DIANA SHIPPING INC.
Form 20-F
June 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

[_] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2004

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

DIANA SHIPPING INC.
(Exact name of Registrant as specified in its charter)

Diana Shipping Inc.
(Translation of Registrant's name into English)

Marshall Islands
(Jurisdiction of incorporation or organization)

16, Pentelis Str., 175 64 P. Faliro, Athens, Greece
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common share, $0.01 par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2004, there were 40,000,000 shares of the registrant's Common Shares outstanding.

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. [X] Yes [_] No

Indicate by check mark which financial statement item the registrant has elected to follow. [_] Item 17 [X] Item 18

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS....2
PART I....3
Item 1. Identity of Directors, Senior Management and Advisers....3
Item 2. Offer Statistics and Expected Timetable....3
Item 3. Key Information....3
Item 4. Information on the Company....13
Item 5. Operating and Financial Review and Prospects....23
Item 6 Directors, Senior Management and Employees....32
Item 7 Major Shareholders and Related Party Transactions....34
Item 8. Financial information....36
Item 9. Listing Details....37
Item 10. Additional Information....38
Item 11. Quantitative and Qualitative Disclosures about Market Risk....44
Item 12. Description of Securities Other than Equity Securities....44
PART II....45
Item 13. Defaults, Dividend Arrearages and Delinquencies....45
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds....45
Item 15. Controls and Procedures....45
Item 16A. Audit Committee Financial Expert....45
Item 16B. Code of Ethics....45
Item 16C. Principal Accountant Fees and Services....45
Item 16D. Exemptions from the Listing Standards for Audit Committees....45
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers....45
PART III....46
Item 17. Financial Statements....46
Item 18. Financial Statements....46
Item 19. Exhibits....46

FORWARD-LOOKING STATEMENTS

Diana Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe", "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements.

Please note in this annual report, "we", "us", "our", "The Company", all refer to Diana Shipping Inc. and its subsidiaries.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry-bulk shipping industry, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The following table sets forth our selected consolidated financial data and other operating data. The selected consolidated financial data in the table as of December 31, 2001, 2002, 2003 and 2004 and for the four year periods ended December 31, 2004 are derived from our audited consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and have been audited by Ernst & Young (Hellas) Certified Auditors Accountants S.A. ("Ernst & Young"), independent registered public accounting firm. We refer you to the notes to our consolidated financial statements as of December 31, 2003 and 2004, for a discussion of the basis on which our consolidated financial statements are presented. We have not included financial information as of and for the year ended December 31, 2000 due to the unreasonable effort or expense of preparing such information. The following data should be read in conjunction with "Operating and Financial Review and Prospects" and the consolidated financial statements as of December 31, 2003 and 2004 and notes thereto and other financial information included elsewhere in this annual report.

	As of and for the Year Ended December 31,		
	2001	2002	2003

		(in thousand of US dollars, except for share and per share data)		
Income Statement Data:				
Voyage and time charter revenues	$ 11,359	11,942	25,277	$
Voyage expenses	1,494	946	1,549	
Vessel operating expenses	3,432	3,811	6,267	
Depreciation	2,347	3,004	3,978	
Management fees	456	576	728	
Executive management services and rent	1,363	1,404	1,470	
General and administrative expenses	70	140	123	
Foreign currency losses (gains)	(17)	5	20	
Operating income	2,214	2,056	11,142	
Interest and finance cost	(2,690)	(2,001)	(1,680)	
Interest income	84	21	27	
Gain on vessel's sale	--	--	--	
Net income (loss)	$ (392)	76	9,489	$
Basic earnings (loss) per share	(0.11)	0.02	0.37	
Weighted average basic shares outstanding	3,683,333	4,297,161	25,340,596	2
Diluted earnings (loss) per share	(0.11)	0.00	0.37	
Weighted average diluted shares outstanding	3,683,333	18,416,667	25,340,596	2

	As of and for the Year Ended December 31,			
	2001	2002	2003	200
	(in thousand of US dollars, except for share and per share data)			
Balance Sheet Data:				
Cash and cash equivalents	$ 1,310	$ 1,867	$ 7,441	$ 1,
Total current assets	3,229	3,347	9,072	3,
Total assets	83,498	79,947	134,494	155,
Total current liabilities	5,536	5,863	9,107	11,
Long-term debt (including current portion)	57,646	53,810	82,628	92,
Total stockholders' equity	23,118	23,482	48,441	59,
Cash Flow Data:				
Net cash flow provided by operating activities	$ 5,131	$ 5,451	$ 15,218	$ 47,
Net cash flow used in investing activities	(53,011)	--	(52,723)	(11,
Net cash flow provided by (used in) financing activities	47,993	(4,894)	43,079	(41,
Fleet Data: (1)				
Average number of vessels (2)	3.2	4.0	5.1	
Number of vessels at end of period	4.0	4.0	6.0	
Weighted average age of fleet (in years)	0.8	1.8	2.9	

Ownership days (3)	1,155	1,460	1,852	2,
Available days (4)	1,139	1,460	1,852	2,
Operating days (5)	1,126	1,459	1,845	2,
Fleet utilization (6)	98.9%	99.9%	99.6%	9
Average Daily Results: (1)				
Time charter equivalent (TCE) rate (7)	$ 8,661	$ 7,532	$ 12,812	$ 25,
Daily vessel operating expenses (8)	2,971	2,610	3,384	4,

(1) The fleet data and average daily results presented above do not give effect to our sale of the Amfitrite. In October 2004, prior to the delivery of the Amfitrite to us, we entered into a memorandum of agreement to sell the vessel to Orthos Shipping Corporation, an unaffiliated third party, upon its delivery to us for a total purchase price of $42.0 million. We elected to sell the Amfitrite rather than include it in our operating fleet in order to take advantage of strong market conditions and to sell the vessel at a favorable price. In November 2004, we took delivery of the Amfitrite from the shipyard and thereupon delivered the vessel to the buyer. Because we did not operate the Amfitrite prior to the sale, and because we took possession of the vessel only for the purposes of redelivering it to the buyer, we do not consider the vessel to have been part of our fleet or financial statements. Please see the section of this report entitled "Operating and Financial Review and Prospects – Sale of the Amfitrite".

(2) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.

(3) Ownership days are the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(4) Available days are the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(5) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(6) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

(7) Time charter equivalent rates, or TCE rates, are defined as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings

generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters are generally expressed in such amounts. The following table reflects the calculation of our TCE rates for the periods presented.

	Year Ended December 31,			
	2001	2002	2003	2004
	(in thousands of US dollars, except for TCE rates, which are expressed in US dollars, and available days)			
Voyage and time charter revenues	11,359	11,942	25,277	63,839
Less: voyage expenses	(1,494)	(946)	(1,549)	(4,330)
Time charter equivalent revenues	9,865	10,996	23,728	59,509
Available days	1,139	1,460	1,852	2,319
Time charter equivalent (TCE) rate	8,661	7,532	12,812	25,661

(8) Daily vessel operating expenses, which include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, are calculated by dividing vessel operating expenses by ownership days for the relevant period.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock.

Industry Specific Risk Factors

Charter hire rates for dry bulk carriers are near historically high levels and may decrease in the future, which may adversely affect our earnings

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk carriers has varied widely, and charter hire rates for Panamax and Capesize dry bulk carriers are currently near historically high levels. Because we generally charter our vessels pursuant to short-term time charters, we are exposed to changes in spot market rates for dry bulk carriers and such changes may affect our earnings and the value of our dry bulk carriers at any given time. We cannot assure that we will be able to successfully charter

our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our stockholders. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- demand for and production of dry bulk products;
- global and regional economic conditions;
- the distance dry bulk is to be moved by sea; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- vessel casualties; and
- the number of vessels that are out of service.

We anticipate that the future demand for our dry bulk carriers will be dependent upon continued economic growth in the world's economies, including China, seasonal and regional changes in demand, changes in the capacity of the global dry bulk carrier fleet and the sources and supply of dry bulk cargo to be transported by sea. The capacity of the global dry bulk carrier fleet seems likely to increase and there can be no assurance that economic growth will continue. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

The market values of our vessels, which are near historically high levels, may decrease, which could limit the amount of funds that we can borrow under our credit facility

The fair market values of our vessels have generally experienced high volatility and market prices for secondhand Panamax and Capesize dry bulk carriers are currently near historically high levels. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, types, sizes and age of vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines we may not be able to obtain other financing or incur debt in the future on terms that are acceptable to us or at all.

The market values of our vessels, which are near historically high levels, may decrease, which could cause us to breach covenants in our credit facility and adversely affect our results of operations, financial condition and our ability to pay dividends

If the market values of our vessels, which are near historically high levels, decrease, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time, including covenants in our credit facility. If we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our results of operations, financial condition and our ability to pay dividends.

World events could affect our results of operations and financial condition

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continues to cause uncertainty in the world financial markets and may affect our business, operating results and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect the amount of dividends that we pay to our stockholders from quarter to quarter. The dry bulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues have historically been weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues have historically been stronger in fiscal quarters ended December 31 and March 31. While this seasonality has not materially affected our operating results, it could materially affect our operating results and cash available for distribution to our stockholders as dividends in the future.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports

The operation of our vessels is affected by the requirements set forth in the International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. All of our vessels are currently in compliance with the ISM Code.

Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the

arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of cash we have available for distribution as dividends to our stockholders.

Company Specific Risk Factors

We are dependent on short-term time charters in a volatile shipping industry and a decline in charter hire rates would affect our results of operations and ability to pay dividends

We charter our vessels primarily pursuant to short-term time charters, although we recently entered into time charters in excess of two and one-half years for three of the vessels in our combined fleet and we may in the future employ additional vessels on longer-term time charters. Although dependence on short-term time charters is not unusual in the dry bulk shipping industry, the short-term time charter market is highly competitive and spot market charter hire rates (which affect time charter rates) may fluctuate significantly based upon available charters and the supply of, and demand for, seaborne shipping capacity. While our focus on the short-term time charter market may enable us to benefit in periods of increasing charter hire rates, we must consistently renew our charters and this dependence makes us vulnerable to declining charter rates. While current dry bulk carrier charter rates are high, the market is volatile, and in the past short-term time charter and spot market charter rates for dry bulk carriers have declined below operating costs of vessels. We cannot assure you that future charter hire rates will enable us to operate our vessels profitably or to pay you dividends.

We cannot assure you that our board of directors will declare dividends

Our policy is to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after cash expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, after taking into account contingent liabilities, the terms of our credit facility, our growth strategy and other cash needs and the requirements of Marshall Islands law. The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy and provisions of Marshall Islands law affecting the payment of dividends. The international dry bulk shipping industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be

available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this section of the report. Our growth strategy contemplates that we will finance the acquisition of additional vessels through a combination of debt and equity financing on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends. We can give no assurance that dividends will be paid in accordance with our dividend policy or at all.

We may have difficulty managing our planned growth properly

The delivery of the first of our two new Panamax dry bulk carriers in August 2004 and February 2005, the acquisition of one secondhand Capesize dry bulk carrier in February 2005 and the acquisition of our second new Panamax dry bulk carrier in May 2005 have resulted in a significant increase of the size of our fleet. The addition of these vessels to our fleet, as well as our expected acquisition of our fleet manager, will impose significant additional responsibilities on our management and staff and may require us to increase the number of our personnel. We will also have to increase our customer base to provide continued employment for the new vessels.

We intend to continue to grow our fleet following the delivery of our second new Panamax dry bulk carrier. Our future growth will primarily depend on:

- locating and acquiring suitable vessels;
- identifying and consummating acquisitions or joint ventures;
- enhancing our customer base;
- managing our expansion; and
- obtaining required financing on acceptable terms.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and difficulties associated with imposing common standards, controls, procedures and policies, obtaining additional qualified personnel, managing relationships with customers and integrating newly acquired assets and operations into existing infrastructure. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

We cannot assure you that we will be able to borrow amounts under our credit facility and restrictive covenants in our credit facility may impose financial and other restrictions on us

We have a secured revolving credit facility with The Royal Bank of Scotland Plc that we intend to use to finance future vessel acquisitions, our acquisition of our fleet manager and our working capital requirements. Our ability to borrow amounts under the credit facility will be subject to the execution of customary documentation relating to the facility, including security documents,

satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Prior to each drawdown, we will be required, among other things, to provide the lender with acceptable valuations of the vessels in our fleet confirming that the vessels in our combined fleet have a minimum value and that the vessels in our fleet that secure our obligations under the facility are sufficient to satisfy minimum security requirements. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the full amount under the credit facility without obtaining a waiver or consent from the lender. We will also not be permitted to borrow amounts under the facility if we experience a change of control.

The credit facility will also impose operating and financial restrictions on us. These restrictions may limit our ability to, among other things:

- pay dividends or make capital expenditures if we do not repay amounts drawn under the credit facility, if there is a default under the credit facility or if the payment of the dividend or capital expenditure would result in a default or breach of a loan covenant;
- incur additional indebtedness, including through the issuance of guarantees;
- change the flag, class or management of our vessels;
- create liens on our assets;
- sell our vessels;
- enter into a time charter or consecutive voyage charters that have a term that exceeds, or which by virtue of any optional extensions may exceed, thirteen months;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; and
- enter into a new line of business.

Therefore, we may need to seek permission from our lender in order to engage in some corporate actions. Our lender's interests may be different from ours and we cannot guarantee that we will be able to obtain our lender's permission when needed. This may limit our ability to pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.

We cannot assure you that we will be able to refinance any future indebtedness incurred under our credit facility

We intend to finance our future fleet expansion program with secured indebtedness drawn under our credit facility. While we intend to refinance amounts drawn under our credit facility with the net proceeds of future equity offerings, we cannot assure you that we will be able to do so on terms that are acceptable to us or at all. If we are not able to refinance these amounts with the net proceeds of equity offerings on terms acceptable to us or at all, we will have to dedicate a portion of our cash flow from operations to pay the principal and interest of this indebtedness. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans. The actual or perceived credit quality of our charterers, any defaults by them, and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. In addition, debt service payments under our credit facility or alternative financing may limit funds otherwise available for working capital, capital expenditures and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our credit facility or an alternative financing arrangement, our lender could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

Purchasing and operating secondhand vessels may result in increased operating

costs and reduced fleet utilization

While we have the right to inspect previously owned vessels prior to our purchase of them, such an inspection does not provide us with the same knowledge about their condition that we would have if these vessels had been built for and operated exclusively by us. A secondhand vessel may have conditions or defects that we were not aware of when we bought the vessel and which may require us to incur costly repairs to the vessel. These repairs may require us to put a vessel into drydock which would reduce our fleet utilization. Furthermore, we usually do not receive the benefit of warranties on secondhand vessels.

In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of dry bulk cargo by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and results of operations

Our success depends to a significant extent upon the abilities and efforts of our management team. We have employment contracts with our Chairman and Chief Executive Officer, Mr. Simeon Palios, our Chief Financial Officer, Mr. Konstantinos Koutsomitopoulos, our President, Mr. Anastassis Margaronis and our Vice President, Mr. Ioannis Zafirakis. Our success will depend upon our ability to retain key members of our management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could have a similar effect. We do not intend to maintain "key man" life insurance on any of our officers.

Risks associated with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues and stock price

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- piracy.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

The shipping industry has inherent operational risks that may not be adequately covered by our insurance

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As of December 31, 2004, the seven vessels in our operating fleet had a weighted average age of 3.4 years. Upon the delivery of our second new Panamax dry bulk carrier in May 2005, our combined fleet consisted of nine Panamax dry bulk carriers and one Capesize dry bulk carrier and had a weighted average age of 3.6 years. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We may have to pay tax on United States source income, which would reduce our earnings

Under the United States Internal Revenue Code of 1986, or "the Code", 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as United States source shipping income and such income is subject to a 4% United States federal income tax without allowance for any deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code. We believe that we and each of our subsidiaries will qualify for this statutory tax exemption.

If, for some reason not currently anticipated, we are not entitled to this exemption under Code Section 883, we and our subsidiaries would be subject for those years to a 4% United States federal income tax on our U.S.-source shipping income. In the year ended December 31, 2004, approximately 24% of our shipping income was attributable to the transportation of cargoes either to or from a U.S. port. Accordingly, 12% of our shipping income would be treated as derived from U.S. sources for the year ended December 31, 2004. In the absence of exemption from tax under Code Section 883, we would have been subject to a 4% tax on its gross U.S. source shipping income equal to approximately $0.3 million for the year ended December 31, 2004.

United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences

to United States holders

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." United States stockholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the United States Internal Revenue Service, or IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States stockholders will face adverse United States tax consequences. Under the PFIC rules, unless those stockholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Tax Considerations--United States Federal Income Taxation of United States Holders"), such stockholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of our common shares.

We depend upon a few significant customers for a large part of our revenues and the loss of one or more of these customers could adversely affect our financial performance

We have historically derived a significant part of our revenues from a small number of charterers. During 2004 and 2003 approximately 76% and 75% of our revenues derived from four charterers, respectively. If one or more of these charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition, results of operations and cash available for distribution as dividends to our stockholders.

Our vessels may suffer damage and we may face unexpected drydocking costs, which could adversely affect our cash flow and financial condition

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. The loss of earnings while our vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings and reduce the amount of cash that we have available for dividends. We may not have insurance that is sufficient to cover all or any of these costs or losses and may have to pay drydocking costs not covered by our insurance.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to make dividend payments depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends. We do not intend to obtain funds from other sources to pay dividends.

As we expand our business, we may need to improve our operating and financial systems and will need to recruit suitable employees and crew for our vessels

Our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet and acquire our fleet manager, and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, we will need to recruit suitable additional seafarers and shoreside administrative and management personnel. While we have not experienced any difficulty in recruiting to date, we cannot guarantee that we will be able to continue to hire suitable employees as we expand our fleet. If we or our crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet or acquire our fleet manager, our financial performance may be adversely affected and, among other things, the amount of cash available for distribution as dividends to our stockholders may be reduced.

