead independent director as the current board chairperson is an independent director. Independent directors bring experience, oversight and expertise from outside the organization while employee directors bring industry experience and expertise.

Management is responsible for the day-to-day management of risks, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. Executive Officers are present at every board meeting and most committee meetings and are available to address any questions or concerns raised by the directors regarding risk management and any other

matters. In addition, executive officers present information regarding the Company's operations, including associated risks and mitigation measures at each Board meeting. The Audit Committee lends support to the Board of Directors in reviewing the Company's consideration of material risks and overseeing the Company's management of material risks.

Corporate Governance

The system of governance followed by the Company is codified in the Policy on Corporate Governance, Senior Financial Officers' Code of Ethics and the charters of the Nominating and Audit Committees of the Board of Directors. The guidelines provided in these documents are intended to give surety that the Board will have the necessary power and practices in place to review and evaluate the Company's business operations and to make decisions that are independent of the Company's management.

The corporate governance documents, including committee charters, are reviewed periodically and updated when necessary to reflect changes in practice and regulatory requirements. The Board has five committees: an Audit Committee, a Compensation Committee, a Dividend Committee, a Nominating Committee and an Executive Committee. The corporate governance policy and code of ethics are both posted on the Company's website at www.nationalsecuritygroup.com/public/Investors/Governance.aspx. If you would like to receive a copy of the corporate governance documents, send your request in writing to The National Security Group, Inc., Office of the Corporate Secretary, 661 East Davis Street, Elba, Alabama 36323.

Meetings and Executive Sessions of the Board

The Board of Directors holds regularly scheduled quarterly meetings. During the last full calendar year, the Board of Directors of the Company held four regularly scheduled meetings and no special meetings. Executive sessions of independent directors followed each regularly scheduled board meeting. All directors attended at least 75% of the meetings of the Board of Directors and the committees on which they served during calendar year 2010. The Company has not adopted a formal policy regarding Board members' attendance at the Company's annual stockholder meetings; however, the Company encourages all Board members to attend the annual stockholder meetings. Each of the Company's directors attended the 2010 Annual Meeting of Stockholders.

The following provides a description of each committee of the Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants at its discretion when it is believed the services of said persons are necessary to carry out the committee's responsibilities. The Board of Directors has determined that each member of each committee meets the standards of independence under the NASDAQ listing standards.

Compensation Committee

The primary responsibilities of the Compensation Committee include: responsibility for recommending officers, setting the salaries of officers, setting fees for directors, approval of officer bonuses and presenting such information to the Board of Directors for full consideration.

Audit Committee

The Audit Committee assists the Board in its supervisory function, specifically in the oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company. Responsibilities include overseeing the Company's internal accounting function as well as compliance with applicable legal, ethical and regulatory requirements. The Committee is also charged with the appointment, compensation, retention and oversight of the Company's independent auditor. The Committee has confidence in the expertise and knowledge of management and the independent auditor. The Committee relies on management and the independent auditor in carrying out the duties with which it is charged. The Committee's duties are described in detail in the Audit Committee Charter. The Board has designated Walter P. Wilkerson as the audit committee financial expert as defined by the Securities and Exchange Commission rules.

Dividend Committee

The key responsibility of the Dividend Committee is to determine the amount of dividends paid to stockholders and recommend such payments for consideration to the full Board.

Nominating Committee

The key responsibilities of the Nominating Committee are to determine the slate of director nominees for election to the Company's Board of Directors and identify and propose candidates to fill vacancies occurring between annual stockholder meetings. No procedure has been established by the committee for considering nominations by the stockholders.

Executive Committee

The Executive Committee is empowered by the by-laws to act with the authority of the full board when necessary should events arise in which the full board is unavailable. There have been no meetings of the Executive Committee.

Independent Directors

The Board evaluates the independence of each director in accordance with applicable laws and regulations, the listing standards of the NASDAQ Stock Market and the standards set forth in the Policy on Corporate Governance. The Board has determined that the following directors are considered independent based on the aforementioned guidelines: Winfield Baird, Fleming G. Brooks, Fred Clark, Jr., Frank B. O'Neil, Donald S. Pittman, Paul C. Wesch, L. Brunson White and Walter P. Wilkerson.

