

AMERCO /NV/  
Form 10-Q  
November 04, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-11255	AMERCO (A Nevada Corporation) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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Large accelerated filer

Accelerated filer   
Smaller reporting company

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)  
Yes  No

19,607,788 shares of AMERCO Common Stock, \$0.25 par value, were outstanding at November 1, 2009.

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## PART I FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	March 31, 2009
	(In thousands)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 384,951	\$ 240,587
Reinsurance recoverables and trade receivables, net	201,539	213,853
Notes and mortgage receivables, net	2,897	2,931
Inventories, net	62,071	70,749
Prepaid expenses	57,598	54,201
Investments, fixed maturities and marketable equities	523,400	519,631
Investments, other	208,529	227,022
Deferred policy acquisition costs, net	40,967	44,993
Other assets	126,500	133,644
Related party assets	296,766	303,534
	1,905,218	1,811,145
Property, plant and equipment, at cost:		
Land	223,566	212,744
Buildings and improvements	944,760	920,294
Furniture and equipment	332,937	333,314
Rental trailers and other rental equipment	235,418	214,988
Rental trucks	1,627,140	1,666,151
	3,363,821	3,347,491
Less: Accumulated depreciation	(1,339,135)	(1,333,563)
Total property, plant and equipment	2,024,686	2,013,928
Total assets	\$ 3,929,904	\$ 3,825,073
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 308,988	\$ 329,227
Notes, loans and leases payable	1,549,425	1,546,490
Policy benefits and losses, claims and loss expenses payable	793,462	779,309
Liabilities from investment contracts	280,479	303,332
Other policyholders' funds and liabilities	8,649	11,961
Deferred income	22,826	24,612
Deferred income taxes	162,058	112,513
Total liabilities	3,125,887	3,107,444
Commitments and contingencies (notes 4, 8, 9 and 10)		
Stockholders' equity:		

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Series preferred stock, with or without par value, 50,000,000 shares authorized:		
Series A preferred stock, with no par value, 6,100,000 shares authorized;		
6,033,900 and 6,100,000 shares issued and outstanding as of September 30 and March 31, 2009	-	-
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of September 30 and March 31, 2009	-	-
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of \$0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of September 30 and March 31, 2009	-	-
Common stock of \$0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued as of September 30 and March 31, 2009	10,497	10,497
Additional paid-in capital	420,029	420,588
Accumulated other comprehensive loss	(72,627 )	(98,000 )
Retained earnings	976,903	915,862
Cost of common shares in treasury, net (22,377,912 shares as of September 30 and		
March 31, 2009)	(525,653 )	(525,653 )
Unearned employee stock ownership plan shares	(5,132 )	(5,665 )
Total stockholders' equity	804,017	717,629
Total liabilities and stockholders' equity	\$3,929,904	\$3,825,073

The accompanying notes are an integral part of these condensed consolidated financial statements.

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands, except share and per share amounts)	
<b>Revenues:</b>		
Self-moving equipment rentals	\$ 427,203	\$ 439,244
Self-storage revenues	27,412	27,901
Self-moving and self-storage products and service sales	55,522	58,296
Property management fees	4,478	4,721
Life insurance premiums	28,738	27,099
Property and casualty insurance premiums	7,046	7,359
Net investment and interest income	12,539	14,983
Other revenue	10,986	11,892
Total revenues	573,924	591,495
<b>Costs and expenses:</b>		
Operating expenses	273,730	277,090
Commission expenses	51,098	54,082
Cost of sales	28,359	32,642
Benefits and losses	25,807	24,871
Amortization of deferred policy acquisition costs	2,296	2,338
Lease expense	40,026	38,516
Depreciation, net of (gains) losses on disposals	56,790	66,434
Total costs and expenses	478,106	495,973
Earnings from operations	95,818	95,522
Interest expense	(23,938 )	(24,930 )
Pretax earnings	71,880	70,592
Income tax expense	(27,189 )	(26,768 )
Net earnings	44,691	43,824
Excess carrying amount of preferred stock over consideration paid	48	-
Less: Preferred stock dividends	(3,212 )	(3,241 )
Earnings available to common shareholders	\$ 41,527	\$ 40,583
Basic and diluted earnings per common share	\$ 2.14	\$ 2.10
Weighted average common shares outstanding: Basic and diluted	19,382,101	19,351,322

The accompanying notes are an integral part of these condensed consolidated financial statements.

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands, except share and per share amounts)	
<b>Revenues:</b>		
Self-moving equipment rentals	\$ 800,144	\$ 829,273
Self-storage revenues	54,416	55,452
Self-moving and self-storage products and service sales	113,344	120,852
Property management fees	8,928	9,437
Life insurance premiums	56,342	54,016
Property and casualty insurance premiums	13,261	13,483
Net investment and interest income	26,219	29,579
Other revenue	21,929	22,197
<b>Total revenues</b>	<b>1,094,583</b>	<b>1,134,289</b>
<b>Costs and expenses:</b>		
Operating expenses	532,231	538,803
Commission expenses	95,509	102,047
Cost of sales	58,809	67,627
Benefits and losses	53,501	49,746
Amortization of deferred policy acquisition costs	4,213	4,426
Lease expense	79,299	73,084
Depreciation, net of (gains) losses on disposals	116,007	131,372
<b>Total costs and expenses</b>	<b>939,569</b>	<b>967,105</b>
Earnings from operations	155,014	167,184
Interest expense	(47,159 )	(48,774 )
Pretax earnings	107,855	118,410
Income tax expense	(40,732 )	(44,760 )
Net earnings	67,123	73,650
Excess carrying amount of preferred stock over consideration paid	371	-
Less: Preferred stock dividends	(6,453 )	(6,482 )
Earnings available to common shareholders	\$ 61,041	\$ 67,168
Basic and diluted earnings per common share	\$ 3.15	\$ 3.47
Weighted average common shares outstanding: Basic and diluted	19,375,846	19,346,943

The accompanying notes are an integral part of these condensed consolidated financial statements.





## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands)	
Comprehensive income:		
Net earnings	\$44,691	\$43,824
Other comprehensive income (loss), net of tax:		
Foreign currency translation	5,674	(3,475 )
Unrealized gain (loss) on investments	8,319	(4,152 )
Change in fair value of cash flow hedges	(3,345 )	(1,968 )
Total comprehensive income	\$55,339	\$34,229

	Six Months Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands)	
Comprehensive income:		
Net earnings	\$67,123	\$73,650
Other comprehensive income (loss), net of tax:		
Foreign currency translation	9,903	(2,293 )
Unrealized gain (loss) on investments	4,946	(3,674 )
Change in fair value of cash flow hedges	10,524	11,427
Total comprehensive income	\$92,496	\$79,110

The accompanying notes are an integral part of these condensed consolidated financial statements.

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	\$67,123	\$73,650
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	117,779	121,920
Amortization of deferred policy acquisition costs	4,213	4,426
Change in allowance for losses on trade receivables	397	(46 )
Change in allowance for losses on mortgage notes	(6 )	(20 )
Change in allowance for inventory reserves	1,344	857
Net (gain) loss on sale of real and personal property	(1,772 )	9,452
Net (gain) loss on sale of investments	(401 )	1
Deferred income taxes	40,431	41,989
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	11,917	6,368
Inventories	7,334	(12,856 )
Prepaid expenses	(3,397 )	(1,762 )
Capitalization of deferred policy acquisition costs	(6,533 )	(4,887 )
Other assets	7,467	8,315
Related party assets	7,481	11,249
Accounts payable and accrued expenses	(5,893 )	1,439
Policy benefits and losses, claims and loss expenses payable	11,991	(12,817 )
Other policyholders' funds and liabilities	(3,311 )	(746 )
Deferred income	(1,946 )	539
Related party liabilities	(551 )	(1,639 )
Net cash provided by operating activities	253,667	245,432
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(187,506 )	(224,996 )
Short term investments	(144,306 )	(216,353 )
Fixed maturities investments	(77,106 )	(115,124 )
Preferred stock	-	(2,001 )
Real estate	(466 )	(350 )
Mortgage loans	(525 )	(9,311 )
Proceeds from sale of:		
Property, plant and equipment	100,621	80,805
Short term investments	159,307	182,399
Fixed maturities investments	83,667	173,670
Equity securities	-	27
Preferred stock	2,236	-
Real estate	-	704

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Mortgage loans	4,053	2,822
Payments from notes and mortgage receivables	464	24
Net cash used by investing activities	(59,561 )	(127,684 )
Cash flows from financing activities:		
Borrowings from credit facilities	51,921	135,330
Principal repayments on credit facilities	(72,695 )	(74,320 )
Debt issuance costs	(277 )	(360 )
Capital lease payments	(1,168 )	(348 )
Leveraged Employee Stock Ownership Plan - repayments from loan	533	631
Repurchase of stock	-	(659 )
Preferred stock dividends paid	(6,453 )	(6,482 )
Net dividend from related party	-	2,010
Investment contract deposits	5,564	9,561
Investment contract withdrawals	(28,417 )	(26,921 )
Net cash provided (used) by financing activities	(50,992 )	38,442
Effects of exchange rate on cash	1,250	318
Increase in cash and cash equivalents	144,364	156,508
Cash and cash equivalents at the beginning of period	240,587	206,622
Cash and cash equivalents at the end of period	\$384,951	\$363,130

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The second fiscal quarter for AMERCO ends on the 30th of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30th of June for each year that is referenced. They have been consolidated on that basis. Our insurance companies' financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2009 and 2008 correspond to fiscal 2010 and 2009 for AMERCO.

Accounts denominated in non-U.S. currencies have been translated into U.S. dollars. Certain amounts reported in previous years have been reclassified to conform to the current presentation.

The condensed consolidated balance sheet as of September 30, 2009 and the related condensed consolidated statements of operations for the second quarter and the first six months and the cash flows for the first six months ended fiscal 2010 and 2009 are unaudited.

In our opinion, all adjustments necessary for the fair presentation of such condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The information in this 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the AMERCO 2009 Form 10-K.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO, a Nevada corporation ("AMERCO"), is the holding company for:

U-Haul International, Inc. ("U-Haul"),

Amerco Real Estate Company ("Real Estate"),

Republic Western Insurance Company ("RepWest"), and

Oxford Life Insurance Company ("Oxford").

Unless the context otherwise requires, the term "Company," "we," "us" or "our" refers to AMERCO and all of its legal subsidiaries.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Description of Operating Segments

AMERCO has three reportable segments. They are Moving and Storage, Property and Casualty Insurance and Life Insurance.

Moving and Storage operations include AMERCO, U-Haul, and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate and consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane, the rental of self-storage spaces to the “do-it-yourself” mover and management of self-storage properties owned by others. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada.

Property and Casualty Insurance includes RepWest and its wholly-owned subsidiaries and ARCOA risk retention group (“ARCOA”). Property and Casualty Insurance provides loss adjusting and claims handling for U-Haul through regional offices across North America. Property and Casualty Insurance also underwrites components of the Safemove, Safetow and Safestor protection packages to U-Haul customers. We continue to focus on increasing market penetration of these products. The business plan for Property and Casualty Insurance includes offering property and casualty products in other U-Haul related programs. ARCOA is a captive insurer owned by the Company whose purpose is to provide insurance products related to the moving and storage business.

Life Insurance includes Oxford and its wholly-owned subsidiaries. Oxford provides life and health insurance products primarily to the senior market through the direct writing or reinsuring of life insurance, Medicare supplement and annuity policies.

2. Earnings per Share

Net earnings for purposes of computing earnings per common share are net earnings less preferred stock dividends. Preferred stock dividends include accrued dividends of AMERCO.

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares net of shares committed to be released were 219,432 and 269,415 as of September 30, 2009 and September 30, 2008, respectively.

6,033,900 and 6,100,000 shares of preferred stock have been excluded from the weighted average shares outstanding calculation as of September 30, 2009 and 2008, respectively because they are not common stock and they are not convertible into common stock.