Risks Relating to Our Common Stock

There is no guarantee of a continuing public market for you to resell our common stock will develop

Our common shares were commenced trading on the New York Stock Exchange in March 2005. We cannot assure you that an active and liquid public market for our common shares will continue. The price of our common stock may be volatile and may fluctuate due to factors such as:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- mergers and strategic alliances in the dry bulk shipping industry;
- market conditions in the dry bulk shipping industry and the general state of the securities market.
- changes in government regulation;
- shortfalls in our operating results from levels forecast by securities analysts; and
- announcements concerning us or our competitors.

You may not be able to sell your shares of our common stock in the future at the price that you paid for them or at all.

We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate law

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United States. The rights of stockholders of the Marshall Islands may differ from the rights of stockholders of companies incorporated in the United States. While the BCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we can not predict whether Marshall Islands courts would reach the same conclusions as United States courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction which has developed a relatively more substantial body of case law.

A small number of our stockholders effectively control the outcome of matters on which our stockholders are entitled to vote

Entities affiliated with our Chairman and Chief Executive Officer and Fortis Bank (Nederland) N.V. currently own, directly or indirectly, approximately 64.4% of our outstanding common stock. While those stockholders have no agreement, arrangement or understanding relating to the voting of their shares of our common stock, they will effectively control the outcome of matters on which our stockholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of these stockholders may be different from your interests.

Future sales of our common stock could cause the market price of our common stock to decline

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

We intend to issue additional shares of our common stock in the future and our stockholders may elect to sell large numbers of shares held by them from time to time. Our amended and restated articles of incorporation authorize us to issue 100,000,000 shares of common stock, of which 40,000,000 shares are outstanding. Our stockholders of record prior to our initial public offering in March 2005 own 25,768,750 shares, or approximately 64.4%, of our outstanding common stock. The number of shares of common stock available for sale in the public market will be limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and existing stockholders have entered into. Subject to certain exceptions, these agreements generally restrict us and our executive officers, directors and existing stockholders from directly or indirectly offering, selling, pledging, hedging or otherwise disposing of our equity securities or any security that is convertible into or exercisable or exchangeable for our equity securities and from engaging in certain other transactions relating to such securities for a period of 180 days after the date of our initial public offering in March 2005, without the prior written consent of the underwriters in our initial public offering. However, the underwriters in our initial public offering may, in their sole discretion and at any time or from time to time before the expiration of the 180-day lock-up period, without notice, release all or any portion of the securities subject to these agreements.

Anti-takeover provisions in our organizational documents could make it difficult for our stockholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock

Several provisions of our amended and restated articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions include:

- authorizing our board of directors to issue "blank check" preferred stock without stockholder approval;
- providing for a classified board of directors with staggered, three year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote for the directors;
- prohibiting stockholder action by written consent;
- limiting the persons who may call special meetings of stockholders; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

In addition, we have adopted a stockholder rights plan pursuant to which our board of directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our board of directors.

These anti-takeover provisions, including provisions of our stockholder rights plan, could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

Item 4. Information on the Company

A. History and development of the Company

We are Diana Shipping Inc., a holding company incorporated under the laws of Liberia in March 1999 as Diana Shipping Investments Corp. In February 2005, the Company's articles of incorporation were amended. Under the amended articles of incorporation the Company was renamed Diana Shipping Inc. and was redomiciled from the Republic of Liberia to the Marshall Islands. Our executive offices are located at Pentelis 16, 175 64 Palaio Faliro, Athens Greece. Our telephone number is +30-210-947-0100.

B. Business overview

Our fleet consists of dry bulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes that currently has a total capacity of 0.8 million dwt. Please see information in the section "Our Fleet", below. During 2002, 2003 and 2004, we had a fleet utilization of 99.9%, 99.6% and 99.8%, respectively, our vessels achieved daily time charter equivalent rates of $7,532 $12,812 and $25,661, respectively, and we generated revenues of $11.9 million, $25.3 million and $63.8 million, respectively.

We believe that we possess a number of strengths that provide us with a

competitive advantage in the dry bulk shipping industry:

- We own a modern, high quality fleet of dry bulk carriers that enable us to reduce operating costs, improve safety and have a competitive advantage in securing favorable time charters.
- Our fleet includes two groups of sister ships that provides us with operational and scheduling flexibility, operational efficiency and enables us to realize cost savings when maintaining, supplying and crewing our vessels.
- We have an experienced management team, which consists of experienced executives that have an average of more than 20 years of operating experience in the shipping industry.
- We benefit from strong relationships with members of the shipping and financial industries that will enable us to continue to grow our business.
- We have a strong balance sheet and we do not have any indebtedness outstanding that enable us to use cash flow that would otherwise be dedicated to servicing debt for other purposes, including funding operations and making dividend payments.

Our Business Strategy

Our main objective is to manage and expand our fleet in a manner that enables us to pay attractive dividends to our stockholders. To accomplish this objective, we intend to:

- Continue to operate a high quality fleet. We believe that our ability to maintain and increase our customer base will depend on the quality of our fleet. We intend to limit our acquisition of ships to vessels that meet rigorous industry standards and that are capable of meeting charterer certification requirements. At the same time, we intend to maintain the quality of our existing fleet by carrying out regular inspections of our vessels and implementing appropriate maintenance programs for each vessel.

- Strategically expand the size of our fleet. We intend to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to earnings and dividends per share. We expect to focus our dry bulk carrier acquisitions primarily on Panamax and Capesize dry bulk carriers. We believe that Panamax dry bulk carriers are subject to relatively less volatility in charter hire rates and are able to access a greater number of ports and carry a broader range of cargo compared to larger vessels. Capesize dry bulk carriers offer economies of scale due to their increased cargo carrying capacity and provide relatively stable cash flows and high utilization rates due to their generally being employed on longer term time charters compared to smaller carriers. We intend to continue to monitor developments in market conditions regularly and may acquire other dry bulk carriers when those acquisitions would, in our view, present favorable investment opportunities. We may also consider acquisitions of other types of vessels but do not intend to acquire tankers. We intend to capitalize on the experience and expertise of our management team when making acquisition related decisions and expect to continue to place an emphasis on sister ships.

- Pursue an appropriate balance of short-term and long-term time charters. We historically have chartered our vessels to customers primarily pursuant to short-term time charters. While we expect to continue to pursue short-term time charter employment for our Panamax dry bulk carriers, we entered into time charters in excess of two and one-half years for three of the vessels in our combined fleet. We believe that employing short-term time charters generally increases our flexibility in responding to market developments and assists us in enhancing the amount of charter hire that we are paid, particularly during periods of increasing charter hire rates, while

long-term time charters provide us the benefit of relatively stable cash flows. We will continue to strategically monitor developments in the dry bulk shipping industry on a regular basis and adjust our charter hire periods according to market conditions. We may in the future extend the charter periods for additional vessels in our fleet to take advantage of the relatively stable cash flow and high utilization rates that are associated with long-term time charters. Given the size of our fleet, we believe that adding one or more additional long-term time charters to our charter portfolio will reduce our potential exposure to the adverse effects of any market downturn without materially affecting our ability to take advantage of short-term market opportunities.

- Maintain a strong balance sheet with low leverage. After completion of the offering in March 2005, we used a portion of the net proceeds to repay all of our outstanding indebtedness. In the future, we expect to draw funds under our credit facility to fund vessel acquisitions and to finance our acquisition of our fleet manager. We intend to repay our acquisition related debt from time to time with the net proceeds of equity issuances. While our leverage will vary according to our acquisition strategy and our ability to refinance acquisition related debt through equity offerings on terms acceptable to us, we intend to limit the amount of indebtedness that we have outstanding at any time to relatively conservative levels. We believe that maintaining a low level of leverage will allow us to maintain a strong balance sheet and will provide us with flexibility in pursuing acquisitions that are accretive to earnings and dividends per share. We also believe that maintaining a low level of indebtedness will allow us to remain competitive in adverse market conditions, particularly when compared to competitors who are burdened with significant levels of debt.

- Maintain low cost, highly efficient operations. We believe that we are a cost-efficient and reliable owner and operator of dry bulk carriers due to the strength of our management team and the quality of our vessels. We intend to actively monitor and control vessel operating expenses without compromising the quality of our vessel management by utilizing regular inspection and maintenance programs, employing and retaining qualified crew members and taking advantage of the economies of scale that result from operating a fleet of sister ships.

- Capitalize on our established reputation. We believe that we have an established reputation in the dry bulk shipping industry for maintaining high standards of performance, reliability and safety. We intend to capitalize on this reputation in establishing and maintaining relationships with major international charterers who consider the reputation of a vessel owner and operator when entering into time charters and with shipyards and financial institutions who consider reputation to be an indicator of creditworthiness.

Our Fleet

Our fleet consists of dry bulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes. As of December 31, 2004, our operating fleet consisted of seven modern Panamax dry bulk carriers that had a combined carrying capacity of more than 525,000 dwt and a weighted average age of 3.4 years.

We took delivery of two Panamax dry-bulk carrier newbuildings from a Chinese shipyard that have a carrying capacity of 73,691 dwt each, in February and May, 2005. We also purchased a secondhand Capesize dry bulk carrier with a carrying capacity of 169,883 dwt that we took delivery of in February, 2005. Upon the delivery of these three vessels, our combined fleet consisted of nine Panamax dry bulk carriers and one Capesize dry bulk carrier that had a combined carrying capacity of 842,278 dwt and a weighted average age of 3.6 years as of May 9,

2005. We funded the $18.0 million balance of the final payment installment due upon delivery of the first Panamax dry bulk carrier and the $58.0 million balance of the purchase price due upon delivery of the Capesize dry bulk carrier with borrowings under new bank loans. We repaid this indebtedness and financed the final payment installment due on the second Panamax dry bulk carrier with a portion of the net proceeds from our initial public offering in March 2005. In connection with our acquisition of the Capesize dry bulk carrier, we also were required to pay an unaffiliated ship broker a commission equal to two percent of the purchase price and one time additional expenses of approximately $0.8 million for initial provisioning, stores and spare parts, which we also financed with a portion of the net proceeds from our initial public offering in March, 2005.

As of May 9, 2005, our fleet consists of nine Panamax dry bulk carriers and one Capesize dry bulk carrier that have a combined carrying capacity of 842,278 dwt and a weighted average age of 3.6 years.

The following table presents certain information concerning the dry bulk carriers in our combined fleet.

Vessel	Operating Status	Dwt	Age (1)	Time Charter Expiration Date (2)	Dail Ch Hir
Nirefs	Delivered Jan. 2001	75,311	4.3 years	Aug. 6, 2005 to Oct. 6, 2005	$
Alcyon	Delivered Feb. 2001	75,247	4.2 years	Oct. 15, 2007 to Feb. 15, 2008	$
Triton	Delivered March 2001	75,336	4.1 years	Nov. 27, 2005 to Jan. 27, 2006	$
Oceanis	Delivered May 2001	75,211	3.9 years	Aug. 20, 2005 to Nov. 5, 2005	$
Dione	Acquired May 2003	75,172	4.3 years	Nov. 4, 2005 to Jan. 19, 2006	$
Danae	Acquired July 2003	75,106	4.3 years	Jan. 13, 2007 to April 12, 2007	$
Protefs	Delivered Aug. 2004	73,630	0.7 years	Aug. 5, 2005 to Oct. 20, 2005	$
Calipso	Delivered Feb. 2005	73,691	0.3 years	July 5, 2005 to Sept. 5, 2005	$
Pantelis SP	Delivered Feb. 2005	169,883	6.2 years	Jan. 25, 2008 to March 25, 2008	$
Clio	Delivered May 2005	73,691	0.0 years	On about July 11, 2005	$

(1) As of May 9, 2005.

(2) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to us upon the termination of the charter.

(3) Each dry bulk carrier is a sister ship of each other dry bulk carrier that has the same letter.

Each of our vessels is owned through a separate wholly-owned Panamanian subsidiary.

We charter our dry bulk carriers to customers primarily pursuant to time charters. A time charter involves the hiring of a vessel from its owner for a period of time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the disposal of the charterer. Under a time charter, the charterer periodically pays a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers and port and canal charges. Subject to any restrictions in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. The technical operation and navigation of the vessel at all times remains the responsibility of the vessel owner, which is generally responsible for the vessel's operating expenses, including the cost of crewing, insuring,

repairing and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. In connection with the charter of each of our vessels, we pay (through our fleet manager) commissions ranging from 1.25% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house ship brokers associated with the charterers, depending on the number of brokers involved with arranging the relevant charter. We also pay a commission equal to 2% of the total daily charter hire rate of each vessel charter to our fleet manager.

We strategically monitor developments in the dry bulk shipping industry on a regular basis and adjust the charter hire periods for our vessels according to market conditions. Historically, we have primarily employed short-term time charters that have ranged in duration from three to twelve months. However, we have recently entered into time charters in excess of two and one-half years for three of the vessels in our combined fleet and we may in the future extend the charter periods for some of the vessels in our fleet.

Our vessels operate worldwide within the trading limits imposed by our insurance terms and do not operate in areas where United States, European Union or United Nations sanctions have been imposed.

Sale of the Amfitrite

In 2002, we entered into a newbuilding contract with the Jiangnan shipyard providing for the construction of the Amfitrite, a Panamax dry bulk carrier with a carrying capacity of 74,000 dwt, for a total price of $20.2 million. In October 2004, prior to the completion of the vessel's construction, we entered into a memorandum of agreement to sell the Amfitrite to an unaffiliated third party on the vessel's delivery to us for cash consideration of $42.0 million. We elected to dispose of the vessel rather than include it in our operating fleet in order to take advantage of the opportunity to sell the newbuilding at a favorable price. In November 2004, we took delivery of the Amfitrite from the shipyard and thereupon delivered the vessel to the buyer. Because we did not operate the Amfitrite prior to the sale, and because we took possession of the vessel only for the purposes of redelivering it to the buyer, we do not consider the vessel to have been part of our fleet. In December 2004, we distributed a portion of the cash received from the sale as part of a $34.0 million cash dividend distributed to our stockholders as of December 31, 2004.

Seafaring Employees

We crew our vessels primarily with Greek officers and Filipino officers and seamen. Our fleet manager is responsible for identifying our Greek officers, which are hired by our vessel owning subsidiaries. Our Filipino officers and seamen are referred to our fleet manager by Cosmos Marine Management S.A. and Crossworld Marine Services Inc., two independent crewing agencies. The crewing agencies handle each seaman's training, travel and payroll. We ensure that all our seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Additionally, our seafaring employees perform most commissioning work and supervise work at shipyards and drydock facilities. We typically man our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties.

Competition

Our business fluctuates in line with the main patterns of trade of the major dry bulk cargoes and varies according to changes in the supply and demand for these items. We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator. We compete with other owners of dry bulk carriers in the

Panamax and smaller class sectors and with owners of Capesize dry bulk carriers. Ownership of dry bulk carriers is highly fragmented and is divided among approximately 1,500 independent dry bulk carrier owners.

Credit Facility

We have entered into a $230.0 million secured revolving credit facility with The Royal Bank of Scotland Plc. The credit facility may be used to fund our acquisitions of vessels and companies with shipping interests and our working capital requirements in an amount not to exceed $30.0 million, including up to $20.0 million for our acquisition of our fleet manager. Please see Item 5.B. for additional information about our credit facility.

Our Customers

We generally charter our vessels to major trading houses (including commodities traders), major producers and government-owned entities rather than to more speculative or undercapitalized entities. Our customers include national, regional and international companies, such as Sangamon Transportation (Dreyfus), Deiulemar Compagnia di Navigazione, Green Island Shipping, Cobelfret S.A., Navios International Inc., Cargill International S.A., Bottiglieri di Navigazione S.p.A. and Cosco Europe GmBH. During 2004, four of our customers accounted for 76% of our revenues. These customers were Cosco Bulk Carriers (25%), Cobelfret S.A. (15%), Cargill International S.A. (20%) and Navios International Inc. (16%). During 2003, four customers accounted for approximately 75% of our revenues. These customers were Cosco Europe GmBH (25%), Bottiglieri di Navigazione S.p.A. (20%), Cobelfret S.A. (15%) and Deiulemar Compagnia di Navigazione (15%).

Management of Our Fleet

The strategic, commercial and technical management of our fleet historically has been carried out by an affiliated company pursuant to separate management agreements between each of our wholly-owned vessel owning subsidiaries and our fleet manager. Diana Shipping Agencies S.A., or DSA, provided us with these management services from our founding through November 12, 2004, at which time responsibility for the commercial and technical management of our fleet was transferred to Diana Shipping Services S.A., or DSS, and the strategic management of our fleet was assumed by us. DSA and DSS are each majority owned and controlled by Mr. Simeon Palios, our Chairman and Chief Executive Officer. The stockholders of DSA and DSS also include Mr. Anastassis Margaronis, our President and a member of our board of directors, and Mr. Ioannis Zafirakis, our Vice President and a member of our board of directors.

Under our management agreements, our fleet manager has historically been responsible for providing us with:

- commercial management services, which include obtaining employment for our vessels and managing our relationships with charterers;
- strategic management services, which include providing us with strategic guidance with respect to locating, purchasing, financing and selling vessels;
- technical management services, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising dry docking and repairs, arranging insurance for vessels, purchasing stores, supplies, spares and new equipment for vessels, appointing supervisors and technical consultants and providing technical support; and

- shoreside personnel who carry out the management functions described above.

In addition, we have entered into a separate agreement with our fleet manager pursuant to which the fleet manager has agreed to provide us with office space and secretarial services at its offices in Athens, Greece until our acquisition of DSS. The fair value of the annual rental for the office space and the secretarial services during 2004 was $146 thousand.

Prior to February 21, 2005, the shoreside personnel provided by our fleet manager included Mr. Simeon Palios, Mr. Anastassis Margaronis, Mr. Ioannis Zafirakis and Evangelos Monastiriotis, who, as employees of our fleet manager, performed services that were substantially identical to services provided by executive officers. On February 21, 2005, Mr. Simeon Palios, Mr. Anastassis Margaronis, and Mr. Ioannis Zafirakis became executive officers and employees of our Company. On February 21, 2005, Mr. Monastiriotis became an executive officer of our Company, although he continues to provide his services to us pursuant to his employment with our fleet manager.