Stockholder Communications with Directors

A stockholder who would like to communicate directly with the Board, a committee of the Board, the non-employee directors as a group or with an individual director, should send the communication to:

The National Security Group, Inc.
Office of the Corporate Secretary
Board of Directors [or committee name, the non-employee directors as a group or director's name, as appropriate]
661 East Davis Street
Elba, Alabama 36323

All communications will be compiled by the Corporate Secretary of the Company and submitted to the Board on a periodic basis.

Certain Relationships and Related Transactions

The family relationships, not more remote than first cousin, which exist among the directors and nominees as of December 31, 2010, are as follows:

W. L. Brunson, Jr., Donald S. Pittman and Jack E. Brunson are first cousins. Mr. James Saxon (Director Emeritus) is the uncle of L. Brunson White. Mrs. Carolyn Brunson (Director Emeritus) is the mother of W. L. Brunson, Jr. See also the discussion under the heading "Compensation Committee Interlocks and Insider Participation."

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee of the Board of Directors believes its policies and procedures should remain flexible in order to: best react to changing conditions; ensure to the directors and stockholders that the corporate accounting and reporting practices of the corporation are in accordance with all requirements; and ensure that the corporate accounting and reporting practices of the corporation are of the highest quality. In carrying out its responsibilities, the audit committee pre-approves audit fees as well as reviews and approves the scope of the proposed audit, audit procedures and other services to be performed.

Compensation Discussion and Analysis

Executive Compensation

The primary oversight of the Company's executive compensation plan rests with the Compensation Committee of the Board of Directors which is composed entirely of independent directors.

The primary objective of the Compensation Committee in setting compensation levels for executive officers is to enhance the Company's ability to attract and retain talented individuals for its executive positions by ensuring that we provide competitive benefits relative to our size and geographic location. The current compensation plan consists of three elements: base salary, short term cash incentive compensation and retirement benefits under a 401K plan and supplemental executive retirement plan (SERP). Base salaries are set by the Compensation Committee, including any annual increases, and are ratified by the full Board of Directors. The Compensation Committee considers factors such as industry surveys, particularly focusing on those companies of similar size and business focus, individual performance and changes in job duties of named executives in any material adjustments in individual compensation levels.

The Compensation Committee reviews salary levels annually relative to the compensation of peer group executive officers. As part of our review, we utilize insurance industry executive compensation surveys, particularly those which provide composite information for

the Company's applicable size category, as determined by annual insurance premium revenue. Due to other considerations such as geographic location of the Company, base compensation levels for the executive officers of the Company are typically at or below median levels for each of the applicable job classifications provided in the executive compensation surveys.

The objective of the bonus incentive plan provided to executive officers is to reward executives for financial performance on an annual basis and consists of two primary components. The first component is a fixed bonus percentage based on an absolute return on equity. The bonus percentages under this component range from 15% to 35% of base compensation for the CEO and 10% to 30% for other named executive officers. No bonus is paid under this component for a return on equity of less than 8%. The second component consists of a bonus percentage based on performance relative to a peer group of companies with the maximum bonus payable under this component being 50% of base compensation. The maximum bonus payable under both components of the plan is fixed at 70% of base compensation for the CEO and 60% for other named executive officers. The Compensation Committee reserves the right to withhold bonuses for the CEO or any named executive for personal performance during a year, regardless of the Company's overall performance. No bonuses will be paid for 2010.

Executive officers are covered by two primary retirement benefit plans. We offer a defined contribution 401(k) plan under which all employees may defer a portion of compensation, subject to IRS limits for 2010 of \$16,500 per year and over age 50 "catch-up" contributions for 2010 of \$5,500 per year. After six months of employment, the Company will match employee deferrals on a dollar for dollar basis up to 5% of compensation. During 2010, the Company match paid to all executive officers totaled \$32,653. We also provide a supplemental executive retirement plan (SERP) for our named executive officers. The Company contributes 15% of each executive's compensation under the terms of this plan; contributions are fully vested upon the earlier of death, disability, change in control, or ten years of participation in the plan. Company contributions to the SERP for 2010 totaled \$107,148.

The Company also offers its executive officers and directors a non-qualified deferred compensation (NQDC) plan. Executives have the option of deferring up to 25% of base pay and 100% of bonus into the NQDC plan. Participants in the NQDC plan may select from a group of externally managed investment options, none of which contain equity components tied to Company stock performance. The Company also does not guarantee returns for any component of funds deferred in the NQDC plan. The Compensation Committee may recommend to the Board of Directors, discretionary contributions to the NQDC plan for named executives; however, no such discretionary contributions were made for 2010.