Between January 1, 2009 and June 30, 2009, RepWest purchased 66,100 shares of our AMERCO Series A 8 ½% Preferred Stock (NYSE-AO-PA) (“Series A Preferred”) on the open market at an average price of \$18.39 per share. Pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 260 - Earnings Per Share, for earnings per share purposes, the excess of the carrying amount of the Series A Preferred over the fair value of the consideration paid of \$0.4 million, net of a prorated portion of original issue costs, was added to net earnings available to common shareholders.

In the future, should RepWest sell these shares of Series A Preferred to an unaffiliated entity, a proportionate share of this gain would be reversed at that time for earnings per share purposes.

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 3. Investments

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The Company deposits bonds with insurance regulatory authorities to meet statutory requirements. The adjusted cost of bonds on deposit with insurance regulatory authorities was \$15.3 million at June 30, 2009.

## Available-for-Sale Investments

Available-for-sale investments at June 30, 2009 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value
(Unaudited)					
(In thousands)					
U.S. treasury securities and government obligations	\$57,955	\$2,229	\$(71 )	\$(56 )	\$60,057
U.S. government agency mortgage-backed securities	93,215	4,500	(7 )	-	97,708
Obligations of states and political subdivisions	14,977	157	(251 )	(597 )	14,286
Corporate securities	332,845	7,259	(10,403 )	(2,131 )	327,570
Mortgage-backed securities	11,035	161	(1,318 )	-	9,878
Redeemable preferred stocks	19,335	334	(4,233 )	(44 )	15,392
Common stocks	70	-	-	(60 )	10
Less: Preferred stock of AMERCO held by RepWest	(1,216 )	(285 )	-	-	(1,501 )
	\$528,216	\$14,355	\$(16,283 )	\$(2,888 )	\$523,400

The above table includes gross unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

The Company sold available-for-sale securities with a fair value of \$85.8 million during the first six months of fiscal 2010. The gross realized gains on these sales totaled \$1.2 million. The Company realized gross losses on these sales of \$0.4 million.

The unrealized losses of more than twelve months in the available-for-sale table are considered temporary declines. The Company tracks each investment with an unrealized loss and evaluates them on an individual basis for other-than-temporary impairments including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. Certain of these investments had declines determined by management to be other-than-temporary and the Company recognized these write-downs through earnings in the amount of \$0.3 million and \$0.1 million for the second quarter of fiscal 2010 and 2009, respectively and \$0.4 million and \$0.2 million for the first six months of fiscal 2010 and 2009, respectively.

The investment portfolio primarily consists of corporate securities and U.S. government securities. The Company believes it monitors its investments as appropriate. The Company's methodology of assessing other-than-temporary impairments is based on security-specific analysis as of the balance sheet date and considers various factors including the length of time to maturity, the extent to which the fair value has been less than the cost, the financial condition and the near-term prospects of the issuer, and whether the debtor is current on its contractually obligated interest and principal payments. Nothing has come to management's attention that would lead to the belief that each issuer would not have the ability to meet the remaining contractual obligations of the security, including payment at maturity. The Company has the ability and intent to hold its fixed maturity investments for a period of time sufficient to allow the Company to recover its costs.



## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The portion of other-than-temporary impairment related to a credit loss is recognized in earnings. The significant inputs utilized in the evaluation of Mortgage backed securities credit losses include ratings, delinquency rates, and prepayment activity. The significant inputs utilized in the evaluation of Asset backed securities credit losses include the time frame for principal recovery and the subordination and value of the underlying collateral.

Below is a rollforward of credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in other comprehensive income.

	Credit Loss (Unaudited) (In thousands)
Balance at March 31, 2009	\$ 109
Additions:	
Other-than-temporary impairment not previously recognized	322
Balance at June 30, 2009	\$ 431

The adjusted cost and estimated market value of available-for-sale investments at June 30, 2009, by contractual maturity, were as follows:

	Amortized Cost	Estimated Market Value
	(Unaudited)	
	(In thousands)	
Due in one year or less	\$43,910	\$43,729
Due after one year through five years	161,406	163,361
Due after five years through ten years	87,300	88,195
After ten years	206,376	204,336
	498,992	499,621
Mortgage backed securities	11,035	9,878
Redeemable preferred stocks	19,335	15,392
Equity securities	70	10
Less: Preferred stock of AMERCO held by RepWest	(1,216 )	(1,501 )
	\$528,216	\$523,400



## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 4. Borrowings

## Long-Term Debt

Long-term debt was as follows:

	2010 Rate (a)	Maturities	September 30, 2009 (Unaudited)	March 31, 2009
(In thousands)				
Real estate loan (amortizing term)	6.93 %	2018	\$270,000	\$275,000
Real estate loan (revolving credit)	1.75 %	2018	170,000	170,000
Real estate loan (amortizing term) (b)	5.00 %	2010	32,409	37,280
Senior mortgages	5.47% - 5.75 %	2015	491,761	496,156
Working capital loan (revolving credit)	1.76 %	2010	25,000	-
Fleet loans (amortizing term)	4.87% - 7.95 %	2012-2016	284,753	299,505
Fleet loans (securitization)	5.40% - 5.56 %	2010-2014	237,942	256,690
Other obligations	5.64% - 9.50 %	2010-2016	37,560	11,859
Total notes, loans and leases payable			\$1,549,425	\$1,546,490

(a) Interest rate as of September 30, 2009, including the effect of applicable hedging instruments.

(b) Revolving credit loan for March 31, 2009 was modified to an amortizing term loan in June 2009.

## Real Estate Backed Loans

## Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. The loan has a final maturity date of August 2018. The loan is comprised of a term loan facility with initial availability of \$300.0 million and a revolving credit facility with an availability of \$200.0 million. As of September 30, 2009, the outstanding balance on the Real Estate Loan was \$270.0 million and \$170.0 million had been drawn down on the revolving credit facility. U-Haul International, Inc. is a guarantor of this loan.