In exchange for providing us with the services, personnel and office space described above, we have historically paid our fleet manager a commission that is equal to 2% of our revenues and a fixed management fee of $12 thousand per month for each vessel in our operating fleet, which increased to $15 thousand per month per vessel as of November 12, 2004.

Acquisition of Our Fleet Manager

We have entered into an agreement with the stockholders of DSS pursuant to which the DSS stockholders may sell all, but not less than all, of their outstanding shares of DSS to us during the 12 month period following our initial public offering for $20.0 million in cash. Under the terms of the agreement, if the DSS stockholders do not sell their outstanding shares to us prior to the one year anniversary of the initial public offering, we may exercise an option to purchase the shares from them for the same consideration at any time prior to the second anniversary of the initial public offering. We expect the DSS stockholders to sell their outstanding shares of DSS to us during the 12 months following the initial public offering and intend to exercise our option if they do not do so.

If we acquire DSS, DSS will become our wholly-owned subsidiary and the 2% commission and management fees that we pay for its management services will be eliminated from our consolidated financial statements as intercompany transactions. A historical breakdown of the amounts that we have paid to DSA and DSS (after November 12, 2004) is presented in the following table.

	Year Ended December 31,		
	2002	2003	2004
	(in thousands of U.S. dollars)		
Commissions	239	506	1,276
Management fees	576	728	947
Total	815	1,234	2,223

If we acquire DSS, we will also be required to pay its operating and other expenses. We expect that the incurrence of these additional expenses, together with the expenses for running a public company, following our initial public offering, and the enlargement of our fleet, will increase the amount of general

and administrative expenses that we report during future periods and that such amounts will likely offset the effect of the elimination of the 2% commissions and management fees from our reported results.

The International Dry Bulk Shipping Industry

Dry bulk cargo is cargo that is shipped in large quantities and can be easily stowed in a single hold with little risk of cargo damage. In 2004, approximately 2.4 billion tons of dry bulk cargo was transported by sea, comprising more than one-third of all international seaborne trade.

The demand for dry bulk carrier capacity is determined by the underlying demand for commodities transported in dry bulk carriers, which in turn is influenced by trends in the global economy. Between 1999 and 2004, trade in all dry bulk commodities increased from 1.97 billion tons to 2.45 billion tons, an increase of 24.3%. One of the main reasons for the resurgence in dry bulk trade has been the growth in imports by China of iron ore, coal and steel products during the last five years. Chinese imports of iron ore alone increased from 55.3 million tons in 1999 to more than 148 million tons in 2003. Demand for dry bulk carrier capacity is also affected by the operating efficiency of the global fleet, with port congestion, which has been a feature of the market in 2004, absorbing additional tonnage.

The global dry bulk carrier fleet may be divided into four categories based on a vessel's carrying capacity. These categories consist of:

- Capesize vessels which have carrying capacities of more than 85,000 dwt. These vessels generally operate along long haul iron ore and coal trade routes. There are relatively few ports around the world with the infrastructure to accommodate vessels of this size.

- Panamax vessels have a carrying capacity of between 60,000 and 85,000 dwt. These vessels carry coal, grains, and, to a lesser extent, minor bulks, including steel products, forest products and fertilizers. Panamax vessels are able to pass through the Panama Canal making them more versatile than larger vessels.

- Handymax vessels have a carrying capacity of between 35,000 and 60,000 dwt. These vessels operate along a large number of geographically dispersed global trade routes mainly carrying grains and minor bulks. Vessels below 60,000 dwt are sometimes built with on-board cranes enabling them to load and discharge cargo in countries and ports with limited infrastructure.

- Handysize vessels have a carrying capacity of up to 35,000 dwt. These vessels carry exclusively minor bulk cargo. Increasingly, these vessels have operated along regional trading routes. Handysize vessels are well suited for small ports with length and draft restrictions that may lack the infrastructure for cargo loading and unloading.

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. As of January 2005, the global dry bulk carrier orderbook amounted to 66.89 million dwt, or 20.7% of the existing fleet, with most vessels on the orderbook expected to be delivered within 36 months. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs.

The average age at which a vessel is scrapped over the last five years has been 26 years. However, due to recent strength in the dry bulk shipping industry, the average age at which the vessels are scrapped has increased.

Charter Hire Rates

Charter hire rates paid for dry bulk carriers are primarily a function of the underlying balance between vessel supply and demand, although at times other factors may play a role. Furthermore, the pattern seen in charter rates is broadly mirrored across the different charter types and between the different dry bulk carrier categories. However, because demand for larger dry bulk vessels is affected by the volume and pattern of trade in a relatively small number of commodities, charter hire rates (and vessel values) of larger ships tend to be more volatile than those for smaller vessels.

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption.

In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region with ports where vessels load cargo also are generally quoted at lower rates, because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the dry bulk shipping industry, the charter hire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange. These references are based on actual charter hire rates under charter entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers. The Baltic Panamax Index is the index with the longest history. The Baltic Capesize Index and Baltic Handymax Index are of more recent origin. In 2003 and 2004, rates for all sizes of dry bulk carriers strengthened appreciably to historically high levels, primarily due to the high level of demand for raw materials imported by China.

Vessel Prices

Vessel prices, both for newbuildings and secondhand vessels, have increased significantly during the past two years as a result of the strength of the dry bulk shipping industry. Because sectors of the shipping industry (dry bulk carrier, tanker and container ships) are in a period of prosperity, newbuilding prices for all vessel types have increased significantly due to a reduction in the number of berths available for the construction of new vessels in shipyards.

In the secondhand market, the steep increase in newbuilding prices and the strength in the charter market have also affected vessel prices. With vessel earnings running at relatively high levels and a limited availability of newbuilding berths, the ability to deliver a vessel early has resulted in a premium to the purchase price. Consequently, the market has witnessed secondhand prices for five year old Panamax and Capesize dry bulk carriers reaching higher levels than those being "quoted" for comparably sized newbuildings for delivery about three years forward.

Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. We are subject to international conventions, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port

authorities (United States Coast Guard, harbor master or equivalent), classification societies, flag state administrations (country of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses and certificates for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the dry bulk shipping industry.

Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations applicable to us as of the date of this report.

International Maritime Organization

The International Maritime Organization, or IMO, has negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. Annex VI to the International Convention for the Prevention of Pollution from Ships has been adopted by the IMO to address air pollution from ships. Annex VI, which became effective in May 2005, set limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibit deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. All of our vessels now comply with Annex VI.

The operation of our vessels is also affected by the requirements set forth in the IMO's Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this report, each of our vessels is ISM code-certified.

The United States Oil Pollution Act of 1990

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its two hundred nautical mile exclusive economic zone.

Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- natural resources damage and the costs of assessment thereof;
- real and personal property damage;
- net loss of taxes, royalties, rents, fees and other lost revenues;
- lost profits or impairment of earning capacity due to property or natural resources damage; and
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA limits the liability of responsible parties to the greater of $600 per gross ton or $0.5 million per dry bulk vessel that is over 300 gross tons (subject to possible adjustment for inflation). These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

We currently maintain pollution liability coverage insurance in the amount of $1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

OPA requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. In December 1994, the United States Coast Guard implemented regulations requiring evidence of financial responsibility in the amount of $1,500 per gross ton, which includes the OPA limitation on liability of $1,200 per gross ton and the United States Comprehensive Environmental Response, Compensation, and Liability Act liability limit of $300 per gross ton. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. Under OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

The United States Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses.

The United States Coast Guard's financial responsibility regulations may also be satisfied by evidence of surety bond, guaranty or by self-insurance. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the United States Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the United States Coast Guard evidencing sufficient self-insurance.

OPA specifically permits individual states to impose their own liability regimes

with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

Other Environmental Initiatives

The European Union is considering legislation that will affect the operation of vessels and the liability of owners for oil pollution. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority.

Although the United States is not a party thereto, many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, or the CLC, and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The liability limits in the countries that have ratified this Protocol are currently approximately $4.0 million plus approximately $566.0 per gross registered ton above 5,000 gross tons with an approximate maximum of $80.5 million per vessel, with the exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter came into effect in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security Code or ISPS Code. Among the various requirements are:

- on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The United States Coast Guard regulations, intended to align with international maritime security standards, exempt non-United States vessels from MTSA vessel security measures provided such vessels have on board a valid International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with

SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

- Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

- Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

- Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. All our vessels are certified as being "in class" by Lloyd's Register of Shipping. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memorandum of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel.

Risk of Loss and Liability Insurance

General

The operation of any dry bulk vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover, increased value insurance and freight, demurrage and defense cover for our operating fleet in amounts that we believe to be prudent to cover normal risks in our operations, we may not be able to achieve or maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull & Machinery and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which cover the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least fair market value with deductibles of $100,000 per vessel per incident. We also maintain increased value coverage for each of our vessels. Under this increased value coverage, in the event of total loss of a vessel, we are entitled to recover amounts not recoverable under our hull and machinery policy due to under-insurance.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which insure our third party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs." Subject to the "capping" discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The fourteen P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We have been able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

C. Organizational structure

Diana Shipping Inc. is the sole owner of all of the outstanding shares of the subsidiaries listed in Note 1 of our consolidated financial statements under Item 18.

D. Property, plants and equipment

We do not own any real property. Our interests in the vessels in our fleet are our only material properties.

Item 5. Operating and Financial Review and Prospects

The following management's discussion and analysis should be read in conjunction with our historical consolidated financial statements and their notes included elsewhere in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this report.

A. Operating results

We charter our dry bulk carriers to customers primarily pursuant to short-term time charters, although we have recently entered into time charters in excess of two and one-half years for three of our vessels. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter. Although the vessels in our fleet are primarily employed on short-term time charters ranging from two to twelve months, we may employ additional vessels on longer-term time charters in the future.

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing trends in our results of operations consist of the following:

- Ownership days. We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

- Available days. We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

- Operating days. We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

- Fleet utilization. We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

- TCE rates. We define TCE rates as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

The following table reflects our ownership days, available days, operating days, fleet utilization and TCE rates for the periods indicated.

	As of and for the Year Ended December 31,		
	2002	2003	2004
Ownership days	1,460	1,852	2,319
Available days	1,460	1,852	2,319
Operating days	1,459	1,845	2,315
Fleet utilization	99.9%	99.6%	99.8%
Time charter equivalent (TCE) rate	$7,532	$12,812	$25,661

Voyage and Time Charter Revenue

Our revenues are driven primarily by the number of vessels in our fleet, the number of days during which our vessels operate and the amount of daily charter

hire rates that our vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in dry-dock undergoing repairs;
- maintenance and upgrade work; o the age, condition and specifications of our vessels;
- levels of supply and demand in the dry bulk shipping industry; and
- other factors affecting spot market charter rates for dry bulk carriers.

Our revenues have grown significantly in recent periods as a result of the enlargement of our fleet, which has increased our ownership, available and operating days, and increases in spot market charter hire rates, which, due to the close relationship between spot market charter rates and short-term time charter rates, have resulted in an increase of our daily charter hire rates. At the same time, we have maintained relatively high vessel utilization rates.

Voyage Expenses

We incur voyage expenses that include port and canal charges, bunker (fuel oil) expenses and commissions. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the vessels. Port and canal charges and bunker expenses currently represent a relatively small portion of our vessels' overall expenses because all of our vessels are employed under time charters that require the charterer to bear all of those expenses.

As is common in the shipping industry, we pay (through our fleet manager) commissions ranging from 1.25% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition to commissions paid to third parties, we have historically paid our fleet manager a commission that is equal to 2% of our revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. This commission is in addition to the fixed management fees we pay to our fleet manager for the same services, as described below.

The following table presents a breakdown of the commissions paid during the periods indicated.

	Year Ended December 31,		
	2002	2003	2004
	(in thousands of U.S. dollars)		
Commissions paid to unaffiliated and in-house ship brokers	599	1,172	3,019
Commissions paid to fleet manager	239	506	1,276
Total	838	1,678	4,295

We believe that the amounts and the structures of our commissions are consistent with industry practices.

We expect that the amount of our total commissions will continue to grow as a result of our increased revenues related to our recent acquisition of two new Panamax dry bulk carriers and one secondhand Capesize dry bulk carrier. We expect the 2% commissions that we pay our fleet manager are expected to be eliminated from our consolidated financial statements as intercompany transactions on our acquisition of our fleet manager. However, this reduction in costs will be offset by the costs of operating the fleet directly as a result of the acquisition of DSS.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet. We expect these expenses to increase further during 2005 as a result of our acquisitions of two new Panamax dry bulk carriers and one secondhand Capesize dry bulk carrier. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance, may also cause these expenses to increase.

Depreciation

The cost of our vessels is depreciated on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 25 years, which we believe is common in the dry bulk shipping industry. Furthermore, we estimate the residual values of our vessels to be $150 per light-weight ton which we also believe is common in the dry bulk shipping industry. Our depreciation charges have increased in recent periods due to the enlargement of our fleet which has also led to an increase of ownership days. We expect that these charges will continue to grow as a result of our acquisition of two new Panamax dry bulk carriers and one secondhand Capesize dry bulk carrier during the first five months of 2005.

Management Fees

We have historically paid our fleet manager a fixed management fee of $12 thousand per month for each vessel in our operating fleet in exchange for providing us with strategic, technical and commercial management services in connection with the employment of our fleet. This fee is in addition to the 2% commission on revenues we pay to our fleet manager for the same services, as described above. We agreed with DSS, our current fleet manager, to increase the amount of the fixed management fee to $15 thousand per month for each vessel in our fleet with effect from November 12, 2004 in order to compensate DSS for increased management expenses that have resulted from the strengthening of the Euro relative to the U.S. dollar. The increase in management fees of $3 thousand per vessel per month will result in a $252 thousand annual increase of the management fees we pay for the vessels in our fleet as of November 12, 2004. Our management fees will increase further as a result of our acquisition of two new Panamax dry bulk carriers and one secondhand Capesize dry bulk carrier TEXT-ALIGN: right">2,049,1

2,069,298

Operating expenses

1,026,577

1,022,061

1,057,880

1,089,543

1,091,792

Commission expenses

190,981

169,104

171,303

167,945

162,899

Cost of sales

106,024

104,049

114,387

120,210

117,648

Benefits and losses

190,429

121,105

97,617

98,760

107,345

Amortization of deferred policy acquisition costs

9,494

7,569

12,394

13,181

17,138

Lease expense

150,809

156,951

152,424

133,931

147,659

Depreciation, net of (gains) losses on disposals (e)

189,266

227,629

265,213

221,882

189,589

Total costs and expenses

1,863,580

1,808,468

1,871,218

1,845,452

1,834,070

Earnings from operations

377,695

193,537

121,048

203,722

235,228

Interest expense

(88,381
)

(93,347
)

(98,470
)

(101,420
)

(82,436
)

Fees and amortization on early extinguishment of debt (a)

–

–

–

–

(6,969
)

Pretax earnings

289,314

100,190

22,578

102,302

145,823

Income tax expense

(105,739
)

(34,567
)

(9,168
)

(34,518
)

(55,270
)

Net earnings

183,575

65,623

13,410

67,784

90,553

Excess (loss) carrying amount of preferred stock over consideration paid

(178
)

388

–

–

–

Less: Preferred stock dividends (d)

(12,412
)

(12,856
)

(12,963
)

(12,963
)

(12,963
)

Earnings available to common shareholders

$
170,985

$
53,155

$ 447		
	$ 54,821	
		$ 77,590
Basic and diluted earnings per common share		
$ 8.80		
	$ 2.74	
		$ 0.02
	$ 2.78	
		$ 3.72
Weighted average common shares outstanding: Basic and diluted		
19,432,781		
	19,386,791	
		19,350,041
	19,740,571	
		20,838,570

Cash dividends declared and accrued Preferred stock	$ 12,963	$ 12,963	$ 12,963	$ 12,963	$ 12,963

Balance Sheet Data:

Property, plant and equipment, net	$ 2,094,573	$ 1,948,388	$ 2,013,928	$ 2,011,176	$ 1,897,071
Total assets	4,176,154	3,762,454	3,825,073	3,832,487	3,523,048
Notes, loans and leases payable	1,397,842				

1,347,635

1,546,490

1,504,677

1,181,165

SAC Holding II notes and loans payable, non re-course to AMERCO

–

–

–

–

74,887

Stockholders' equity

993,020

812,911

717,629

758,431

718,098

(a) Includes the write-off of debt issuance costs of $7.0 million in fiscal 2007.

(b) Fiscal 2008 summary of operations includes 7 months of activity for SAC Holding II which was

(c) Fiscal 2008 balance sheet data does not include SAC Holding II which was deconsolidated effec

(d) Fiscal 2011 and 2010 reflect eliminations of $0.6 million and $0.1 million, respectively paid

(e) (Gains) losses were ($23.1) million, ($2.0) million, $16.6 million, ($5.9) million and $3.4 m

	Six Months Ended September 30,	
	2011	2010
	(Unaudited)	
	(In thousands, except share and per share data)	
Summary of Operations:		
Self-moving equipment rentals	$ 958,174	$ 886,591
Self-storage revenues	65,836	58,874
Self-moving and self-storage products and service sales	124,146	120,111
Property management fees	9,561	9,116
Life insurance premiums	97,196	77,825
Property and casualty insurance premiums	15,647	14,479
Net investment and interest income	33,164	26,229
Other revenue	42,422	29,698
Total revenues	1,346,146	1,222,923
Operating expenses	566,315	523,393
Commission expenses	121,001	109,782
Cost of sales	65,224	61,268
Benefits and losses	94,392	72,805
Amortization of deferred policy acquisition costs	7,050	4,069
Lease expense	66,946	76,630
Depreciation, net of (gains) on disposals of (($17,627) and ($17,309), respectively)	92,422	88,746
Total costs and expenses	1,013,350	936,693
Earnings from operations	332,796	286,230
Interest expense	(45,596)	(43,252)
Pretax earnings	287,200	242,978
Income tax expense	(107,966)	(91,257)
Net earnings	179,234	151,721
Less: Excess of redemption value over carrying value of preferred shares redeemed	(5,908)	(171)
Less: Preferred stock dividends (a)	(2,913)	(6,257)
Earnings available to common shareholders	$ 170,413	$ 145,293
Basic and diluted earnings per common share	$ 8.75	$ 7.48
Weighted average common shares outstanding: Basic and diluted	19,465,530	19,421,205
Cash dividends declared and accrued Preferred stock (a)	$ 8,821	$ 6,428
Balance Sheet Data:		
Property, plant and equipment, net	$ 2,239,343	$ 2,019,451
Total assets	4,403,137	3,939,400
Notes, loans and leases payable	1,478,581	1,278,555
Stockholders' equity	1,006,342	945,914

(a) Reflects elimination of $0.3 million and $0.2 million in 2011 and 2010, respectively paid to an affiliate.