The Company currently does not have a long term incentive compensation plan or any stock based compensation arrangements. These compensation arrangements, while not currently offered, may be considered by the Compensation Committee as a future element of executive compensation. Even though the Company does not currently offer long term incentive compensation or stock based compensation as a component of executive compensation, the Compensation Committee does believe that the long term interests of the executives are tied to the Company as the executive group and immediate family members of certain executives own, through various direct and indirect ownership arrangements, in excess of 25% of the total outstanding common stock of the Company.

We do not offer any perquisites to any of our executive officers with an aggregate value greater than \$10,000.

All forms of executive compensation, with the exception of amounts deferred under NQDC plans and Company SERP contributions, are currently deductible by the Company under Federal Income Tax laws. The Compensation Committee does not believe that the deductibility limitations of Section 162(m) of the Internal Revenue Code of 1986 as amended applies to the Company as no individual of the Company received more than \$1 million in compensation.

The Company currently has no security ownership requirements or guidelines regarding the hedging of economic risk of security ownership for executive officers.

None of the executive officers is currently under written employment agreements or other written agreement providing for severance or change in control benefits other than immediate vesting of SERP plan balances under a change in control.

In accordance with the SEC's Smaller Reporting Company guidelines, the following table provides a summary of compensation for the President and CEO as well as the next two most highly compensated executive officers.

Summary Compensation Table

| Name and Principle Position | Year | Salary | Bonus* | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and | | Total |
|---|------|---------|--------|-----------------|------------------|--|--|-----------------------------|---------|
| | | | | | | | Non-qualified Deferred Plan Compensation | All Other Compensation** | |
| William L. Brunson, Jr. President and CEO The National Security Group, Inc. | 2010 | 210,000 | -- | - | - | - | 19,467 | 46,953 | 276,420 |
| | 2009 | 200,000 | 78,743 | - | - | - | 15,329 | 57,662 | 351,734 |
| | 2008 | 199,333 | -- | - | - | - | (16,130) | 54,006 | 237,209 |
| Jack E. Brunson President, National Security Fire and Casualty | 2010 | 152,000 | -- | - | - | - | 15,447 | 32,960 | 200,407 |
| | 2009 | 144,000 | 48,813 | - | - | - | 12,687 | 41,268 | 246,768 |
| | 2008 | 143,906 | -- | - | - | - | (11,748) | 40,268 | 172,425 |
| Brian R. McLeod Vice President and CFO The National Security Group, Inc. | 2010 | 175,000 | -- | - | - | - | 12,647 | 38,538 | 226,185 |
| | 2009 | 160,000 | 54,243 | - | - | - | 13,307 | 47,203 | 274,753 |
| | 2008 | 160,057 | -- | - | - | - | (13,304) | 43,974 | 190,727 |

*Bonus amounts are generally paid in April following the year in which the bonus is earned.

**"All Other Compensation" includes the following for W. L. Brunson, Jr. for the year 2010: contributions to the 401(K) Retirement Plan of \$10,500, SERP contributions of \$43,050 and other employee benefits of \$4,953; J. E. Brunson total for the year 2010 includes: 401(K) Retirement Plan contributions of \$7,245, SERP contributions of \$29,928 and other employee benefits of \$2,915; Brian R. McLeod total for the year 2010 includes: 401(K) Retirement Plan contributions of \$8,005, SERP contributions of \$34,170 and other employee benefits of \$4,283.

Non-Qualified Deferred Compensation Table

| Name | Executive Contributions in Last FY | Registrant Contributions in Last FY | Aggregate Earnings in Last FY | Aggregate Withdrawals/Distributions | Aggregate Vested Balance at Last FY |
|----------------------------|--|---|-------------------------------------|--|--|
| William L. Brunson, Jr. | 7,700 | 43,050 | 19,467 | - | 51,451 |
| Jack E. Brunson | 11,880 | 29,928 | 15,447 | - | 63,202 |
| Brian R. McLeod | - | 34,170 | 12,647 | - | 31,857 |

Report of Compensation Committee

The Compensation Committee is composed of independent directors, as defined by NASDAQ listing standards. The Committee was appointed by the Board and chartered to oversee the compensation of Company executives and directors and to review and approve all incentive compensation awarded by the Company.