The amortizing term portion of the Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The revolving credit portion of the Real Estate

Loan requires monthly interest payments when drawn, with the unpaid loan balance and any accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers.

The interest rate for the amortizing term portion, per the provisions of the amended Loan Agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At September 30, 2009, the applicable LIBOR was 0.25% and the applicable margin was 1.50%, the sum of which was 1.75%. The rate on the term facility portion of the loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin.

The interest rate for the revolving credit facility, per the provision of the amended Loan Agreement, is the applicable LIBOR plus the applicable margin. The margin ranges from 1.50% to 2.00%. At September 30, 2009, the applicable LIBOR was 0.25% and the applicable margin was 1.50%, the sum of which was 1.75%.

The default provisions of the Real Estate Loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit construction loan effective June 29, 2006. This loan was modified and extended on June 25, 2009 into a term loan with a final maturity of June 2010. As of September 30, 2009, the outstanding balance was \$32.4 million.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

This Real Estate Loan requires monthly principal and interest payments with the unpaid principal and any accrued and unpaid interest due at maturity. The loan was used to develop new or existing storage properties. The loan is secured by these properties. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 3.00%. At September 30, 2009, the applicable LIBOR floor was 2.00% and the margin was 3.00%, the sum of which was 5.00%. U-Haul International, Inc. and AMERCO are guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgages loan balances as of September 30, 2009 were in the aggregate amount of \$437.9 million and are due July 2015. The Senior Mortgages require average monthly principal and interest payments of \$3.0 million with the unpaid loan balance and accrued and unpaid interest due at maturity. These senior mortgages are secured by certain properties owned by the borrowers. The interest rates, per the provisions of these senior mortgages, are 5.68% and 5.52% per annum. Amerco Real Estate Company and U-Haul International, Inc. have provided limited guarantees of these senior mortgages. The default provisions of these senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Various subsidiaries of the Company are borrowers under the mortgage backed loans that we also classify as senior mortgages. These loans are secured by certain properties owned by the borrowers. The loan balance of these notes totals \$53.8 million as of September 30, 2009. These loans mature in 2015. Rates for these loans range from 5.47% to 5.75%. The loans require monthly principal and interest payments with the balances due upon maturity. The default provisions of the loans include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Working Capital Loans

Amerco Real Estate Company is a borrower under an asset backed working capital loan. The maximum amount that can be drawn at any one time is \$35.0 million. At September 30, 2009, the Company had drawn down \$25.0 million on the revolving loan. The loan is secured by certain properties owned by the borrower. The loan agreement provides for revolving loans, subject to the terms of the loan agreement with final maturity in November 2010. The loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. U-Haul International, Inc. and AMERCO are the guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. At September 30, 2009, the applicable LIBOR was 0.26% and the applicable margin was 1.50%, the sum of which was 1.76%.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under amortizing term loans. The balance of these loans as of September 30, 2009 was \$284.8 million with the final maturities between April 2012 and April 2016.

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus a margin between 0.90% and 2.63%. At September 30, 2009, the applicable LIBOR was 0.24% to 0.25% and applicable margins were between 1.125% and 2.63%. The interest rates are hedged with interest rate swaps fixing the rates between 4.87% and 7.42% based on current margins. Additionally, \$16.8 million of these loans are carried at a fixed rate of 7.95%.

AMERCO and U-Haul International, Inc. are guarantors of these loans. The default provisions of these loans include non-payment of principal or interest and other standard reporting and change-in-control covenants.

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## Rental Truck Securitizations

U-Haul S Fleet and its subsidiaries (collectively, “USF”) issued a \$217.0 million asset-backed note (“Box Truck Note”) and an \$86.6 million asset-backed note (“Cargo Van/Pickup Note”) on June 1, 2007. USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from these securitized transactions were used to finance new box truck, cargo van and pickup truck purchases throughout fiscal 2008. U.S. Bank, NA acts as the trustee for this securitization.

The Box Truck Note has a fixed interest rate of 5.56% with an estimated final maturity of February 2014. At September 30, 2009, the outstanding balance was \$151.3 million. The note is secured by the box trucks that were purchased and the corresponding operating cash flows associated with their operation.

The Cargo Van/Pickup Note has a fixed interest rate of 5.40% with an estimated final maturity of May 2010. At September 30, 2009, the outstanding balance was \$86.6 million. The note is secured by the cargo vans and pickup trucks that were purchased and the corresponding operating cash flows associated with their operation.

The Box Truck Note and the Cargo Van/Pickup Note have the benefit of financial guaranty insurance policies that guarantee the timely payment of interest on and the ultimate payment of the principal of the notes.

The Box Truck Note and the Cargo Van/Pickup Note are subject to certain covenants with respect to liens, additional indebtedness of the special purpose entities, the disposition of assets and other customary covenants of bankruptcy-remote special purpose entities. The default provisions of the notes include non-payment of principal or interest and other standard reporting and change-in-control covenants.

## Other Obligations

The Company entered into capital leases for new equipment between April 2008 and September 2009, with terms of the leases between 9 months and 7 years. At September 30, 2009, the balance of these leases was \$34.0 million.

In April 2009, the Company entered into a \$7.0 million premium financing arrangement for one year expiring in March 2010 with a fixed rate of 5.85%. At September 30, 2009, the outstanding balance was \$3.5 million.

## Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt and capital leases as of September 30, 2009 for the next five years and thereafter is as follows:

	Year Ending September 30,					
	2010	2011	2012	2013	2014	Thereafter
	(Unaudited)					
	(In thousands)					
Notes, loans and leases payable, secured	\$206,415	\$106,653	\$142,516	\$87,341	\$153,420	\$853,080





## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 5. Interest on Borrowings

## Interest Expense

Expenses associated with loans outstanding were as follows:

	Quarter Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands)	
Interest expense	\$16,217	\$20,002
Capitalized interest	(142 )	(135 )
Amortization of transaction costs	1,224	1,231
Interest expense resulting from derivatives	6,639	3,832
Total interest expense	\$23,938	\$24,930

	Six Months Ended September 30,	
	2009	2008
	(Unaudited)	
	(In thousands)	
Interest expense	\$32,276	\$39,589
Capitalized interest	(293 )	(245 )
Amortization of transaction costs	2,409	2,510
Interest expense resulting from derivatives	12,767	6,920
Total interest expense	\$47,159	\$48,774

Interest paid in cash by AMERCO amounted to \$14.6 million and \$18.5 million for the second quarter of fiscal 2010 and 2009, respectively.