S-7

RISK FACTORS

An investment in the notes involves substantial risk. You should carefully consider the risks described below and the risk factors included in our Annual Report on Form 10-K for the year ended March 31, 2011, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market value of the notes, if any market develops or exists, could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement and the accompanying prospectus.

Risk Relating to Our Business

We operate in a highly competitive industry.

The truck rental industry is highly competitive and includes a number of significant national, regional and local competitors. We believe the principal competitive factors in this industry are convenience of rental locations, availability of quality rental moving equipment, breadth of essential services and products and total cost. Financial results for the Company can be adversely impacted by aggressive pricing from our competitors. Some of our competitors may have greater financial resources than we have. We cannot assure you that we will be able to maintain existing rental prices or implement price increases. Moreover, if our competitors reduce prices and we are not able or willing to do so as well, we may lose rental volume, which would likely have a materially adverse affect on our results of operations.

The self-storage industry is large and highly fragmented. We believe the principal competitive factors in this industry are convenience of storage rental locations, cleanliness, security and price. Competition in the market areas in which we operate is significant and affects the occupancy levels, rental rates and operating expenses of our facilities. Competition might cause us to experience a decrease in occupancy levels, limit our ability to raise rental rates or require us to offer discounted rates that would have a material affect on results of operations and financial condition. Entry into the self-storage business may be accomplished through the acquisition of existing facilities by persons or institutions with the required initial capital. Development of new self-storage facilities is more difficult however, due to land use, zoning, environmental and other regulatory requirements. The self-storage industry has in the past experienced overbuilding in response to perceived increases in demand. We cannot assure you that we will be able to successfully compete in existing markets or expand into new markets.

We are highly leveraged.

As of March 31, 2011, we had total debt outstanding of $1,397.8 million and total undiscounted lease commitments of $398.8 million. Although we believe that additional leverage can be supported by the Company’s operations, our existing debt could impact us in the following ways among other considerations:

- require us to allocate a considerable portion of cash flows from operations to debt service payments;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- limit our ability to obtain additional financing; and
- place us at a disadvantage compared to our competitors who may have less debt.

Our ability to make payments on our debt depends upon our ability to maintain and improve our operating performance and generate cash flow. To some extent, this is subject to prevailing economic and competitive conditions and to certain financial, business and other factors, some of which are beyond our control. If we are unable to generate sufficient cash flow from operations to service our debt and meet our other cash needs, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. If we must sell our assets, it may negatively affect our ability to generate revenue. In addition, we may incur additional debt that would exacerbate the risks associated with our indebtedness.

Economic conditions, including those related to the credit markets, may adversely affect our industry, business and results of operations.

The United States economy has undergone a period of slowdown and unprecedented volatility, which resulted in a recession. It is difficult to gauge the pace of the economic recovery or if such recovery may weaken in the future. Consumer and commercial spending is generally affected by the health of the economy. Our industries, although not as traditionally cyclical as some, could experience significant downturns in connection with or in anticipation of, declines, or sustained lack of recovery, in general economic conditions. In times of declining consumer spending we may be driven, along with our competitors, to reduce pricing which would have a negative impact on gross profit. We cannot predict if another downturn, or sustained lack of recovery, in the economy may occur which could result in reduced revenues and working capital.

Should credit markets in the United States tighten or if interest rates increase significantly we may not be able to refinance existing debt or find additional financing on favorable terms, or at all. If one or more of the financial institutions that support our existing credit facilities fails, we may not be able to find a replacement, which would negatively impact our ability to borrow under credit facilities. While we believe that we have adequate sources of liquidity to meet our anticipated requirement for working capital, debt servicing and capital expenditures through fiscal 2012, if our operating results were to worsen significantly and our cash flows or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.

Our fleet program can be adversely affected by financial market conditions.

To meet the needs of our customers, U-Haul maintains a large fleet of rental equipment. Our rental truck fleet rotation program is funded internally through operations and externally from debt and lease financing. Our ability to fund our routine fleet program could be adversely affected if financial market conditions limit the general availability of external financing. This could lead to the Company operating trucks longer than initially planned and/or reducing the size of the fleet, either of which could materially and negatively affect our results of operations.

Another important aspect of our fleet rotation program is the sale of used rental equipment. The sale of used equipment provides the organization with funds that can be used to purchase new equipment. Conditions may arise that could lead to the decrease in resale values for our used equipment. This could have a material adverse effect on our financial results, which would result in losses on the sale of equipment and decreases in cash flows from the sales of equipment.

We obtain our rental trucks from a limited number of manufacturers.

Over the last ten years, we purchased the majority of our rental trucks from Ford Motor Company and General Motors Corporation. Our fleet can be negatively affected by issues our manufacturers may face within their own supply chain. Also, it is possible that our suppliers may face financial difficulties or organizational changes which could negatively impact their ability to accept future orders or fulfill existing orders. Although we believe that we could contract with

alternative manufacturers for our rental trucks, we cannot guarantee or predict how long that would take. In addition, termination of our existing relationship

with these suppliers could have a material adverse effect on our business, financial condition or results of operations for an indefinite period of time.

We seek to effectively hedge against interest rate changes in our variable debt.

In certain instances, the Company seeks to manage its exposure to interest rate risk through the use of hedging instruments including interest rate swap agreements and forward swaps. The Company enters into these arrangements with counterparties that are significant financial institutions with whom we generally have other financial arrangements. We are exposed to credit risk should these counterparties not be able to perform on their obligations. Additionally, a failure on our part to effectively hedge against interest rate changes may adversely affect our financial condition and results of operations. We are required to record these financial instruments at their fair value. Changes in interest rates can significantly impact the valuation of the instruments resulting in non-cash changes to our financial position.

We are controlled by a small contingent of stockholders.

As of March 31, 2011, Edward J. Shoen, President and Chairman of the Board of AMERCO, James P. Shoen, a director of AMERCO, and Mark V. Shoen, an executive officer of U-Haul, collectively are the owners of 9,222,191 shares (approximately 47.0%) of the outstanding common shares of AMERCO. In addition, Edward J. Shoen, James P. Shoen, Mark V. Shoen, Rosmarie T. Donovan (Trustee of the Shoen Irrevocable Trusts) and Dunham Trust Company (Successor Trustee of the Irrevocable "C" Trusts) (collectively, the "Reporting Persons") are parties to a stockholder agreement dated June 30, 2006 in which the Reporting Persons agreed to vote as one as provided in this agreement (the "Stockholder Agreement"). Pursuant to the Stockholder Agreement, a collective 10,896,914 shares (approximately 55.6%) of the Company's common stock are voted at the direction of a majority in interest of the Reporting Persons. For additional information, refer to the Schedule 13Ds filed on July 13, 2006, March 9, 2007 and on June 26, 2009 with the SEC. In addition, 1,568,010 shares (approximately 8%) of the outstanding common shares of AMERCO are held by our Employee Savings and Employee Stock Ownership Trust.

As a result of their stock ownership and the Stockholder Agreement, Edward J. Shoen, Mark V. Shoen and James P. Shoen are in a position to significantly influence the business affairs and policies of the Company, including the approval of significant transactions, the election of the members of the Board and other matters submitted to our stockholders. There can be no assurance that the interests of the Reporting Persons will not conflict with the interest of our other stockholders. Furthermore, as a result of the Reporting Persons' voting power, the Company is a "controlled company" as defined in the Nasdaq Listing Rules and, therefore, may avail itself of certain exemptions under Nasdaq rules, including exemptions from the rules that require the Company to have (i) a majority of independent directors on the Board; (ii) independent director oversight of executive officer compensation; and (iii) independent director oversight of director nominations. Of the above available exemptions, the Company currently avails itself to the exemption from independent director oversight of executive officer compensation, other than with respect to the compensation of the President of AMERCO.

We bear certain risks related to our notes receivable from SAC Holdings.

At March 31, 2011, we held approximately $196.2 million of notes receivable from SAC Holding Corporation and its subsidiaries ("SAC Holding Corporation") and SAC Holding II Corporation and its subsidiaries ("SAC Holding II") (collectively "SAC Holdings"), which consist of junior unsecured notes. SAC Holdings is highly leveraged with significant indebtedness to others. If SAC Holdings is unable to meet its obligations to its senior lenders, it could trigger a default of its obligations to us. In such an event of default, we could suffer a loss to the extent the value of the underlying collateral of SAC Holdings is inadequate to repay SAC Holding's senior lenders and our junior unsecured

notes. We cannot assure you that SAC Holdings will not default on its loans to its senior lenders or that the value of SAC Holdings assets upon liquidation would be sufficient to repay us in full.

Our quarterly results of operations fluctuate due to seasonality and other factors associated with our industry.

Our business is seasonal and our results of operations and cash flows fluctuate significantly from quarter to quarter. Historically, revenues have been stronger in the first and second fiscal quarters due to the overall increase in moving activity during the spring and summer months. The fourth fiscal quarter is generally weakest, due to a greater potential for adverse weather conditions and other factors that are not necessarily seasonal. As a result, our operating results for a given quarterly period are not necessarily indicative of operating results for an entire year.

Our operations subject us to numerous environmental regulations and the possibility that environmental liability in the future could adversely affect our operations.

Compliance with environmental requirements of federal, state and local governments significantly affects our business. Among other things, these requirements regulate the discharge of materials into the air, land and water and govern the use and disposal of hazardous substances. Under environmental laws or common law principles, we can be held liable for hazardous substances that are found on real property we have owned or operated. We are aware of issues regarding hazardous substances on some of our real estate and we have put in place a remediation plan at each site where we believe such a plan is necessary. See Note 19, Contingencies of the Notes to Consolidated Financial Statements. We regularly make capital and operating expenditures to stay in compliance with environmental laws. In particular, we have managed a testing and removal program since 1988 for our underground storage tanks. Despite these compliance efforts, we believe that risk of environmental liability is part of the nature of our business.

Environmental laws and regulations are complex, change frequently and could become more stringent in the future. We cannot assure you that future compliance with these regulations, future environmental liabilities, the cost of defending environmental claims, conducting any environmental remediation or generally resolving liabilities caused by us or related third parties will not have a material adverse effect on our business, financial condition or results of operations.

We operate in a highly regulated industry and changes in existing regulations or violations of existing or future regulations could have a material adverse effect on our operations and profitability.

Our truck and trailer rental business is subject to regulation by various federal, state and foreign governmental entities. Specifically, the U.S. Department of Transportation and various state and federal agencies exercise broad powers over our motor carrier operations, safety, and the generation, handling, storage, treatment and disposal of waste materials. In addition, our storage business is also subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. The failure to adhere to these laws and regulations may adversely affect our ability to sell or rent such property or to use the property as collateral for future borrowings. Compliance with changing regulations could substantially impair real property and equipment productivity and increase our costs.

In addition, the Federal government may institute some regulation that limits carbon emissions by setting a maximum amount of carbon entities can emit without penalty. This would likely affect everyone who uses fossil fuels and would disproportionately affect users in the highway transportation industries. While there are too many variables at this time to assess the impact of the various proposed federal and state regulations that could affect carbon emissions, many experts believe these proposed rules could significantly affect the way companies operate in their industries.

S-11

Our ability to attract and retain qualified employees, and changes in laws or other labor issues could adversely affect our business and our results of operations.

The success of our business is predicated upon our workforce providing excellent customer service. Our ability to attract and retain this employee base may be inhibited due to prevailing wage rates, benefit costs and the adoption of new or revised employment and labor laws and regulations. Should this occur we may be unable to provide service in certain areas or we may experience significantly increased costs of labor that could adversely affect our results of operations and financial condition.

We are highly dependent upon our automated systems and the Internet for managing our business.

Our information systems are largely Internet-based, including our point-of-sale reservation system and telephone systems. While our reliance on this technology lowers our cost of providing service and expands our abilities to serve, it exposes the Company to various risks including natural and man-made disasters. We have put into place backup systems and alternative procedures to mitigate this risk. However, disruptions or breaches in any portion of these systems could adversely affect our results of operations and financial condition.

A.M. Best financial strength ratings are crucial to our life insurance business.

In April 2011, A.M. Best affirmed the financial strength rating for Oxford, Christian Fidelity Life Insurance Company, North American Insurance Company and Dallas General Life Insurance Company ("DGLIC") of B++ with a stable outlook. Financial strength ratings are important external factors that can affect the success of Oxford's business plans. Accordingly, if Oxford's ratings, relative to its competitors, are not maintained or do not continue to improve, Oxford may not be able to retain and attract business as currently planned, which could adversely affect our results of operations and financial condition.

We may incur losses due to our reinsurers' or counterparties' failure to perform under existing contracts or we may be unable to secure sufficient reinsurance or hedging protection in the future.

We use reinsurance and derivative contracts to mitigate our risk of loss in various circumstances; primarily at Repwest and for our Moving and Storage operating segment. These agreements do not release us from our primary obligations and therefore we remain ultimately responsible for these potential costs. We cannot provide assurance that these reinsurers or counterparties will fulfill their obligations. Their inability or unwillingness to make payments to us under the terms of the contracts may have a material adverse effect on our financial condition and results of operation.

At December 31, 2010, Repwest reported $1.0 million of reinsurance recoverables, net of allowances and $167.3 million of reserves and liabilities ceded to reinsurers. Of this, our largest exposure to a single reinsurer was $53.7 million.

Risks Related to our Indebtedness and an Investment in the Notes

The notes are not transferable except between members of the U-Haul Investors Club through privately negotiated transactions. In addition, the notes will not be listed on any securities exchange, and there is no anticipated public market for the notes. Therefore, you must be prepared to hold the notes until the maturity date.

The notes are not transferable except between members of the U-Haul Investors Club through privately negotiated transactions, as to which neither AMERCO, the servicer, the trustee, nor any of their respective affiliates will have any involvement. In addition, the notes will not be listed on any securities

exchange, there is no anticipated public market for the notes, and it is unlikely that a secondary "over-the-counter" market for the notes will develop between bond dealers or bond trading desks at investment houses. Therefore, you must be prepared to hold your notes until the maturity date.

Even if you are able to privately negotiate the sale of your notes to another U-Haul Investors Club member, you may not be able to find a purchaser for the notes who is willing to pay you an amount equal to the principal amount outstanding on the notes, or at all.

Even if you are able to privately negotiate the sale of your notes to another U-Haul Investors Club member, the price of the notes in such market may be lower than the price you pay to purchase the notes from us. If you purchase notes in this offering, you will pay a price that was independently determined by us, and therefore neither established in a competitive market nor negotiated with any representative acting in your best interest, including the trustee. This price may not be indicative of prices that could prevail, if any, after this offering. The ability to sell your notes to another U-Haul Investors Club member through a privately negotiated transaction does not guarantee that you will be able to find a purchaser willing to buy the notes for an amount equal to the principal amount outstanding on the notes, or at all. In addition, our operating performance, the status and condition of the Collateral, general market and economic conditions and other factors could impair the value of your notes and your ability to sell them in a privately negotiated transaction to another U-Haul Investors Club member, if such opportunity were to develop.

Our currently outstanding indebtedness, and additional indebtedness that we are permitted to incur, could prevent AMERCO from fulfilling its obligations under the notes.

In addition to our currently outstanding indebtedness and the indebtedness AMERCO will incur pursuant to the offering of the notes, we are able to incur substantial additional indebtedness, including secured indebtedness, in the future. Any additional indebtedness we may incur could have important consequences for the holders of the notes, and could limit AMERCO's ability to satisfy its obligations to pay principal and interest with respect to the notes.

The value of the Collateral may not be sufficient to satisfy AMERCO's obligations under the notes.

AMERCO's obligations under the notes are secured by a first-priority lien on the Collateral in favor of the trustee (or its agent or nominee), for the benefit of the holders of the notes. By its nature, some or all of the Collateral may be illiquid, is subject to attrition, including casualty, loss or theft, and, to the extent the Collateral includes real property, may be subject to condemnation. The Collateral may have no readily ascertainable market value, and the income generated from the Collateral is not part of the Collateral. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be given that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay AMERCO's obligations under the notes, in full or at all. There also can be no assurance that the Collateral will be saleable and, even if saleable, the timing of its liquidation would be uncertain. Accordingly, there may not be sufficient Collateral to pay all or any of the amounts due on the notes. Any claim for the difference between the amount, if any, realized by holders of the notes from the sale of the Collateral and the obligations under the notes will rank equally in right of payment with all of AMERCO's other unsecured unsubordinated indebtedness and other obligations, including trade payables. The trustee's security interest and ability to foreclose could also be limited by the need to meet certain requirements of state and federal law. If these requirements cannot be met, the security interests may be invalid and the holders of the notes will not be entitled to the Collateral or any recovery with respect thereto. These requirements may limit the number of potential bidders for the Collateral in any foreclosure and may delay any sale, which may have an adverse effect on the sale price of the Collateral. Therefore, the practical value of realizing on the Collateral may be limited.

S-13

AMERCO has the right, in its sole discretion, to make an unlimited number of Collateral substitutions and to determine the value of the Replacement Collateral and the Released Collateral.