Recommendations of the Compensation Committee: We have reviewed and discussed the Compensation Discussion and Analysis (CD&A) as required by Item 402(b) of Regulation S-K with the Company's management. Based on this review and these discussions, the Committee authorized the inclusion of the CD&A in the Company's 2010 Annual Report on Form 10-K and Proxy Statement to be filed in 2011.

This report has been furnished by the Compensation Committee of the Board of Directors.

Paul Wesch, Chairman

Frank B. O'Neil

Fred Clark, Jr.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors is currently comprised of Paul Wesch, Fred Clark, Jr. and Frank B. O'Neil, all of whom are independent directors. The Committee members receive director fees as described in this Proxy Statement and do not receive any other compensation from the Company. During 2010, Paul Wesch's director compensation was \$26,000, Fred Clark, Jr.'s director compensation was \$25,000 and Frank B. O'Neil's director compensation was \$25,000.

Employee Benefits

401(K) Plan

The Company matches employee contributions \$1 for \$1 up to 5% of total compensation of an individual employee. All full-time employees are eligible to participate. The Company contributions are made at the end of each payroll period and allocated among the participants' plan accounts based on compensation received during the year for which the contribution is made. All Company matching contributions are 100% vested when contributed to the plan account. Benefits are generally payable only upon termination, retirement, disability or death.

Audit Committee Report

The Audit Committee, currently consisting of three members, assists the Board of Directors with fulfilling its oversight responsibilities for the integrity of the Company's financial statements, the financial reporting process, the system of internal controls and risk management, External audit process, independent auditor's findings and recommendations, independence and performance, as well as the Company's process for monitoring compliance with laws and regulations.

The Audit Committee met seven times in 2010 and reported a summary of its meetings periodically to the Board. The President, the Chief Financial Officer, and the Independent Auditor attended all regular meetings. Furthermore, the Audit Committee met separately with management and the Independent Auditor.

In accordance with its charter, the Audit Committee in 2010 reviewed the Company's annual and interim financial statements, including non-financial information, prior to publication thereof. It also assessed in its quarterly meetings the adequacy and appropriateness of internal control policies and internal audit programs and their findings.

Based upon the Audit Committee's discussion with management and the Independent Auditor and the Audit Committee's review of the representation of management and report of the Independent Auditor to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission.

In its 2010 meetings, the Audit Committee periodically reviewed matters relating to accounting policies, financial risks and compliance with accounting standards. Compliance with statutory and legal requirements and regulations, particularly in the financial domain, was also reviewed. Important findings, identified risks and follow-up actions were examined thoroughly in order to allow appropriate measures to be taken. With regard to the Independent audit, the Audit Committee reviewed the proposed audit scope, approach and fees, the independence of the Independent auditors, and non-audit services provided by the Independent auditors.

In 2010, the Audit Committee periodically discussed the company's policy on business controls and the Company's major areas of risk. The Audit Committee was informed on, discussed and monitored closely the company's internal control certification processes, in particular compliance with section 404 of the US Sarbanes-Oxley Act and its requirements regarding assessment, review and monitoring of internal controls. It also discussed tax issues, IT strategy, litigation and related provisions, geographical exposures and financing and liquidity of the company, as well as valuation and performance of investments and related impairments.

Donald S. Pittman, Chairman
L. Brunson White, Walter P. Wilkerson

Company Performance

The following graph shows a five-year comparison of cumulative returns for the Company, the NASDAQ STOCK MARKET INDEX (U.S.) and NASDAQ Insurance Stocks Index. The cumulative total return is based on change in the year end stock price plus reinvested dividends for each of the periods shown.

| Index | Period Ending | | | | | |
|-------------------------------|---------------|----------|----------|----------|----------|----------|
| | 12/31/05 | 12/31/06 | 12/31/07 | 12/31/08 | 12/31/09 | 12/31/10 |
| National Security Group, Inc. | 100.00 | 112.09 | 121.22 | 43.49 | 87.42 | 101.11 |
| NASDAQ Stock Market Index | 100.00 | 110.39 | 122.15 | 73.32 | 106.57 | 125.91 |
| NASDAQ Insurance Stocks | 100.00 | 113.85 | 114.83 | 103.81 | 107.23 | 126.67 |
| SNL Small Cap U.S. Insurance | 100.00 | 123.31 | 116.71 | 79.18 | 79.43 | 99.68 |