Interest paid in cash by AMERCO amounted to \$29.5 million and \$37.7 million for the first six months of fiscal 2010 and 2009, respectively.

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company manages exposure to changes in market interest rates. The Company's use of derivative instruments is limited to highly effective interest rate swaps to hedge the risk of changes in cash flows (future interest payments) attributable to changes in LIBOR swap rates, the designated benchmark interest rate being hedged on certain of our LIBOR-indexed variable-rate debt. The interest rate swaps effectively fix the Company's interest payments on certain LIBOR-indexed variable-rate debt. The Company monitors its positions and the credit ratings of its counterparties and does not currently anticipate non-performance by the counterparties. Interest rate swap agreements are not entered into for trading purposes.

Variable rate debt amount	Agreement	Effective Date	Expiration Date	Designated cash flow hedge date
	Date			
		(Unaudited)		
		(In millions)		
\$ 100.0	(a), (c)	6/2/2005	6/8/2005	6/8/2010
	(a),			
142.3	(b)	11/15/2005	5/10/2006	4/10/2012
50.0	(a)	6/21/2006	7/10/2006	7/10/2013
	(a),			
144.9	(b)	6/9/2006	10/10/2006	10/10/2012
300.0	(a)	8/16/2006	8/18/2006	8/10/2018
30.0	(a)	2/9/2007	2/12/2007	2/10/2014
20.0	(a)	3/8/2007	3/12/2007	3/10/2014
20.0	(a)	3/8/2007	3/12/2007	3/10/2014
	(a),			
19.3	(b)	4/8/2008	8/15/2008	6/15/2015
19.0	(a)	8/27/2008	8/29/2008	7/10/2015
30.0	(a)	9/24/2008	9/30/2008	9/10/2015
	(a),			
15.0	(b)	3/24/2009	3/30/2009	4/15/2016

(a) interest rate swap agreement

(b) forward swap

(c) terminated swap on August 18, 2006

As of August 18, 2006, a net gain of approximately \$6.0 million related to the two cancelled swaps was included in other comprehensive income (loss). As the variable-rate debt is replaced, it is probable that the original forecasted transaction (future interest payments) will continue to occur. Therefore, the net derivative gain related to the two cancelled swaps shall continue to be reported in other comprehensive income (loss) and be reclassified into earnings when the original forecasted transaction affects earnings consistent with the term of the original designated hedging relationship. For the six months ended September 30, 2009, the Company reclassified \$0.5 million of the net derivative gain to interest income. The Company estimates that the remaining \$0.7 million of the existing net gains will be reclassified into earnings within the next nine months.

As of September 30, 2009, the total notional amount of the Company's variable interest rate swaps was \$544.3 million.

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The derivative fair values located in Accounts payable and accrued expenses in the balance sheets were as follows:

	Liability Derivatives	
	Fair Value as of	
	September 30, 2009	March 31, 2009
	(Unaudited)	
	(In thousands)	
Interest rate contracts designated as hedging instruments	\$61,310	\$79,118

	September 30, 2009
	(Unaudited)
	(In thousands)
The Effect of Interest Rate Contracts on the Statement of Operations	
Amount of loss recognized in income on interest rate contracts	\$ 12,767
Amount of gain recognized in AOCI on interest rate contracts (effective portion)	\$ 16,973
Amount of loss reclassified from AOCI into income (effective portion)	\$ 13,602
Amount of gain recognized in income on interest rate contracts (ineffective portion and amount excluded from effectiveness testing)	\$ 835

Amounts of gains or (losses) recognized in income on derivatives are recorded as interest expense in the statement of operations.

## Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity			
	Quarter Ended September 30,			
	2009		2008	
	(Unaudited)			
	(In thousands, except interest rates)			
Weighted average interest rate during the quarter	1.78	%	4.02	%

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Interest rate at the end of the quarter	1.75	%	3.99	%
Maximum amount outstanding during the quarter	\$195,000		\$182,280	
Average amount outstanding during the quarter	\$186,033		\$169,780	
Facility fees	\$238		\$98	

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	Revolving Credit Activity			
	Six Months Ended September 30,			
	2009		2008	
	(Unaudited)			
	(In thousands, except interest rates)			
Weighted average interest rate during the first six months	1.84	%	4.14	%
Interest rate at the end of the first six months	1.75	%	3.99	%
Maximum amount outstanding during the first six months	\$207,280		\$182,280	
Average amount outstanding during the first six months	\$195,580		\$149,071	
Facility fees	\$480		\$172	

## 6. Stockholders Equity

On December 3, 2008, the AMERCO Board of Directors (the “Board”) authorized and directed us to amend the Employee Stock Ownership Plan (“ESOP”) to provide that distributions under the ESOP with respect to accounts valued at no more than \$1,000 may be in the form of cash at the sole discretion of the advisory committee, subject to a participant’s or beneficiary’s right to elect a distribution of AMERCO common stock. The Board also authorized us, using management’s discretion, to buy back shares of former employee ESOP participants whose respective ESOP account balances are valued at more than \$1,000 but who own less than 100 shares, at the then-prevailing market prices. No such shares have been purchased.

From January 1, 2009 through June 30, 2009, RepWest purchased 66,100 shares of Series A Preferred on the open market for \$1.2 million. RepWest purchased an additional 13,900 shares on the open market for \$0.3 million in the third quarter of fiscal 2010. RepWest may continue to make investments in shares of the Series A Preferred in the future.