AMERCO has the right, in its sole discretion, to make an unlimited number of Collateral substitutions and to determine the value of the Replacement Collateral and the Released Collateral. AMERCO is not required to obtain the consent of the holders of the notes, the trustee or any third party to make a Collateral substitution, and neither the trustee nor any other third party will review or evaluate AMERCO's determination of the value of the Replacement Collateral and the Released Collateral on your behalf. Any such determination by AMERCO will be final and binding on the trustee and the holders. Therefore, although it is a condition of each Collateral substitution, there can be no assurance that the value of the Replacement Collateral will in actuality be at least 100% of the value of the Released Collateral, which could diminish the value of the Collateral securing the notes and impair your investment.

No appraisal of the Collateral, including the Initial Collateral, has been or will be prepared by us or on our behalf in connection with this offering or any substitution of Collateral, and to the extent the Collateral constitutes equipment, its value is expected to depreciate.

No appraisal of the Collateral, including the Initial Collateral, has been or will be prepared by us or on our behalf in connection with this offering or any substitution of Collateral, and to the extent the Collateral constitutes equipment, its value is expected to depreciate. The value of the Collateral will depend upon a number of factors, including market and economic conditions at the time, the availability of appropriate buyers and the extent of attrition, if any, with respect to the Collateral. For these and other reasons, we cannot assure the holders of the notes that the proceeds of any sale of the Collateral, in the event of a foreclosure, insolvency proceeding, liquidation or otherwise, would be sufficient to satisfy, or would not be substantially less than, all of AMERCO's obligations under the notes. Moreover, to the extent the Collateral includes real property, no lender's policy of title insurance, real property survey, zoning report, mortgage enforceability legal opinion, environmental assessment or engineering study has been or will be obtained in connection with the offering.

Although these notes are secured by the Collateral, they are effectively subordinated to AMERCO's other existing or future secured indebtedness.

Although these notes are secured by the Collateral, they are effectively subordinated to AMERCO's other existing and future secured indebtedness, to the extent of the value of the assets securing such other indebtedness. In the event of a bankruptcy or similar proceeding involving AMERCO, any of AMERCO's assets which serve as collateral for AMERCO's existing or future secured indebtedness, other than the Collateral, will be available to satisfy the obligations under such secured indebtedness before any payments are made on the notes or AMERCO's other unsecured indebtedness. In the event that the value of the Collateral is insufficient to repay all amounts due on the notes, the holders of the notes would have "undersecured claims" through which they would only be entitled to participate ratably with all holders of AMERCO's other unsecured indebtedness, and potentially with all of AMERCO's other general creditors, based upon the respective amounts owed to each holder or creditor, in AMERCO's remaining assets. In any of the foregoing events, AMERCO may not have sufficient assets to pay amounts due on the notes. As a result, if holders of the notes receive any payments, they may receive less, ratably, than holders of any other secured indebtedness that AMERCO may incur.

The notes are only the obligations of AMERCO, and will not be guaranteed by any of AMERCO's subsidiaries, including U-Haul.

The notes are only the obligations of AMERCO, and are not guaranteed by any of AMERCO's subsidiaries, including U-Haul, through which we conduct a substantial amount of our operations. All of the obligations of our subsidiaries, including U-Haul, must be satisfied before any of the assets of such subsidiaries would be available for distribution,

upon a liquidation or otherwise, to AMERCO or the holders of the notes. This means that claims of holders of the notes will be structurally subordinated to the claims of existing and future creditors of AMERCO's subsidiaries, including U-Haul.

The Collateral is subject to attrition, including casualty risks, theft (to the extent the Collateral includes equipment) and condemnation (to the extent the Collateral includes real property), and we are under no obligation to maintain the condition of the Collateral or to replenish or replace damaged, destroyed, condemned, stolen or taken Collateral.

We intend to maintain insurance or otherwise insure against hazards in a manner appropriate and customary for our business. However, we may not maintain casualty insurance on the Collateral and there are certain other losses in our business that may be either uninsurable or not economically insurable, in whole or in part. In the normal course of our business, to the extent the Collateral includes equipment, we anticipate that a significant amount of the Collateral will be lost through attrition, including due to casualty and theft, and to the extent the Collateral includes real property, it is subject to condemnation in whole or in part. We are under no obligation to replenish or replace damaged, destroyed, condemned, stolen or taken Collateral and we are not obligated to repay the notes in whole or in part as a result of such an occurrence. A reduction in the size of the Collateral pool will reduce the value of the Collateral. In addition, we are under no obligation to maintain the Collateral in good condition, repair and working order, which could impair its value.

The value of the Collateral is dependent upon, among other things, its continued integration in the U-Haul system.

Through the U-Haul system, which involves the participation of numerous independent dealers and affiliates, we rent our moving and storage equipment. If the U-Haul system deteriorates, ceases or fails, and an alternative rental system is not available, or if the Collateral is removed from continuous integration in the U-Haul system, such as through the repossession and sale of the Collateral following a foreclosure on the Collateral, then we may not be able to rent or use the Collateral in an efficient and cost-effective manner and its value could be impaired.

The success of the U-Haul system is in part dependent on continued participation by our numerous independent dealers and affiliates.

As a part of the U-Haul system, we work with numerous independent dealers and affiliates that provide retail outlets through which U-Haul rental equipment is rented to our customers. Our contracts with these independent dealers contain provisions allowing the independent dealer to terminate the contract for any reason upon 30 days' advance notice. If a significant number of independent dealers were to terminate their contracts, it could adversely impact the U-Haul system and decrease our ability to rent equipment, which could impair our ability to repay the notes.

Rights of holders of notes may be adversely affected by the failure to perfect liens in the Collateral.

Pursuant to the terms of the financing documents, the Owner has granted a first-priority security interest in the Initial Collateral to the trustee for the benefit of the holders. The servicer will be responsible for ensuring that perfection with respect to the Collateral has occurred and shall continue. If, because of a clerical error, fraud, forgery or otherwise, the lien of the trustee is not properly reflected and filed, the trustee will not have a perfected security interest in the Collateral and its security interest may be subordinate to the interests of certain third parties. No legal opinions are being issued or obtained in connection with the enforceability or perfection of the Collateral documentation. Additionally, under federal law and the laws of many states, certain possessory liens, including mechanic's liens, and certain tax liens may take priority over a perfected security interest in the Collateral. Such failures may result in the loss of the practical benefits of the trustee's first-priority lien on the Collateral.

The trustee (or its agent, nominee or nominee mortgagee or titleholder) is the only party with the ability to foreclose on the Collateral, and certain laws and regulations may impose restrictions or limitations on foreclosure on the Collateral.

If AMERCO defaults on the notes, the financing documents provide that the trustee (or its agent, nominee or nominee mortgagee or titleholder) is the only party with the ability to foreclose on, repossess and sell the Collateral, and no individual holder of notes may do so independently. The trustee's ability to foreclose on the Collateral on behalf of the holders may also be subject to state law requirements and practical problems associated with the realization of the trustee's security interest or lien on the Collateral, including locating the Collateral, which will likely be disbursed throughout the U.S. and Canada, as well as cure rights, foreclosing on the Collateral within the time periods permitted by third parties or prescribed by laws, obtaining third party consents, making additional filings and obtaining necessary approvals from governmental entities. Therefore, we cannot assure you that foreclosure on the Collateral will be straightforward or expeditious, which may impair the value of the Collateral. Certain provisions of the financing documents may also restrict the trustee's, or its agent's or nominee's ability to foreclose on the Collateral.

The ability to foreclose on the Collateral may be adversely affected by bankruptcy proceedings.

If AMERCO defaults on the notes, the ability to foreclose on, repossess and sell the Collateral may be significantly impaired by federal bankruptcy law if bankruptcy proceedings are commenced by or against AMERCO prior to or possibly even after the trustee has repossessed and disposed of the Collateral. Under the U.S. Bankruptcy Code, a secured creditor, such as the trustee for the notes, is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, bankruptcy law would permit AMERCO, as the debtor, to continue to retain and use the Collateral, and the proceeds, products, rents, or profits of the Collateral, even though AMERCO could be in default under the financing documents, provided that the trustee were given "adequate protection". The meaning of the term "adequate protection" may vary according to circumstances, but it is intended in general to protect the value of a secured creditor's interest in collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of such collateral as a result of the stay of repossession or disposition or any use of such collateral by the debtor during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the notes could be delayed following commencement of a bankruptcy case, whether or when the trustee would repossess or dispose of the Collateral, or whether or to what extent holders of the notes would be compensated for any delay in payment of loss of value of the Collateral through the requirements of "adequate protection." Furthermore, in the event the bankruptcy court determines that the value of the Collateral is not sufficient to repay all amounts due on the notes, the holders of the notes would have "undersecured claims" as to the difference. Federal bankruptcy laws do not permit the payment or accrual of interest, costs, and attorneys' fees for "undersecured claims" during the debtor's bankruptcy case.

The notes are not insured or guaranteed by the FDIC.

The notes are not savings accounts, deposit accounts or money market funds, and are not guaranteed or insured by the FDIC, the Federal Reserve or any other governmental agency.

AMERCO may redeem the notes at any time without penalty, but AMERCO is under no obligation to do so.

Under the terms of the financing documents, the notes may be redeemed by AMERCO in its sole discretion at any time, in whole or in part, without penalty, premium or fee, at a price equal to 100% of the principal amount then outstanding, plus accrued and unpaid interest, if any, through the date of redemption. In such event, holders would not receive all of the interest payments that holders originally expected. However, AMERCO is under no obligation to redeem the notes in whole or in part under any circumstances. Accordingly, investors must be prepared to hold the

notes until the maturity date.

Our subsidiaries, affiliates, directors, officers, controlling stockholders and employees have the right to purchase an unlimited number of notes in the offering.

Our subsidiaries, affiliates, directors, officers, controlling stockholders and employees have the right to purchase an unlimited number of notes in the offering. If these parties end up owning a majority of the notes outstanding, we and they could exert significant influence with respect to a variety of matters affecting the notes under the financing documents, including the ability to waive an event of default, amend the notes or enforce or waive rights related to the notes and the Collateral.

No underwriter or other third-party has been engaged to facilitate the sale of the notes in this offering.

In many public offerings, an experienced underwriter or other third party, such as a placement agent, is engaged to facilitate the sale of an issuer's securities by, among other things, helping develop and negotiate the terms of the offering, the terms of the securities and the documents governing the securities and conducting due diligence with respect to the issuer, its affiliates and/or their respective assets. In such circumstances, an underwriter's participation can lead to offering and securities terms that are more favorable to the purchasers of the securities. No underwriter or other third-party has been engaged to facilitate the sale of the notes in this offering, the terms of which were developed solely by us and not with the input of any representative acting in your best interest. It is your responsibility to determine if the terms of this offering and the notes meet your investment needs.

Risks Related to the U-Haul Investors Club

The notes are being issued in uncertificated book-entry form only and exclusively serviced by U-Haul, AMERCO's subsidiary.

The notes are being issued in uncertificated book-entry form only through the U-Haul Investors Club website and exclusively serviced by U-Haul, AMERCO's subsidiary (in such capacity, the "servicer"), or its designee. In this capacity, among other duties, the servicer will record and file Collateral perfection documents as appropriate, credit principal and interest into the U-Haul Investors Club accounts maintained by each holder, perform recordkeeping and registrar services and electronically receive and deliver all documents, statements and communications related to the offering, the notes and the U-Haul Investors Club. No assurance can be given that the servicer will be able to adequately fulfill its servicing obligations with respect to the notes. Additionally, because the notes are being serviced by U-Haul instead of by a neutral third party, this may present a conflict of interest if a dispute regarding the servicing of the notes arises with the holders of the notes.

One or more significant disruptions in service on the U-Haul Investors Club website could significantly inhibit the servicer's ability to effectively service the notes and impair the U-Haul Investors Club.

The servicer will service the notes through the U-Haul Investors Club website. Therefore, the satisfactory performance, reliability and availability of the U-Haul Investors Club website and our technology and underlying network infrastructure will be critical to the servicer's ability to effectively service the notes, and to the viability of the U-Haul Investors Club. One or more significant disruptions in service on the U-Haul Investors Club website, whether as a result of us, any third party that we retain to perform website hosting or backup functions or events that are outside of our control, such as computer viruses or power or Internet-telecommunications failures, could significantly inhibit the servicer's ability to effectively service the notes, including processing and crediting of principal and interest into the appropriate U-Haul Investors Club accounts in a timely manner, and impair the viability of the U-Haul Investors Club.

S-17

Through the U-Haul Investors Club, we will rely on a third-party commercial bank to process transactions between U-Haul Investors Club member accounts and their linked outside bank accounts.

Because we are not a bank, we cannot belong to and directly access the Automated Clearing House ("ACH") payment network. As a result, we will rely on an FDIC-insured depository institution to process U-Haul Investors Club transactions between U-Haul Investors Club member accounts and their linked U.S. bank accounts. If we fail to obtain such services from such an institution or elsewhere, or if we cannot transition to another processor quickly, our ability to process payments will suffer and our ability to fund the offering, as well your ability to transfer principal and interest payments on the notes from your U-Haul Investors Club account to your outside bank accounts, may be impaired.

USE OF PROCEEDS

Assuming the notes in this offering are fully subscribed, AMERCO expects to receive net proceeds from this offering of approximately $1,209,000 after deducting estimated expenses payable by it. AMERCO intends to use the net proceeds from this offering to reimburse its subsidiaries and affiliates for the cost of the Collateral, and for other general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

Set forth below is our ratio of earnings to fixed charges for the six months ended September 30, 2011 and for each year in the five year period ended March 31, 2011. Earnings consist of earnings before interest expense and lease expense. Fixed charges consist of interest expense and an estimate of the portion of lease expense related to the interest component.

	Six Months Ended	Year Ended March 31,				
	September 30, 2011	2011	2010	2009	2008	2007(a)
Ratio of earnings to fixed charges	5.2 x	3.1 x	1.7 x	1.1 x	1.7 x	2.1 x

(a) Does not include fees and amortization on early extinguishment of debt.

DESCRIPTION OF NOTES

The following description is a summary of the material provisions of the notes and the financing documents under which the notes are being issued. Each of the financing documents and the notes that will be executed and delivered upon the issuance date, and not the description of the financing documents and the notes in this prospectus supplement, defines your rights as holders of the notes. Copies of the financing documents will be available electronically through the U-Haul Investors Club website. You may also request electronic copies of the financing documents from AMERCO as indicated under "Where You Can Find More Information" in this prospectus supplement.

Brief Description of the Notes

The notes are:

- being issued as sub-series of debt securities under a base indenture entered into between AMERCO and the trustee, an indenture supplement between AMERCO and the trustee, two separate mortgages or deeds of trust from the Owner to the trustee for the benefit of the note holders (for each property constituting the Collateral), and a pledge and security agreement among AMERCO, the trustee and the Owner (collectively, and together with any other instruments and documents executed and delivered pursuant to the foregoing documents, as

the same may be amended, supplemented or otherwise modified from time to time, the "financing documents");

- AMERCO's obligations only, and not guaranteed by any of AMERCO's subsidiaries, and therefore are structurally subordinated to the claims of existing and future creditors of AMERCO's subsidiaries, including U-Haul;

- obligations of AMERCO, secured by a first-priority lien on the Collateral;

- ranked equally among themselves; and

- being issued by AMERCO in uncertificated book-entry form only.

The notes will not be listed on any securities exchange. There is no market for the notes.

Principal, Maturity and Interest; Amortization Schedule

The notes are secured debt securities under the financing documents and are limited to the aggregate principal amount identified above. Each series of notes will be in such amount as we may determine from time to time, not to exceed $860,000 in aggregate principal amount with respect to Series UIC-19A and will be initially secured by the Ballwin Property; and $350,000 in aggregate principal amount with respect to Series UIC-24A, and will be initially secured by the Carbondale Property. The notes in each series are issuable by us in sub-series from time to time, and mature on the maturity date as identified above.

The notes are being issued in minimum denominations of $100 and integral multiples of $100 thereof.

The notes accrue interest at the interest rate as identified above, commencing as of the issue date. Interest on the notes is computed on the basis of a 360-day year comprised of four twelve-week quarters.

The notes are fully amortizing. Principal and interest on the notes will be credited to each holder's U-Haul Investors Club™ account in arrears every three months, through the maturity date, commencing three months from the issue date of the first sub-series of notes hereunder, as reflected in the following payment schedule. Interest payments shall be based upon a twelve-week quarter or on the actual number of days in the quarter, as determined by us. The following schedule illustrates an investment of $100 in the notes, based upon a twelve-week quarter.

Payment Number	U-Note Balance	Principal	Interest	Payout
1	$100.00	$1.77	$1.69	$3.46
2	98.23	1.80	1.66	3.46
3	96.43	1.83	1.63	3.46
4	94.60	1.86	1.60	3.46
5	92.74	1.90	1.56	3.46
6	90.84	1.93	1.53	3.46
7	88.91	1.96	1.50	3.46
8	86.95	1.99	1.47	3.46
9	84.96	2.03	1.43	3.46
10	82.93	2.06	1.40	3.46
11	80.87	2.10	1.36	3.46
12	78.77	2.13	1.33	3.46
13	76.64	2.17	1.29	3.46
14	74.47	2.20	1.26	3.46

15	72.27	2.24	1.22	3.46
16	70.03	2.28	1.18	3.46
17	67.75	2.32	1.14	3.46
18	65.43	2.36	1.10	3.46

19	63.07	2.40	1.06	3.46
20	60.67	2.44	1.02	3.46
21	58.23	2.47	0.98	3.45
22	55.76	2.51	0.94	3.45
23	53.25	2.56	0.90	3.46
24	50.69	2.59	0.86	3.45
25	48.10	2.65	0.81	3.46
26	45.45	2.69	0.77	3.46
27	42.76	2.73	0.72	3.45
28	40.03	2.78	0.68	3.46
29	37.25	2.83	0.63	3.46
30	34.42	2.87	0.58	3.45
31	31.55	2.93	0.53	3.46
32	28.62	2.97	0.48	3.45
33	25.65	3.02	0.43	3.45
34	22.63	3.07	0.38	3.45
35	19.56	3.13	0.33	3.46
36	16.43	3.17	0.28	3.45
37	13.26	3.24	0.22	3.46
38	10.02	3.28	0.17	3.45
39	6.74	3.35	0.11	3.46
40	3.39	3.39	0.06	3.45
Total		$100.00	$38.29	$138.29

The record date is the first day of the month preceding the related due date for the crediting of principal and interest on the notes in the holder's U-Haul Investors Club account. If any date for the crediting of principal and interest into a holder's U-Haul Investors Club account, including the maturity date, falls on a day that is not a business day, the required crediting of principal and interest on the notes shall be due and made on the next day constituting a business day.