Stock Ownership of Certain Beneficial Owners

The following table sets forth those persons who beneficially owned, as of December 31, 2010, five percent or more of the Company's common stock. Unless otherwise noted, each beneficial owner has sole voting and investment powers.

| Name and Address | Amount and Nature of Beneficial Ownership of Company Stock | Percentage of Class |
|---|--|---------------------|
| Brunson Properties, a partnership (W. L. Brunson Estate), Elba, Alabama 36323 | 366,445 | 14.86% |
| Jack E Brunson Elba, Alabama 36323 | 179,452 * | 7.28% |

* Includes 45,641 shares held in Jack R. Brunson Estate and 90,907 shares held in Edna A. Brunson Estate.

Section 16(a) Beneficial Ownership Reporting Compliance

The Federal Securities laws require the Company's directors and executive officers to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of the Company's common stock. We have reviewed copies of these SEC reports as well as other records and information. Based on that review, we believe that all reports were timely filed during 2010, except one inadvertent late filing of Mr. Jack E. Brunson with respect to the settlement of the estate of his mother. Mr. Brunson's aggregate holdings were corrected on a Form 5 filed on February 14, 2011.

Stockholders' Proposals

In order for a proposal by a stockholder of the Company to be eligible to be included in the proxy state-ment and proxy form for the Annual Stockholders' Meeting to be held in 2012, the proposal must be received by the Company at its headquarters, 661 E. Davis Street, Elba, Alabama 36323, on or before January 10, 2012. The Board of Directors will review any stockholder proposals that are filed to determine whether such proposals meet applicable criteria for inclusion in the 2012 Proxy Statement for considera-tion at the 2012 Annual Meeting.

Transfer Agent and Registrar

Registrar and Transfer Company is the Transfer Agent and Registrar for the Company's common stock:

Registrar and Transfer Company
 10 Commerce Drive
 Cranford, NJ 07016

 1-800-368-5948
 Investor Relations Department
 www.rtco.com

Annual Reports and Financial Statement

A copy of the Company's Annual Report to Stockholders for the calendar year ended December 31, 2010, accompanies this Proxy Statement. The Company maintains a website (www.nationalsecuritygroup.com). The National Security Group, Inc.'s Annual Reports to Stockholders, and/or a copy of the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on

Form 8-K and any amendments to such reports that the Company files or furnishes pursuant to Section 13(a) of the Securities Exchange Act of 1934 are available through our internet website, free of charge, as soon as reasonably practical upon having been electronically filed or furnished to the Securities and Exchange Commission.

Other Matters

The Board of Directors of the Company does not know any other matters to be brought before the meeting. If any other matters, not now known, properly come before the Meeting or any adjournments thereof, the persons named in the enclosed proxy, or their substitutes, will vote the proxy in accordance with their judgment in such matters.

Important Notice Regarding Delivery of Stockholder Documents

Beneficial owners of Common Stock who share a single address may receive only one copy of the Notice of Internet Availability or the Proxy Materials, as the case may be, unless their broker, bank, trustee or nominee has received contrary instructions from any beneficial owner at that address. This practice, known as "householding," is designed to reduce printing and mailing costs. If any beneficial stockholder(s) sharing a single address wish to discontinue householding and receive a separate copy of the Notice of Internet Availability or the Proxy Materials, as the case may be, they may contact Broadridge, either by calling (800) 542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, New York 11717.

A majority of brokerage firms have instituted householding. If your family has multiple holdings in The National Security Group, Inc. that are held in street name with a broker, you may have received householding notification directly from your broker. If so, please contact your broker directly if you have any questions, if you require additional copies of the proxy statement or annual report, if you are currently receiving multiple copies of the proxy statement and annual report and which to receive only a single copy, or if you wish to revoke your decision to household and thereby receive multiple statements and reports.

Incorporation by Reference

To the extent that this proxy statement is incorporated by reference into any other filing by The National Security Group, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, the sections of this proxy statement titled "Report of Compensation Committee," and "Audit Committee Report" (to the extent permitted by the rules of the SEC), as well as the exhibits to this proxy statement, will not be deemed incorporated, unless specifically provided otherwise in such filing.

Date: April 8, 2011

THE NATIONAL SECURITY GROUP, INC.
W L. Brunson, Jr.
President