## 7. Comprehensive Income (Loss)

A summary of accumulated other comprehensive income (loss) components, net of tax, were as follows:

	Foreign Currency Translation	Unrealized Gain (Loss) on Investments	Fair Market Value of Cash Flow Hedges (Unaudited) (In thousands)	Postretirement Benefit Obligation Gain	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2009	\$(43,613 )	\$(7,323 )	\$(48,411 )	\$ 1,347	\$ (98,000 )
Foreign currency translation	9,903	-	-	-	9,903

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Unrealized gain on investments	-	4,946	-	-	4,946
Change in fair value of cash flow hedges	-	-	10,524	-	10,524
Balance at September 30, 2009	\$ (33,710 )	\$ (2,377 )	\$ (37,887 )	\$ 1,347	\$ (72,627 )

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 8. Contingent Liabilities and Commitments

The Company leases a portion of its rental equipment and certain of its facilities under operating leases with terms that expire at various dates substantially through 2016, with the exception of one land lease expiring in 2034. At September 30, 2009, AMERCO has guaranteed \$182.9 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, the Company has the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. AMERCO has been leasing equipment since 1987 and has experienced no material losses relating to these types of residual value guarantees.

Lease commitments for leases having terms of more than one year were as follows:

	Property, Plant and Equipment	Rental Equipment (Unaudited)	Total
	(In thousands)		
Year-ended September 30:			
2010	\$ 14,481	\$ 122,711	\$ 137,192
2011	14,251	107,377	121,628
2012	13,926	94,101	108,027
2013	13,220	74,518	87,738
2014	8,706	55,160	63,866
Thereafter	6,329	36,531	42,860
Total	\$ 70,913	\$ 490,398	\$ 561,311

## 9. Contingencies

## Shoen

In September 2002, Paul F. Shoen filed a shareholder derivative lawsuit in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Paul F. Shoen vs. SAC Holding Corporation et al., CV 02-05602, seeking damages and equitable relief on behalf of AMERCO from SAC Holdings and certain current and former members of the AMERCO Board of Directors, including Edward J. Shoen, Mark V. Shoen and James P. Shoen as Defendants. AMERCO is named as a nominal Defendant in the case. The complaint alleges breach of fiduciary duty, self-dealing, usurpation of corporate opportunities, wrongful interference with prospective economic advantage and unjust enrichment and seeks the unwinding of sales of self-storage properties by subsidiaries of AMERCO to SAC prior to the filing of the complaint. The complaint seeks a declaration that such transfers are void as well as unspecified damages. In October 2002, the Defendants filed motions to dismiss the complaint. Also in October 2002, Ron Belec filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Ron Belec vs. William E. Carty, et al., CV 02-06331 and in January 2003, M.S. Management Company, Inc. filed a



derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned M.S. Management Company, Inc. vs. William E. Carty, et al., CV 03-00386. Two additional derivative suits were also filed against these parties. Each of these suits is substantially similar to the Paul F. Shoen case. The Court consolidated the five cases and thereafter dismissed these actions in May 2003, concluding that the AMERCO Board of Directors had the requisite level of independence required in order to have these claims resolved by the Board. Plaintiffs appealed this decision and, in July 2006, the Nevada Supreme Court reversed the ruling of the trial court and remanded the case to the trial court for proceedings consistent with its ruling, allowing the Plaintiffs to file an amended complaint and plead in addition to substantive claims, demand futility.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

In November 2006, the Plaintiffs filed an amended complaint. In December 2006, the Defendants filed motions to dismiss, based on various legal theories. In March 2007, the Court denied AMERCO's motion to dismiss regarding the issue of demand futility, stating that "Plaintiffs have satisfied the heightened pleading requirements of demand futility by showing a majority of the members of the AMERCO Board of Directors were interested parties in the SAC transactions." The Court heard oral argument on the remainder of the Defendants' motions to dismiss, including the motion ("Goldwasser Motion") based on the fact that the subject matter of the lawsuit had been settled and dismissed in earlier litigation known as *Goldwasser v. Shoen*, C.V.N.-94-00810-ECR (D.Nev), Washoe County, Nevada. In addition, in September and October 2007, the Defendants filed Motions for Judgment on the Pleadings or in the Alternative Summary Judgment, based on the fact that the stockholders of the Company had ratified the underlying transactions at the 2007 annual meeting of stockholders of AMERCO. In December 2007, the Court denied this motion. This ruling does not preclude a renewed motion for summary judgment after discovery and further proceedings on these issues. On April 7, 2008, the litigation was dismissed, on the basis of the Goldwasser Motion. On May 8, 2008, the Plaintiffs filed a notice of appeal of such dismissal to the Nevada Supreme Court. On May 20, 2008, AMERCO filed a cross appeal relating to the denial of its Motion to Dismiss in regard to demand futility. The appeals are currently pending and the issues were fully briefed by October 19, 2009.

Environmental

Compliance with environmental requirements of federal, state and local governments may significantly affect Real Estate's business operations. Among other things, these requirements regulate the discharge of materials into the water, air and land and govern the use and disposal of hazardous substances. Real Estate is aware of issues regarding hazardous substances on some of its properties. Real Estate regularly makes capital and operating expenditures to stay in compliance with environmental laws and has put in place a remedial plan at each site where it believes such a plan is necessary. Since 1988, Real Estate has managed a testing and removal program for underground storage tanks.

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to result in a material adverse effect on AMERCO's financial position or results of operations. Real Estate expects to spend approximately \$5.2 million in total through 2011 to remediate these properties.

Other

The Company is named as a defendant in various other litigation and claims arising out of the normal course of business. In management's opinion, none of these other matters will have a material effect on the Company's financial position or results of operations.

10. Related Party Transactions

As set forth in the Audit Committee Charter the Audit Committee reviews and maintains oversight over related-party transactions which are required to be disclosed under SEC rules and regulations. Accordingly, all such related-party transactions are submitted to the Audit Committee for ongoing review and oversight. The Company's internal processes ensure that the Company's legal and/or finance departments identify and monitor potential related-party transactions which may require disclosure and Audit Committee oversight.