Additional Issuances

AMERCO may not create or issue additional notes secured by the Collateral unless it obtains the consent of holders of at least 51% of the principal amount of the outstanding notes. However, AMERCO intends to offer additional securities through the U-Haul Investors Club simultaneously with this offering and in the future, including securities that are secured by assets owned by AMERCO or its subsidiaries other than the Collateral, which it may do in its sole discretion and without the consent of the holders of the notes.

Ranking

The notes are the obligations of AMERCO only. The notes are not being guaranteed by any of AMERCO's subsidiaries, and therefore will effectively be structurally subordinated to the claims of existing and future creditors of AMERCO's subsidiaries, including U-Haul. Other than with respect to the Collateral, the notes rank equally in right of payment with any existing and future unsecured indebtedness of AMERCO.

Optional Redemption

The notes may be redeemed by AMERCO in its sole discretion at any time, in whole or in part on a pro rata basis, without penalty, premium or fee, at a price equal to 100% of the principal amount then outstanding, plus accrued and unpaid interest, if any, through the date of redemption. In the event of a redemption, AMERCO will cause notices of redemption to be emailed, to the email address associated with your account, at least 10 but not more than 30 days before the redemption date to each applicable

registered holder of notes. However, AMERCO is under no obligation to redeem the notes in whole or in part, under any circumstances. Accordingly, investors must be prepared to hold the notes until the maturity date.

Security Interest and Initial Collateral

The obligations of AMERCO with respect to the notes issued under Series UIC-19A are initially secured by a first-priority lien on the Ballwin Property, and with respect to the notes issued under Series UIC-24A are initially secured by a first-priority lien on the Carbondale Property. The Initial Collateral is being pledged by the Owner to the trustee (or the trustee's agent, nominee or nominee mortgagee or titleholder) for the benefit of the holders, pursuant to the financing documents.

This Ballwin Property is a U-Haul-operated truck rental facility, and consists of an approximately 2.84 acre parcel with a 1,560 square foot building. The Ballwin Property is located in St. Louis County and its address is 14767 Manchester Blvd., Ballwin, Missouri 63011. The Carbondale Property is a U-Haul rental, retail sales, self-storage and hitch installation facility and consists of an approximately 1.15 acre parcel with a 11,212 square foot concrete block and brick building. The Carbondale Property is located in Jackson County and its address is 415 N. Illinois Avenue, Carbondale, Illinois 62901.

Substitution of Collateral

AMERCO has the right, in its sole discretion, to substitute or to cause one or more affiliates or third parties to substitute any assets (the "Replacement Collateral") for all or part of the Collateral that from time to time secures the notes, including the Initial Collateral and any Replacement Collateral (the "Collateral"), provided that the value of the Replacement Collateral is at least 100% of the value of the Collateral that is released at the time of substitution (the "Released Collateral") and provided further that the owner of such Replacement Collateral promptly enters a separate pledge and security agreement, substantially in the form of the pledge agreement, and executes such other documents and instruments as may be necessary or appropriate to grant to the trustee, for the benefit of the holders, a first-priority lien on such Replacement Collateral. In connection with any substitution of Collateral, the value of the Replacement Collateral and the Released Collateral is determinable by AMERCO in its sole discretion, and no appraisal will be prepared by us or on our behalf in this regard. AMERCO is permitted to make an unlimited number Collateral substitutions.

AMERCO may make a substitution of Collateral by delivering a written certificate to the trustee executed by an officer of AMERCO which contains (i) a description of the Replacement Collateral, (ii) a statement that such Replacement Collateral has been pledged by the owner thereof to the trustee, for the benefit of the holders, pursuant to the financing documents, (iii) a description of the Released Collateral and (iv) a certification by AMERCO that the value of the Replacement Collateral is at least 100% of the value of the Released Collateral. Upon the trustee's receipt of such notice, the Replacement Collateral will be deemed "Collateral", and the Released Collateral will be released from the first-priority lien thereon and will no longer be subject to the terms of the financing documents. The trustee shall have no duty to evaluate the determination made in such certificate and shall be allowed to conclusively rely on such certificate from AMERCO.

Perfection of Security Interest in the Collateral

The financing documents require AMERCO to file, or cause the filing of, such documents and instruments, in all appropriate jurisdictions and recording offices, as are necessary or appropriate to perfect and protect the trustee's first-priority lien on the Collateral.

Use and Release of Collateral

Unless an Event of Default has occurred and is continuing, and the trustee shall have commenced an enforcement of remedies under the financing documents, AMERCO and its subsidiaries, including U-Haul, have the right to:

- remain in possession and retain exclusive control of the Collateral;
- freely operate the Collateral, including, without limitation, by integrating the Collateral into the U-Haul system and using it or renting it to customers, as the case may be, in the ordinary course of business; and
- collect, invest and dispose of any income thereon, which income will not constitute part of the Collateral.

Release of Collateral. The financing documents provide that the first-priority lien on the Collateral will automatically be released in full upon (1) satisfaction of all of AMERCO's obligations with respect to the notes under the financing documents or (2) discharge, legal defeasance or covenant defeasance of AMERCO's obligations with respect to the notes under the financing documents as described below under "Discharge, Defeasance and Covenant Defeasance".

Further Assurances; After Acquired Collateral

The financing documents provide that AMERCO shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper, or which the trustee may reasonably request, to evidence, perfect, maintain and enforce the first-priority lien on the Collateral and the benefits intended to be conferred thereby, and to otherwise effectuate the provisions or purposes of, the financing documents.

Upon the acquisition by the Company after the issue date of (1) any after-acquired assets, including, but not limited to, any after-acquired equipment or fixtures which constitute accretions, additions or technological upgrades to the equipment or fixtures or any working capital assets that, in any such case, form part of the Collateral, or (2) any proceeds (as defined in the UCC of any relevant jurisdiction) from a sale or other disposition of the Collateral, AMERCO shall execute and deliver, to the extent required, any information, documentation, financing statements or other certificates as may be necessary to vest in the trustee a perfected security interest, subject only to Permitted Liens, in such after-acquired property and to have such after-acquired property added to the Collateral, and thereupon all provisions of the financing documents relating to the Collateral shall be deemed to relate to such after-acquired property to the same extent and with the same force and effect.

Change of Control, Merger, Consolidation or Sale of Assets

The holders of the notes do not have the right to require AMERCO to repurchase the notes in connection with a change of control of the Company, a merger of the Company, a consolidation of the Company or the sale of all or substantially all of the assets of the Company or its subsidiaries, to or with any Person.

Covenants

The covenants with respect to the notes consist of the following:

Maintenance of first-priority lien on the Collateral. So long as any of the notes are outstanding, AMERCO and Owner are required to maintain, subject to Permitted Liens, and may not take any action to negate, the first-priority lien on the Collateral or the benefits intended to be conferred thereby.

Prohibition of additional liens on the Collateral. Neither AMERCO nor Owner is permitted to incur any Lien of any nature whatsoever on the Collateral, other than the first-priority lien pursuant to the financing documents and Permitted Liens.

Events of Default, Waiver and Notice

The events of default with respect to the notes (each, an "Event of Default"), consist of the following:

Nonpayment. The default in the crediting of principal or interest when due to a holder's U-Haul Investors Club account, and the continuance of such default for a period of 30 days.

Failure to maintain first-priority lien on the Collateral. Failure by the Company or Owner to maintain the first-priority Lien on the Collateral, subject to Permitted Liens, continued for 90 days after written notice thereof to the Company from the trustee or to the Company and the trustee from the holders of at least 51% in principal amount of the outstanding notes, specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" pursuant to the financing documents.

Incurrence of additional Liens on the Collateral. The incurrence by the Company, Owner or any of their respective affiliates of any additional Lien on the Collateral, other than Permitted Liens and the Lien pursuant to the financing documents, continued for 90 days after written notice thereof to the Company from the trustee or to the Company and the trustee from the holders of at least 51% in principal amount of the outstanding notes, specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" pursuant to the financing documents.

If an Event of Default under the indenture supplement or pledge agreement occurs and is continuing, then the trustee, on behalf of the holders, if it has notice or actual knowledge of such Event of Default, has the right to declare the principal amount of the notes outstanding to be due and payable immediately by written notice to AMERCO and to the servicer. A default or Event of Default under the notes does not cause, and is not caused by, a default or event of default under any other notes issued pursuant to the U-Haul Investors Club.

Waiver. The indenture provide that the holders of not less than 51% in principal amount of the outstanding notes may waive any past Default with respect to the notes and its consequences, except a Default in the crediting of the principal and interest due on the notes.

Notice. The trustee is required, but only to the extent the trustee has notice or knowledge of such Default, to give notice to the holders of the notes within 90 days of a Default, unless the Default has been cured or waived; but the trustee may withhold notice of any Default, except a Default in the crediting of the principal of, or premium, if any, or interest on the notes, if specified responsible officers of the trustee consider the withholding to be in the interest of the holders.

The holders of the notes may not institute any proceedings, judicial or otherwise, with respect to the indenture or for any remedy under the indenture, except in the case of failure of the trustee, for 60 days, to act after the trustee has received a written request to institute proceedings in respect of an Event of Default from the holders of not less than 51% in principal amount of the outstanding notes, as well as an offer of indemnity satisfactory to the trustee, and provided that no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority of the outstanding notes. However, no holder of notes is prohibited from instituting suit for the enforcement of payment of the principal of and interest on the notes when due.

The trustee is not under any obligation to exercise any of its rights or powers under the financing documents at the request or direction of any holders of the notes outstanding under the indenture, unless the holders offer to the trustee security or indemnity that is satisfactory to it. Subject to such provisions for the indemnification of the trustee, the holders of not less than a majority in principal amount of the

outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, and to exercise any trust or power conferred upon the trustee. However, the trustee may refuse to follow any direction that is in conflict with any law or the indenture that may involve the trustee in personal liability or may be unduly prejudicial to the holders of the notes not joining in the direction.

Modifications

Modification of the indenture. With the consent of the holders of not less than 51% of the principal amount of all outstanding notes, AMERCO may enter into supplemental indentures with the trustee for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the indenture or modifying in any manner the rights of the holders of the notes. However, no modification or amendment may, without the consent of each holder of notes:

- extend the time of crediting of principal and interest on the notes;
- reduce the principal amount of, or the rate or amount of interest on, the notes;
- impair the right to institute suit for the enforcement of any payment on or with respect to the notes; or
- reduce the percentage of outstanding notes necessary to modify or amend the indenture, to waive compliance with specific provisions of or certain defaults and consequences under the indenture, or to reduce the quorum or voting requirements set forth in the indenture.

AMERCO and the trustee may modify and amend the indenture without the consent of any holder of notes for any of the following purposes:

- to evidence the succession of another Person to AMERCO as obligor under the indenture;
- to add to other covenants for the benefit of the holders of the notes or to surrender any right or power conferred upon AMERCO, Owner, or their respective affiliates, as provided in the financing documents;
- to add events of default for the benefit of the holders of the notes;
- to add or change any provisions of the indenture to facilitate the issuance of, or to liberalize specific terms of, debt securities in bearer form, or to permit or facilitate the issuance of debt securities in uncertificated form, provided that the action will not adversely affect the interests of the holders of the notes in any material respect;
- to change or eliminate any provisions of the indenture, if the change or elimination becomes effective only when there are no debt securities outstanding of any series created prior to the change or elimination that are entitled to the benefit of the changed or eliminated provision;
- to establish the form or terms of debt securities of any series and any related coupons;
- to provide for the acceptance of appointment by a successor trustee or facilitate the administration of the trusts under the indenture by more than one trustee;
- to cure any ambiguity or correct any inconsistency in the indenture provided that the cure or correction does not adversely affect the holders of the notes;

- to supplement any of the provisions of the indenture to the extent necessary to permit or facilitate defeasance and discharge of the notes, provided that the supplement does not adversely affect the interests of the holders of the notes in any material respect;

- to add to, delete from or revise the conditions, limitations or restrictions on issue, authentication and delivery of the notes;

    - to conform any provision in the indenture to the requirements of the Trust Indenture Act; or

- to make any change that does not adversely affect the legal rights under the indenture of any holder of notes.

In determining whether the holders of the requisite principal amount of outstanding notes have given any request, demand, authorization, direction, notice, consent or waiver under the indenture or whether a quorum is present at a meeting of holders of the notes, the principal amount of the notes that is deemed to be outstanding will be the amount of the principal that would be due and payable as of the date of the determination upon declaration of acceleration of the maturity of the notes.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an officers' certificate and an opinion of counsel to the effect that the execution of any such amendment or modification is authorized or permitted pursuant to the financing documents and has been duly authorized, executed and delivered by, and is a valid, binding and enforceable obligation of, the Company, subject to customary exceptions, and that all conditions precedent under the financing documents, if any, have been satisfied.

Discharge, Defeasance and Covenant Defeasance

Discharge. AMERCO can discharge specific obligations to holders of the notes (1) that have not already been delivered to the trustee for cancellation and (2) that either have become due and payable or will, within one year, become due and payable, by irrevocably depositing with the trustee, in trust, money or funds certified to be sufficient to pay when due the principal of and interest on the notes.

Defeasance and covenant defeasance. AMERCO may elect either:

- defeasance, which means AMERCO elects to defease and be discharged from any and all obligations with respect to the notes, to replace temporary or mutilated, destroyed, lost or stolen debt securities, to maintain an office or agency in respect of the notes and to hold moneys for payment in trust; or

- covenant defeasance, which means AMERCO elects to be released from its obligations with respect to the notes under specified sections of the indenture relating to covenants, and any omission to comply with its obligations will not constitute an Event of Default with respect to the notes;

in either case upon the irrevocable deposit by AMERCO with the trustee, in trust, of an amount, in currency or currencies or government obligations, or both, sufficient without reinvestment to make scheduled payments of the principal of and interest on the notes, when due, whether at maturity or otherwise.

A trust is only permitted to be established if, among other things:

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AMERCO has delivered to the trustee an opinion of counsel, as specified in the indenture, to the effect that the holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same

times as would have been the case if the defeasance or covenant defeasance had not occurred, and the opinion of counsel, in the case of defeasance, will be required to refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable U.S. federal income tax law occurring after the date of the indenture;

- no Event of Default or Default has occurred;

- the defeasance or covenant defeasance will not result in a breach or violation of, or constitute a Default under, the indenture or any other material agreement or instrument to which AMERCO is a party or by which AMERCO is bound; and

- AMERCO has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance or covenant defeasance have been complied with.

In general, if AMERCO elects covenant defeasance with respect to the notes and payments on the notes are declared due and payable because of the occurrence of an Event of Default, the amount of money and/or government obligations on deposit with the applicable trustee would be sufficient to pay amounts due on the notes at the time of their stated maturity, but may not be sufficient to pay amounts due on the notes at the time of the acceleration resulting from the Event of Default. In that case, AMERCO would remain liable to make payment of the amounts due on the notes at the time of acceleration.

Trustee

U.S. Bank National Association is the trustee under the indenture, and is a party under the other financing documents; provided, however, the trustee has the right to appoint an agent or nominee to be named as mortgagee or nominee titleholder for the benefit of the noteholders under the financing documents.

Servicer

AMERCO's subsidiary, U-Haul International, Inc., or its designee, is the servicing agent with respect to the notes (the "servicer"). In this capacity, among other duties, the servicer is responsible for crediting principal and interest to the U-Haul Investors Club accounts of each holder, performing recordkeeping and registrar services, perfecting and maintaining the first-priority lien on the Collateral in favor of the trustee for the benefit of the holders subject to Permitted Liens, and electronically receiving and delivering all documents, statements, tax documents and communications related to the offering, the notes and the U-Haul Investors Club.

No Personal Liability of Directors, Officers, Employees or Stockholders

No director, officer, employee or stockholder of AMERCO or any of its subsidiaries will have any liability for any obligations of AMERCO or any of its subsidiaries under the notes or any of the financing documents or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder of the notes, by accepting a note, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. Such waiver and release may not be effective to waive liabilities under the U.S. Federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Arbitration

The financing documents provide that in the event that we, on the one hand, and one or more of the holders, or the trustee on behalf of one or more of the holders, on the other hand, are unable to resolve any dispute, claim or controversy between them related to the financing documents or the U-Haul

Investors Club, as applicable, such parties agree to submit such dispute to binding arbitration. However, such arbitration requirement shall not apply in cases where the dispute is between (i) the trustee and us (other than with respect to when the trustee is acting on behalf of one or more of the holders), (ii) the trustee and one or more of the holders, or (iii) the trustee and any third party.

Governing Law

The indenture and the notes are governed by, and construed in accordance with, the internal laws of the State of New York.

Form of Notes

AMERCO is issuing the notes in uncertificated book-entry form only. AMERCO is not issuing physical certificates for the notes.

The laws of some states in the United States may require that certain Persons take physical delivery in definitive, certificated form. AMERCO reserves the right to issue certificated notes only if AMERCO determines not to have the notes held solely in book-entry form.

AMERCO, the servicer and the trustee will treat holders of notes in whose names the notes are registered as of the record date as the owners thereof for purposes of receiving credits of principal and interest due on the notes and for any and all other purposes whatsoever with respect to the notes.