AMERCO has engaged in related party transactions and has continuing related party interests with certain major stockholders, directors and officers of the consolidated group as disclosed below. Management believes that the transactions described below and in the related notes were consummated on terms equivalent to those that would prevail in arm's-length transactions.

SAC Holding Corporation and its subsidiaries ("SAC Holding Corporation") and SAC Holding II Corporation and its subsidiaries ("SAC Holding II"), collectively referred to as "SAC Holdings" were established in order to acquire self-storage properties. These properties are being managed by the Company pursuant to management agreements. The sale of self-storage properties by the Company to SAC Holdings has in the past provided significant cash flows to the Company.

Management believes that its sales of self-storage properties to SAC Holdings has provided a unique structure for the Company to earn moving equipment rental revenues and property management fee revenues from the SAC Holdings self-storage properties that the Company manages.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

During the first six months of fiscal 2010, subsidiaries of the Company held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. (“Blackwater”). Blackwater is wholly-owned by Mark V. Shoen, a significant shareholder and executive officer of AMERCO. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of \$9.4 million and \$9.2 million, and received cash interest payments of \$6.8 million and \$8.4 million, from SAC Holdings during the first six months of fiscal 2010 and 2009, respectively. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2010 was \$197.6 million and the aggregate notes receivable balance at September 30, 2009 was \$197.3 million. In accordance with the terms of these notes, SAC Holdings may repay the notes without penalty or premium at any time.

Interest accrues on the outstanding principal balance of junior notes of SAC Holdings that the Company holds at a 9.0% rate per annum. A fixed portion of that basic interest is paid on a monthly basis. Additional interest can be earned on notes totaling \$122.2 million of principal depending upon the amount of remaining basic interest and the cash flow generated by the underlying property. This amount is referred to as the “cash flow-based calculation.”

To the extent that this cash flow-based calculation exceeds the amount of remaining basic interest, contingent interest would be paid on the same monthly date as the fixed portion of basic interest. To the extent that the cash flow-based calculation is less than the amount of remaining basic interest, the additional interest payable on the applicable monthly date is limited to the amount of that cash flow-based calculation. In such a case, the excess of the remaining basic interest over the cash flow-based calculation is deferred. In addition, subject to certain contingencies, the junior notes provide that the holder of the note is entitled to receive a portion of the appreciation realized upon, among other things, the sale of such property by SAC Holdings. To date, no excess cash flows related to these arrangements have been earned or paid.

During the first six months of fiscal 2010, AMERCO and U-Haul held various junior notes with Private Mini Storage Realty, L.P. (“Private Mini”). The equity interests of Private Mini are ultimately controlled by Blackwater. The Company recorded interest income of \$2.6 million and \$2.7 million and received cash interest payments of \$2.6 million and \$2.7 million from Private Mini during the first six months of fiscal 2010 and 2009, respectively. The balance of notes receivable from Private Mini at September 30, 2009 was \$67.8 million. The largest aggregate amount outstanding during the first six months of fiscal 2010 was \$68.2 million.

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury Partners, L.P. (“Mercury”), Four SAC Self-Storage Corporation (“4 SAC”), Five SAC Self-Storage Corporation (“5 SAC”), Galaxy Investments, L.P. (“Galaxy”) and Private Mini pursuant to a standard form of management agreement, under which the Company receives a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. The Company received management fees, exclusive of reimbursed expenses, of \$14.3 million and \$15.8 million from the above mentioned entities during the first six months of fiscal 2010 and 2009, respectively. This management fee is consistent with the fee received for other properties the Company previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mercury is substantially controlled by Mark V. Shoen. James P. Shoen, a significant shareholder and director of AMERCO, has an interest in Mercury.

The Company leases space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. Total lease payments pursuant to such leases were \$1.2 million in

the first six months of fiscal 2010 and 2009. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to the Company.

At September 30, 2009, subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with the Company's other independent dealers whereby commissions are paid by the Company based upon equipment rental revenues. The Company paid the above mentioned entities \$19.6 million and \$20.0 million in commissions pursuant to such dealership contracts during the first six months of fiscal 2010 and 2009, respectively.

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of \$20.1 million, expenses of \$1.2 million and cash flows of \$20.5 million during the first six months of fiscal 2010. Revenues and commission expenses related to the Dealer Agreements were \$93.0 million and \$19.6 million, respectively during the first six months of fiscal 2010.

During the second quarter of fiscal 2010, Real Estate entered into an agreement with SAC Holdings Corporation for the exchange of three storage properties. Real Estate received one location with total rentable square feet of nearly 68,000 in exchange for two locations with total rentable square feet of approximately 56,000. U-Haul also reduced the balance of its receivable from SAC Holdings Corporation by approximately \$2.0 million in relation to this exchange.

From January 1, 2009 through June 30, 2009, RepWest purchased 66,100 shares of Series A Preferred on the open market for \$1.2 million. RepWest purchased an additional 13,900 shares on the open market for \$0.3 million in the third quarter of fiscal 2010. RepWest may continue to make investments in shares of the Series A Preferred in the future.

## Related Party Assets

	September 30, 2009	March 31, 2009
	(Unaudited)	
	(In thousands)	
U-Haul notes, receivables and interest from Private Mini	\$70,230	\$70,584
U-Haul notes receivable from SAC Holdings Corporation	197,255	197,552
U-Haul interest receivable from SAC Holdings Corporation	11,467	8,815
U-Haul receivable from SAC Holdings Corporation	13,051	20,517
U-Haul receivable from Mercury	4,657	6,264
Other	106	(198 )
	\$296,766	\$303,534

## 11. Consolidating Financial Information by Industry Segment

AMERCO has three reportable segments. They are Moving and Storage, Property and Casualty Insurance and Life Insurance. Management tracks revenues separately, but does not report any separate measure of the profitability for rental vehicles, rentals of self-storage spaces and sales of products that are required to be classified as a separate operating segment and accordingly does not present these as separate reportable segments. Deferred income taxes are shown as liabilities on the condensed consolidating statements.

AMERCO's three reportable segments are:

- (a) Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate,

(b) Property and Casualty Insurance, comprised of RepWest and its subsidiaries and ARCOA, and

(c) Life Insurance, comprised of Oxford and its subsidiaries.