Restrictions on Transfer

The notes are not being listed on any securities exchange. The notes are not transferable except between members of the U-Haul Investors Club through privately negotiated transactions as to which neither AMERCO, the servicer, the trustee, nor any of their respective affiliates will have any involvement. In addition, the notes will not be listed on any securities exchange, and there is no anticipated public market for the notes. In addition, it is unlikely that a secondary "over-the-counter" market for the notes will develop between bond dealers or bond trading desks at investment houses. Therefore, investors must be prepared to hold their notes until the maturity date.

No Sinking Fund

The notes are fully amortizing and will not have the benefit of a sinking fund.

Certain Definitions

"Business day" means any day other than a Saturday, Sunday or other day on which banks are authorized or required by law to be closed in New York City, New York, Chicago, Illinois or Phoenix, Arizona.

"Collateral" has the meaning set forth in "Description of Notes – Substitution of Collateral".

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Event of Default" has the meaning set forth in "Description of Notes – Events of Default, Waiver and Notice".

"Financing documents" means the base indenture, the indenture supplement and the pledge and security agreement, any other instruments and documents executed and delivered pursuant to the foregoing documents as the same may be

amended, supplemented or otherwise modified from time to

time and pursuant to which, among other things, the Collateral is pledged, assigned or granted to or on behalf of the trustee for the benefit of the holders.

“Initial Collateral” has the meaning set forth in “The Offering” summary table.

“Issue date” with respect to each sub-series of notes means the date on which each sub-series of the notes is issued by AMERCO, which shall be within five business days following our receipt and acceptance of investor subscriptions in such amount as we may determine from time to time, not to exceed $1,210,000 in aggregate principal amount of notes.

“Holder” or “noteholder” means the Person in whose name a note is registered on the books of servicer, who shall serve as the registrar and paying agent with regard to the notes.

“Lien” means any mortgage, deed of trust, deed to secure debt, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, easement, encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing; provided that in no event shall an operating lease be deemed to constitute a Lien.

“Notes” means the debt securities of the Company issued pursuant to the indenture and the indenture supplement in an aggregate principal amount of up to $1,210,000.

“Obligations” means, with respect to any indebtedness under the notes, all obligations for principal, premium, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), penalties, fees, indemnifications, reimbursements (including in respect of letters of credit), and other amounts payable pursuant to the documentation governing such indebtedness.

“Owner” means Amerco Real Estate Company, a Nevada corporation, an affiliate of AMERCO.

“Permitted Liens” means Liens in favor of carriers, warehousemen, mechanics, suppliers, repairmen, materialmen and landlords and other similar Liens imposed by law, in each case for sums not overdue or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against the Company.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“Principal” of a note means the principal of such note, plus the premium, if any, payable on the note which is due or overdue or is to become due at the relevant time.

“Record date” means the first day of the month preceding the related due date for the crediting of principal and interest on the notes.

“Replacement Collateral” has the meaning set forth in “Description of Notes – Substitution of Collateral”.

“Released Collateral” has the meaning set forth in “Description of Notes – Substitution of Collateral”.

“SEC” means the U.S. Securities and Exchange Commission.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended.

"trustee" means U.S. Bank National Association until a successor replaces it and, thereafter, means the successor.

"UCC" means the Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

U-HAUL INVESTORS CLUB™

Overview

The offering of the notes is structured as a subscription offering. This means AMERCO is offering you the opportunity to subscribe to purchase notes, which AMERCO may accept or reject. In order to subscribe to purchase notes, you must become a member of the U-Haul Investors Club and follow the instructions available on our website at uhaulinvestorsclub.com.

Membership Application

In order to become a member of the U-Haul Investors Club (a "member") you must first submit a membership application online. A member of the U-Haul Investors Club must:

- with respect to natural persons, be of at least 18 years of age and be a U.S. resident with a valid social security number;

- with respect to entities, be a corporation, partnership, limited partnership, trust, limited liability company or any other entity, organized under the laws of a United States jurisdiction and have a valid tax identification number or social security number;

- have an email account and a U.S. bank account;

- link such member's U.S. bank account to such member's U-Haul Investors Club account;

- be comfortable using the Internet and investing in a self-directed manner; and

- agree to other specified terms and conditions of membership in the U-Haul Investors Club, including electronic receipt and delivery of all documents, statements and communications related to the offering, the notes and the U-Haul Investors Club online, as well as the obligation to arbitrate resolution of any and all disputes that arise, and a waiver of class action claims.

If your membership application is accepted, AMERCO will notify you by email and a password-protected U-Haul Investors Club account will be created.

Subscription Agreement and Process

Once you are a member of the U-Haul Investors Club, in order to subscribe to purchase notes you must submit a subscription offer online. In the subscription offer, you will designate the maximum principal amount of notes that you are willing to purchase. The minimum amount of notes that you can subscribe to purchase is $100, and you may only subscribe to purchase a principal amount of notes in an integral multiple of $100 (e.g., $100, $200, $300, etc.). Unless otherwise determined by AMERCO, there is no maximum amount of notes that you can subscribe to purchase.

AMERCO reserves the right to accept or reject your subscription to purchase notes, in whole or in part, and in its sole discretion, for any reason.

Revocability of Subscription to Purchase Notes

Your subscription to purchase notes is revocable until the day on which AMERCO closes the offering. Upon the day of closing of the offering, your subscription to purchase notes shall be irrevocable. The anticipated offering closing date is or will be identified on the uhaulinvestorsclub.com website; however, such date is subject to change at AMERCO's sole discretion. To the extent AMERCO changes the anticipated closing date, the uhaulinvestorsclub.com website will be updated to reflect such changed date. It is recommended that prospective investors periodically check the uhaulinvestorsclub.com website for any changes in the anticipated closing date.

Issuance of Notes

Within five business days of the closing of each sub-series of this offering, AMERCO will issue the notes to those members whose subscription offers are accepted. Such date is referred to as the issue date with respect to such sub-series of the notes. Such note issuance will be in uncertificated book-entry format only. Servicer will register the notes in the names of these members on servicer's books and records. Interest on the notes shall commence to accrue as of the issue date.

U-Haul Investors Club Member Accounts

In order to subscribe to purchase notes, a member must have sufficient funds in its U-Haul Investors Club account. In order to fund its U-Haul Investors Club account, such account must be linked to such member's outside U.S. bank account and funds must be transferred from the linked bank account to the U-Haul Investors Club account, using the Automated Clearing House, or ACH, network. Funds are considered available in the member's U-Haul Investors Club account a minimum of three business days after such member initiates the ACH transfer. U-Haul Investors Club accounts are record-keeping subaccounts of a bank account maintained by servicer (referred to herein as the "investment account") with a third party financial institution, and reflect balances and transactions with respect to each member of the U-Haul Investors Club. The servicer administers the investment account and maintains the sub-accounts for each member of the U-Haul Investors Club. These record-keeping sub-accounts, which we refer to as "U-Haul Investors Club accounts", are purely administrative. U-Haul Investors Club members have no direct relationship with the financial institution at which the investment account is maintained, or any successor thereto, by virtue of becoming a member of and participating in the U-Haul Investors Club. Funds in the investment account will always be maintained by the servicer at an FDIC member financial institution.

How to Remove Funds from Your U-Haul Investors Club Account

Uninvested funds in each member's U-Haul Investors Club account may remain in the respective U-Haul Investors Club accounts indefinitely and do not earn interest, and may include funds never committed by the member to the purchase of notes. Upon request by the member through the U-Haul Investors Club website, AMERCO will transfer, or will cause the servicer to transfer, U-Haul Investors Club account funds to the member's linked U.S. bank account by ACH transfer, provided such funds are not already committed to the purchase of notes. It may take up to five business days for funds to transfer from a member's U-Haul Investors Club account to such member's linked U.S. bank account. However, in order to ensure that sufficient funds are available in a member's U-Haul Investors Club account, with respect to funds ACH transferred into the member's U-Haul Investors Club account from its linked bank account, there will be a thirty (30) day hold before such funds are eligible for ACH transfer to such member's linked bank account.

Principal and Interest; Servicing of the Notes

Each holder will have the principal and interest due on the notes credited to such holder's U-Haul Investors Club account. The notes are being exclusively serviced by the servicer, which means, among other things, that the servicer is responsible for performing recordkeeping and registrar services with respect to the notes, and electronically receiving and delivering all documents, statements and

communications related to the offering, the notes and the U-Haul Investors Club. Each member is permitted one free ACH transfer initiation per week (Sunday through Saturday) from such member's U-Haul Investors Club account to such member's linked U.S. bank account. Additional transfers may be subject to a $1.00 per transaction charge. The trustee has no duty, responsibility or liability with respect to the transfer, registration or payments on the notes.

Transfer of Notes

The notes will not be listed on any securities exchange, and there is no public market for the notes. Therefore, you must be prepared to hold your notes until the maturity date. The notes are not transferable except between members of the U-Haul Investors Club through privately negotiated transactions, as to which neither AMERCO, the servicer, the trustee, nor any of their respective affiliates will have any involvement. In the event you sell or transfer your note, you must notify servicer, and there will be assessed to the transferor a $25.00 per transaction registrar transfer fee. Such registrar transfer fee will be automatically deducted from the note transferor's U-Haul Investors Club account. There can be no assurance that a holder desiring to sell its notes will be able to find a buyer in any privately negotiated transaction, or that even if such a buyer is located by a holder, that such buyer would be willing to pay a price equal to the outstanding principal balance due on such note.

U-Haul Investors Club Fees

There are no fees to join the U-Haul Investors Club or to maintain a membership, and there are no commissions on the purchases of notes. In addition to the $25.00 registrar transfer fee noted above, non-routine requests made in connection with your notes may lead to additional fees, subject to your prior approval. Such fees will be automatically deducted from the funds in your U-Haul Investors Club account.

Electronic Communication

By participating in the offering, members of the U-Haul Investors Club agree to receive and submit all documents, statements, records and notices, and tax documents including IRS Form 1099s, electronically through the U-Haul Investors Club website and their U-Haul Investors Club accounts. Each member is responsible for keeping its U-Haul Investors Club account contact information up-to-date with the servicer. The notes are maintained in book-entry form, with AMERCO.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes.

This summary is based on the Internal Revenue Code of 1986, as amended, which we refer to as the "Code", regulations issued under the Code, judicial authority and administrative rulings and practice, all as of the date hereof and all of which are subject to differing interpretations or change. Any such change may be applied retroactively and may adversely affect the U.S. federal tax consequences described in this prospectus supplement. This summary addresses only tax consequences to investors that purchase the notes at initial issuance for the "issue price" and own the notes as "capital assets" within the meaning of the Code and not as part of a "straddle" or a "conversion transaction" for U.S. federal income tax purposes, or as part of some other integrated investment.

This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as insurance companies, banks, financial institutions, tax-exempt organizations, retirement plans, regulated investment companies, holders subject to the alternative minimum tax, partnerships or other pass-through entities (or investors in such entities), securities dealers, expatriates or United States persons whose functional currency for tax purposes is not the U.S. dollar). We have not and do not intend to seek a ruling from the Internal Revenue Service, or the "IRS", with respect to any matters discussed in this section, and we cannot assure you that the IRS will not challenge one or more of the tax consequences described below.

If any entity treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding notes should consult its tax advisers with respect to the tax treatment of holding notes through the partnership.

Persons considering the purchase of the notes should consult their tax advisers concerning the application of the U.S. federal income, estate and gift tax laws to their particular situations as well as any tax consequences of the purchase, ownership and disposition of the notes arising under the laws of any state, local, foreign or other taxing jurisdiction.

U.S. Holders

Only U.S. Holders are permitted to beneficially own the notes. For purposes of this discussion, a "U.S. Holder" means, for U.S. federal income tax purposes, a beneficial owner of a note that is:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, or a partnership, limited liability company, trust, custodial account and other entities created or organized in or under the laws of the United States or any state or political subdivision thereof or therein (including the District of Columbia);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions, or that was a domestic trust

for U.S. federal income tax purposes on August 19, 1996, and has elected to continue to be treated as a domestic trust.

Therefore, the remainder of this discussion assumes that the notes are purchased, owned and disposed of only by U.S. Holders.

Treatment of U-Haul Investors Club Membership

The U-Haul Investors Club should not be treated as an unincorporated organization carrying on a business, financial operation, or venture and should not be classified as a partnership for U.S. federal income tax purposes. Each investor purchasing notes is required to complete a note subscription offer and provide a linked U.S. bank account to pay for the notes, with each investor purchasing notes making an investment decision separate from other investors' purchases of notes.

Treatment of Interest

Stated interest on the notes will be taxable to a U.S. Holder as ordinary income as the interest accrues or is paid in accordance with the U.S. Holder's method of tax accounting.

Treatment of Dispositions of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount received on such disposition (other than amounts attributable to accrued and unpaid interest, which will be treated as ordinary interest income if not previously included in income) and the U.S. Holder's tax basis in the note. A U.S. Holder's tax basis in a note will initially be, in general, the cost of the note to the U.S. Holder. Gain or loss realized on the sale, exchange, retirement or redemption of a note generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of such sale, exchange, retirement or redemption the note has been held for more than one year. Certain preferential tax rates may apply to gain recognized as long-term capital gain. A U.S. Holder's ability to deduct capital losses is subject to limitations.

Information Reporting Requirements and Backup Withholding

When required, the servicer will report to the U.S. Holders of the notes and the IRS amounts of interest paid on or with respect to the notes and the amount of any tax withheld from such payments. Certain non-corporate U.S. Holders may be subject to backup withholding (currently at a rate of 28%) if the U.S. Holder: fails to furnish its taxpayer identification number, or TIN, in the required manner; furnishes an incorrect TIN; is subject to backup withholding because the U.S. Holder has failed to properly report payments of interest and dividends; or fails to establish an exemption from backup withholding.

Backup withholding is not an additional tax and may be refunded or credited against the U.S. Holder's U.S. federal income tax liability, provided that certain required information is timely furnished to the IRS.

Circular 230

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) THE FOREGOING DISCUSSION OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE, AND CANNOT BE, RELIED UPON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"); (B) SUCH DISCUSSION IS INCLUDED HEREIN BY US IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY US OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT

TAX ADVISOR.

PLAN OF DISTRIBUTION

The notes are offered in the United States only and only to U.S. Holders. See "Material U.S. Federal Income Tax Consequences" on page S-32 of this prospectus supplement for the definition of "U.S. Holders". The notes are offered on a continuing basis until AMERCO closes the offering, and the notes will be offered by AMERCO or its affiliates directly to the public. There is presently anticipated to be no underwriter, broker, dealer or placement agent for the notes, and it is presently anticipated that no commissions will be paid to any third parties in connection with the offering.

LEGAL MATTERS

The validity of the notes offered by this prospectus supplement will be passed upon by AMERCO.

EXPERTS

The consolidated financial statements and schedules of AMERCO and consolidated subsidiaries as of March 31, 2011 and 2010 and for each of the three years in the period ended March 31, 2011, and management's assessment of the effectiveness of AMERCO's internal control over financial reporting as of March 31, 2011, appearing in AMERCO's Annual Report on Form 10-K for the year ended March 31, 2011, incorporated by reference in this Prospectus have been so incorporated in reliance on the reports of BDO USA, LLP, an independent registered public accounting firm, incorporated herein by reference, given on the authority of said firm as experts in auditing and accounting.

SUBJECT TO COMPLETION, DATED _____, 2010

Prospectus

$300,000,000

AMERCO

Debt Securities
Common Stock
Preferred Stock

By this prospectus, we may offer from time to time: debt securities; common stock; and preferred stock.

We may offer these securities with an aggregate initial public offering price of up to $300,000,000, in amounts, at initial prices and on terms determined at the time of the offering. When we offer securities, we will provide you with a prospectus supplement describing the terms of the specific issue of securities, including the price of the securities. You should read this prospectus and any prospectus supplement carefully before you decide to invest. This prospectus may not be used to sell securities unless it is accompanied by a prospectus supplement that further describes the securities being delivered to you.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis.

Our common stock is listed for trading on the NASDAQ Global Select Market under the symbol “UHAL.” We have not yet determined whether any of the securities that may be offered by this prospectus will be listed on any exchange, or included in any inter-dealer quotation system or over-the-counter market. If we decide to seek the listing or inclusion of any such securities upon issuance, the prospectus supplement relating to those securities will disclose the exchange, quotation system or market on or in which the securities will be listed or included.

Investing in our securities involves risks. We may include specific risk factors in an applicable prospectus supplement under the heading “Risk Factors.”

_____

Investing in our securities involves certain risks. See “Risk Factors” beginning on Page 4 of this prospectus and in the applicable prospectus supplement for certain risks you should consider. You should carefully read the entire prospectus before you invest in our securities.

_____

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a

criminal offense.

This prospectus is dated [ ], 2010.

TABLE OF CONTENTS

Prospectus	
About This Prospectus	1
About AMERCO	3
Risk Factors	4
Note Regarding Forward-Looking Statements	4
Description of Securities	5
Use of Proceeds	5
Ratio of Earnings to Fixed Charges	5
Plan of Distribution	5
Legal Matters	7
Experts	7
Incorporation of Certain Information by Reference	7
Where You Can Find More Information	8

If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you.

We have not authorized anyone to give any information or make any representation about us that is different from, or in addition to, that contained in this prospectus, including in any of the materials that we have incorporated by reference into this prospectus, any accompanying prospectus supplement and any free writing prospectus prepared or authorized by us. Therefore, if anyone does give you information of this sort, you should not rely on it as authorized by us. Neither the delivery of this prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date hereof or that the information incorporated by reference herein is correct as of any time subsequent to the date of such information.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that AMERCO has filed with the Securities and Exchange Commission, or the SEC, utilizing the "shelf" registration process for the offering and sale of securities pursuant to Rule 415 under the Securities Act of 1933, as amended, or the Securities Act. Under the shelf registration process, we may, over time, sell up to $300,000,000 of any combination of securities described in this prospectus.

This prospectus provides you with a general description of the securities that AMERCO may offer hereunder. Each time AMERCO sells a type or series of securities, it will provide a prospectus supplement that will contain specific information about the offering and the terms of the particular securities offered. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the headings "Where You Can Find More Information."