The information includes elimination entries necessary to consolidate AMERCO, the parent, with its subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting.

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 9. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of September 30, 2009 are as follows:

	Moving & Storage				AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated (Unaudited) (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination
<b>Assets:</b>								
Cash and cash equivalents	\$94	\$353,819	\$-	\$-	\$353,913	\$24,800	\$6,238	\$-
Reinsurance recoverables and trade receivables, net	-	16,229	31	-	16,260	173,086	12,193	-
Notes and mortgage receivables, net	-	2,199	698	-	2,897	-	-	-
Inventories, net	-	62,071	-	-	62,071	-	-	-
Prepaid expenses	2,092	55,006	500	-	57,598	-	-	-
Investments, fixed maturities and marketable equities	-	-	-	-	-	93,100	431,801	(1,501)
Investments, other	-	1,078	14,005	-	15,083	104,824	88,622	-
Deferred policy acquisition costs, net	-	-	-	-	-	-	40,967	-
Other assets	9	97,150	28,177	-	125,336	719	445	-
Related party assets	1,270,372	241,026	57,453	(1,270,326) (c)	298,525	2,994	-	(4,753)
	1,272,567	828,578	100,864	(1,270,326)	931,683	399,523	580,266	(6,254)
Investment in subsidiaries	(255,894 )	-	-	571,936 (b)	316,042	-	-	(316,042)
<b>Property, plant and equipment, at cost:</b>								
Land	-	43,187	180,379	-	223,566	-	-	-
Buildings and improvements	-	144,458	800,302	-	944,760	-	-	-
	260	314,531	18,146	-	332,937	-	-	-



Furniture and equipment								
Rental trailers and other rental equipment	-	235,418	-	-	235,418	-	-	-
Rental trucks	-	1,627,140	-	-	1,627,140	-	-	-
	260	2,364,734	998,827	-	3,363,821	-	-	-
Less: Accumulated depreciation	(221 )	(1,013,339)	(325,575)	-	(1,339,135)	-	-	-
Total property, plant and equipment	39	1,351,395	673,252	-	2,024,686	-	-	-
Total assets	\$1,016,712	\$2,179,973	\$774,116	\$(698,390 )	\$3,272,411	\$399,523	\$580,266	\$(322,296)

(a) Balances as of June 30, 2009

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

(d) Eliminate intercompany preferred stock investment

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of September 30, 2009 are as follows:

	Moving & Storage				AMERCO Legal Group				A
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated (Unaudited) (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
<b>Liabilities:</b>									
Accounts payable and accrued expenses	\$635	\$300,253	\$4,829	\$-	\$305,717	\$-	\$3,271	\$-	\$
Notes, loans and leases payable	-	612,349	937,076	-	1,549,425	-	-	-	-
Policy benefits and losses, claims and loss expenses payable	-	380,824	-	-	380,824	274,797	137,841	-	-
Liabilities from investment contracts	-	-	-	-	-	-	280,479	-	-
Other policyholders' funds and liabilities	-	-	-	-	-	6,566	2,083	-	-
Deferred income	-	22,826	-	-	22,826	-	-	-	-
Deferred income taxes	205,527	-	-	-	205,527	(35,103 )	(8,266 )	(100 )	(d)
Related party liabilities	-	1,273,000	-	(1,270,326) (c)	2,674	1,897	182	(4,753 )	(c)
<b>Total liabilities</b>	<b>206,162</b>	<b>2,589,252</b>	<b>941,905</b>	<b>(1,270,326)</b>	<b>2,466,993</b>	<b>248,157</b>	<b>415,590</b>	<b>(4,853 )</b>	
<b>Stockholders' equity:</b>									
<b>Series preferred stock:</b>									

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Series A preferred stock	-	-	-	-	-	-	-	-	-
Series B preferred stock	-	-	-	-	-	-	-	-	-
Series A common stock	-	-	-	-	-	-	-	-	-
Common stock	10,497	540	1	(541 )	(b) 10,497	3,301	2,500	(5,801 )	(b)
Additional paid-in capital	421,615	121,230	147,941	(269,171 )	(b) 421,615	89,620	26,271	(117,477)	(b,c)
Accumulated other comprehensive income (loss)	(72,441 )	(70,250 )	-	70,250	(b) (72,441 )	(2,132 )	(59 )	2,005	(b,c)
Retained earnings (deficit)	976,532	(455,667 )	(315,731)	771,398	(b) 976,532	60,577	135,964	(196,170)	(b,c)
Cost of common shares in treasury, net	(525,653 )	-	-	-	(525,653 )	-	-	-	
Unearned employee stock ownership plan shares	-	(5,132 )	-	-	(5,132 )	-	-	-	
Total stockholders' equity (deficit)	810,550	(409,279 )	(167,789)	571,936	805,418	151,366	164,676	(317,443)	
Total liabilities and stockholders' equity	\$1,016,712	\$2,179,973	\$774,116	\$(698,390 )	\$3,272,411	\$399,523	\$580,266	\$(322,296)	\$

(a) Balances as of June 30, 2009

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

(d) Eliminate intercompany preferred stock investment

## AMERCO AND CONSOLIDATED ENTITIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2009 are as follows:

	Moving & Storage		AMERCO Legal Group						
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(In thousands)								
Assets:									
Cash and cash equivalents	\$ 38	\$ 213,040	\$ -	\$ -	\$ 213,078	\$ 19,197	\$ 8,312	\$ -	\$ 240,587
Reinsurance recoverables and trade receivables, net	-	18,264	31	-	18,295	184,912	10,646	-	213,853
Notes and mortgage receivables, net	-	1,892	1,039	-	2,931	-	-	-	2,931
Inventories, net	-	70,749	-	-	70,749	-	-	-	70,749
Prepaid expenses	1,129	53,001	71	-	54,201	-	-	-	54,201
Investments, fixed maturities and marketable equities	-	-	-	-	-	89,892	429,739	-	519,631
Investments, other									