In each prospectus supplement, we will include the following information:

- designation or classification;
- the aggregate principal amount or aggregate offering price of securities that we propose to sell;
- with respect to debt securities, the maturity;
- original issue discount, if any;
- the rates and times of payment of interest, dividends or other payments, if any;
- redemption, conversion, exchange, settlement or sinking fund terms, if any;
- ranking;
- restrictive covenants, if any;
- voting or other rights, if any;
- the names of any underwriters, agents or dealers to or through which the securities will be sold;
- any compensation of those underwriters, agents or dealers;
- information about any securities exchanges or automated quotation systems on which the securities will be listed or traded or the fact that such securities will not be listed or traded on any exchange;
- any risk factors applicable to the securities that we propose to sell;
- important federal income tax considerations; and
- any other material information about the offering and sale of the securities.

A prospectus supplement may include a discussion of risks or other special considerations applicable to us or the offered securities. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you must rely on the information in the prospectus supplement. Please carefully read both this prospectus and the applicable prospectus supplement

together with additional information described under the heading “Where You Can Find More Information.” This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC website or at the SEC’s public reading room mentioned under the heading “Where You Can Find More Information.”

We have not authorized any broker-dealer, salesperson or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. This prospectus and the accompanying supplement to this prospectus do not constitute an offer to sell or the solicitation of an offer to buy securities, nor do this prospectus and the accompanying supplement to this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. The information contained in this prospectus and the accompanying prospectus supplement speaks only as of the date set forth on the cover page and may not reflect subsequent changes in our business, financial condition, results of operations and prospects even though this prospectus and any accompanying prospectus supplement is delivered or securities are sold on a later date.

We may sell the securities directly to or through underwriters, dealers or agents. We, and our underwriters or agents, reserve the right to accept or reject all or part of any proposed purchase of securities. If we do offer securities through underwriters or agents, we will include in the applicable prospectus supplement:

- the names of those underwriters or agents;
- applicable fees, discounts and commissions to be paid to them;
- details regarding over-allotment options, if any; and
- the net proceeds to us.

Common Stock. We may issue shares of our common stock from time to time. Holders of our common stock are entitled to one vote per share for the election of directors and on all other matters that require stockholder approval. Subject to any preferential rights of any outstanding preferred stock, in the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock. Our common stock does not carry any redemption rights or any preemptive rights enabling a holder to subscribe for, or receive shares of, any class of our common stock or any other securities convertible into shares of any class of our common stock.

Preferred Stock. We may issue shares of our preferred stock from time to time, in one or more series. Under our certificate of incorporation, our board of directors has the authority, without further action by stockholders, to designate up to 50,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon the preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preference and sinking fund terms, any or all of which may be greater than the rights of the common stock.

If we issue preferred stock, we will fix the rights, preferences, privileges, qualifications and restrictions of the preferred stock of each series that we sell under this prospectus and applicable prospectus supplements in the certificate of designations relating to that series. If we issue preferred stock, we will incorporate by reference into the registration statement of which this prospectus is a part the form of any certificate of designations that describes the terms of the series of preferred stock we are offering before the issuance of the related series of preferred stock. We urge you to read the prospectus supplement

related to any series of preferred stock we may offer, as well as the complete certificate of designations that contains the terms of the applicable series of preferred stock.

Debt Securities. We may issue debt securities from time to time, in one or more series, as either senior or subordinated debt. The senior debt securities will rank equally with any other unsubordinated debt that we may have and may be secured or unsecured. The subordinated debt securities will be subordinate and junior in right of payment, to the extent and in the manner described in the instrument governing the debt, to all or some portion of our indebtedness. Additionally, we may issue common and/or preferred stock from time to time. Any such issuance of equity securities may cause the dilution of our existing outstanding equity securities.

If we issue debt securities, they will be issued under one or more documents called indentures, which are contracts between us and a trustee for the holders of the debt securities. If we issue preferred stock, it will be issued pursuant to a certificate of designation of the rights and preferences of such securities, to the extent and in the manner described in such document. We urge you to read the prospectus supplement related to the series of debt securities or equity securities being offered, as the case may be, as well as the complete indenture that contains the terms of the debt securities (which will include a supplemental indenture) and the complete preferred stock certificate of designation, if any. If we issue debt securities, indentures and forms of debt securities containing the terms of debt securities being offered will be incorporated by reference into the registration statement of which this prospectus is a part from reports we would subsequently file with the SEC. Similarly, if we issue preferred stock, the certificate of designation containing the terms of such preferred stock being offered will be incorporated by reference into the registration statement of which this prospectus is a part from reports we would subsequently file with the SEC.

In this prospectus, when we use the terms “AMERCO,” the “Company,” “the combined company,” “we,” “us” or “our,” we r
AMERCO and its subsidiaries.

ABOUT AMERCO

We are North America’s largest “do-it-yourself” moving and storage operator through our subsidiary U-Haul International, Inc. (“U-Haul”). U-Haul is synonymous with “do-it-yourself” moving and storage and is a leader in supplying products and services to help people move and store their household and commercial goods. Our primary service objective is to provide a better and better product or service to more and more people at a lower and lower cost. Unless the context otherwise requires, the term “Company,” “we,” “us,” or “our” refers to AMERCO and all of its lega
subsidiaries.

We were founded in 1945 as a sole proprietorship under the name “U-Haul Trailer Rental Company” and have rented trailers ever since. Starting in 1959, we rented trucks on a one-way and in-town basis exclusively through independent U-Haul dealers. In 1974, we began developing our network of U-Haul managed retail centers, through which we rent our trucks and trailers, self-storage rooms and sell moving and self-storage products and services to complement our independent dealer network.

We rent our distinctive orange and white U-Haul trucks and trailers as well as offer self-storage rooms through a network of over 1,400 Company operated retail moving centers and approximately 14,900 independent U-Haul dealers. In addition, we have an independent storage facility network with over 5,100 active affiliates. We also sell U-Haul brand boxes, tape and other moving and self-storage products and services to “do-it-yourself” moving and storage customers at all of our distribution outlets and through our eMove web site.

We believe U-Haul is the most convenient supplier of products and services addressing the needs of North America’s “do-it-yourself” moving and storage market. Our broad geographic coverage throughout the United States and Canada and our extensive selection of U-Haul brand moving equipment rentals, self-storage rooms and related moving and

storage products and services provide our customers with convenient “one-stop” shopping.

Through Republic Western Insurance Company, which we refer to as RepWest, our property and casualty insurance subsidiary, we manage the property, liability and related insurance claims processing for U-Haul. Oxford Life Insurance Company, which we refer to as Oxford, is our life insurance subsidiary. Oxford sells Medicare supplement, life insurance, annuities and other related products to non U-Haul customers.

We are a publicly traded Nevada corporation. Our common stock is listed on the NASDAQ Global Select Market under the symbol "UHAL." Our principal executive offices are located at 1325 Airmotive Way, Suite 100, Reno, Nevada 89502-3239. Our telephone number is (775) 688-6300, and our website address is amerco.com. Information contained in or linked to our website is not a part of this prospectus.

You can get more information regarding our business by reading our most recent Annual Report on Form 10-K and the other reports and information that we file with the SEC. See "Where You Can Find More Information."

RISK FACTORS

Before making an investment decision, you should carefully consider the risks described under "Risk Factors" in the applicable prospectus supplement, together with all of the other information appearing in this prospectus or incorporated by reference into this prospectus and any applicable prospectus supplement, in light of your particular investment objectives and financial circumstances. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This prospectus and the incorporated documents also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks mentioned elsewhere in this prospectus.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements" regarding future events and our future results of operations. We may make additional written or oral forward-looking statements from time to time in filings with the SEC or otherwise. We believe such forward-looking statements are within the meaning of the safe-harbor provisions of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Such statements may include, but are not limited to, projections of revenues, earnings or loss, estimates of capital expenditures, plans for future operations, products or services, financing needs and plans; our perceptions of our legal positions and anticipated outcomes of government investigations and pending litigation against us, liquidity, goals and strategies, plans for new business, storage occupancy, growth rate assumptions, pricing, costs, and access to capital and leasing markets as well as assumptions relating to the foregoing. The words "believe," "expect," "anticipate," "estimate," "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Factors that could significantly affect results include, without limitation, the risk factors enumerated at the end of this section, as well as the following: the Company's ability to operate pursuant to the terms of its credit facilities; the Company's ability to maintain contracts that are critical to its operations; the costs and availability of financing; the Company's ability to execute its business plan; the Company's ability to attract, motivate and retain key employees; general economic conditions; fluctuations in our costs to maintain and update our fleet and facilities; our ability to refinance our debt; changes in government regulations, particularly environmental regulations; our credit ratings; the availability of credit; changes in demand for our products; changes in the general domestic economy; the degree and nature of our competition; the resolution of pending litigation against the Company; changes in accounting standards and other factors described in this report or the other documents we file with the SEC. The above factors, the following disclosures, as well as other statements in this report and in the Notes to Consolidated Financial Statements, could contribute to or cause such risks or uncertainties, or could cause our stock price to fluctuate dramatically. Consequently, the forward-looking statements should not be regarded as representations or warranties by the Company that such matters will be realized. The Company assumes no obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise.

Additional factors or events that could affect our future results are described from time to time in our SEC reports. See in particular the "Risk Factors" section of this prospectus. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

You should carefully consider the trends, risks and uncertainties described in the "Risk Factors" section of this prospectus and other information in this prospectus and reports filed with the SEC before making any investment decision with respect to the notes. If any of the trends, risks or uncertainties set forth in the "Risk Factors" section of this prospectus actually occurs or continues, our business, financial condition or operating results could be materially adversely affected. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

DESCRIPTION OF SECURITIES

We may offer shares of our common stock and preferred stock and various series of debt securities with a total value of up to $300,000,000 from time to time under this prospectus at prices and on terms to be determined by market conditions at the time of offering. Each time we offer a type or series of securities, we will provide a prospectus supplement that will describe the specific amounts, prices and other important terms of such securities. The debt securities will be unsecured or secured by certain assets owned by us or certain of our subsidiaries or third parties.

A prospectus supplement will describe the specific types, amounts, prices and detailed terms of any of these securities.

USE OF PROCEEDS

We will retain broad discretion over the use of the net proceeds from the sale of our securities offered hereby. Except as described in any prospectus supplement, we currently anticipate using the net proceeds from the sale of our securities offered hereby primarily for general corporate purposes.

Pending the use of the net proceeds, we may invest the net proceeds in short-term marketable securities.

RATIOS OF EARNINGS TO FIXED CHARGES

Set forth below is our ratio of earnings to fixed charges for the three months ended June 30, 2010 and 2009 and for each year in the five year period ended March 31, 2010. Earnings consist of earnings before interest expense and lease expense. Fixed charges consist of interest expense and an estimate of the portion of lease expense related to the interest component.

	Quarter Ended June 30,		Year Ended March 31,				
	2010	2009	2010	2009	2008	2007(a)	2006(a)
Ratio of earnings to fixed charges	4.1 x	2.0 x	1.7 x	1.1 x	1.7 x	2.1 x	2.8 x
Ratio of earnings to combined fixed charges and preferred dividends	3.6 x	1.7 x	1.5 x	1.0 x	1.5 x	1.8 x	2.4 x

(a) does not include fees and amortization on early extinguishment of debt

PLAN OF DISTRIBUTION

We may sell the securities covered by this prospectus from time to time in one or more offerings. Registration of the securities covered by this prospectus does not mean, however, that those securities will necessarily be offered or sold.

We may sell the securities separately or together:

- through one or more underwriters or dealers in a public offering and sale by them;
- through agents; or
- directly to investors.

We will set forth the terms of the offering of any securities being offered in the applicable prospectus supplement.

If we utilize underwriters in an offering of securities using this prospectus, we will execute an underwriting agreement with those underwriters. The underwriting agreement will provide that the obligations of the underwriters with respect to a sale of the offered securities are subject to certain conditions precedent and that the underwriters will be obligated to purchase all the offered securities if any are purchased. Underwriters may sell those securities to or through dealers. The underwriters may change any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers from time to time. If we utilize underwriters in an offering of securities using this prospectus, the applicable prospectus supplement will contain a statement regarding the intention, if any, of the underwriters to make a market in the offered securities.

If we utilize a dealer in an offering of securities using this prospectus, we will sell the offered securities to the dealer, as principal. The dealer may then resell those securities to the public at a fixed price or at varying prices to be determined by the dealer at the time of resale.

We may also use this prospectus to offer and sell securities through agents designated by us from time to time. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a reasonable efforts basis for the period of its appointment.

We may offer to sell securities either at a fixed price or at prices that may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. We may also use this prospectus to directly solicit offers to purchase securities. Except as set forth in the applicable prospectus supplement, none of our directors, officers, or employees nor those of our subsidiaries will solicit or receive a commission in connection with those direct sales. Those persons may respond to inquiries by potential purchasers and perform ministerial and clerical work in connection with direct sales.

We may authorize underwriters, dealers and agents to solicit offers by certain institutions to purchase securities pursuant to delayed delivery contracts providing for payment and delivery on a future date specified in the prospectus supplement. Institutions with which delayed delivery contracts may be made include commercial and savings banks, insurance companies, educational and charitable institutions and other institutions that we may approve. The obligations of any purchaser under any delayed delivery contract will not be subject to any conditions except that any related sale of offered securities to underwriters shall have occurred and the purchase by an institution of the securities covered by its delayed delivery contract shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which that institution is subject.

Underwriters, dealers or agents participating in a distribution of securities by use of this prospectus and an applicable prospectus supplement may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the offered securities, whether received from us or from purchasers of offered securities for whom they act as agent, may be deemed to be underwriting discounts and commissions under the

Securities Act.

Under agreements that we may enter into, underwriters, dealers or agents who participate in the distribution of securities by use of this prospectus and an applicable prospectus supplement may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or to contribution with respect to payments that those underwriters, dealers or agents may be required to make.

Underwriters, dealers, agents or their affiliates may be customers of, engage in transactions with, or perform services for, us and our subsidiaries in the ordinary course of business, for which they have received or will receive customary compensation.

SEC REVIEW

In the course of the review by the SEC of this registration statement, we may be required to make changes to the description of our business, other information and data and the presentation of financial information included in this prospectus. Comments by the SEC on our financial data or other information in the registration statement may require modification or reformulation of the information we present in this prospectus.

LEGAL MATTERS

Certain legal matters will be passed upon for us by DLA Piper LLP (US). If counsel for any underwriter, dealer or agent passes on legal matters in connection with an offering made by this prospectus, we will name that counsel in the prospectus supplement relating to the offering.

EXPERTS

The consolidated financial statements and schedules of AMERCO and consolidated subsidiaries as of March 31, 2010 and 2009 and for each of the three years in the period ended March 31, 2010, and the effectiveness of AMERCO's internal control over financial reporting as of March 31, 2010, appearing in AMERCO's Annual Report on Form 10-K for the year ended March 31, 2010, incorporated by reference in this Form S-3 have been so incorporated in reliance on the report of BDO Seidman, LLP, an independent registered public accounting firm, incorporated herein by reference, given on the authority of said firm as experts in auditing and accounting.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We file reports and other information with the SEC under the Exchange Act. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings also are available on the SEC's website at sec.gov.

We have filed with the SEC a registration statement on Form S-3 to register the securities offered hereby. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all of the information that is in the registration statement and the exhibits to the registration statement. For further information about AMERCO, investors should refer to the registration statement and its exhibits. The registration statement is available at the SEC's public reference room or website as described above.

We "incorporate by reference" information into this prospectus, which means that we are disclosing important information to you by referring you to other documents filed separately with the SEC. These documents contain important information about AMERCO and are an important part of this prospectus. We incorporate by reference in this prospectus the documents listed below:

- our Annual Report on Form 10-K for the fiscal year ended March 31, 2010;
- our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010;
- those portions of our definitive proxy statement on Schedule 14A dated July 16, 2010, incorporated by reference in our Annual Report on Form 10-K for the year ended March 31, 2010;
- our Current Reports on Form 8-K filed on August 27, 2010 and September 10, 2010;
- the description of AMERCO's common stock set forth in our registration statements filed pursuant to Section 12 of the Exchange Act, and any amendment or report filed for the purpose of updating those descriptions; and
- all documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus and the termination of any offering made under this prospectus and the prospectus supplement or supplements that will accompany any offering of securities hereunder.

Unless expressly incorporated by reference, nothing in this prospectus shall be deemed to incorporate by reference information furnished, but not filed, with the SEC.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in the applicable prospectus supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference into this prospectus, modifies or supersedes that statement. Any statement that is so modified or superseded will not constitute a part of this prospectus, except as modified or superseded.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through the SEC's website at the address provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost. Requests should be directed to Laurence De Respino, General Counsel, AMERCO, c/o U-Haul International, Inc., 2727 N. Central Avenue, Phoenix, AZ 85004, telephone, (602) 263-6977.

We own the registered trademarks or service marks "U-Haul(R)," "AMERCO(R)," "In-Town(R)," "eMove(R)," "We C.A.R.D.(R)," "Safemove(R)," "WebSelfStorage(TM)," "webselfstorage.com(SM)," "uhaul.com(SM), "Lowest Decks(SM "Gentle Ride Suspension (SM)," "Mom's Attic (SM)" "U-Box (™)," "Moving Help™" and "Safestor(R)" for use in connect the moving and storage business. This prospectus also includes product names and other tradenames and service marks of AMERCO and its subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the 1934 Act and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission. Our filings are available to the public over the Internet at the Securities and Exchange Commission's website at sec.gov, as well as at our website at

amerco.com. You may also read and copy, at prescribed rates, any document we file with the Securities and Exchange Commission at the Public Reference Room of the Securities and Exchange Commission located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at (800) SEC-0330 for further information on the Securities and Exchange Commission's Public Reference Rooms.

Up to $1,210,000

6.75% Secured Notes Series UIC-19A AND UIC-24A due Ten Years from the Issue Date

PROSPECTUS SUPPLEMENT