AMERCO /NV/
Form 10-Q
November 03, 2010

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

Form 10-Q

(Mark One)
R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2010

or

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from __________________ to __________________

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

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

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

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

Large accelerated filer £ Accelerated filer R Non-accelerated filer £ Smaller reporting company £

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

19,607,788 shares of AMERCO Common Stock, $0.25 par value, were outstanding at November 1, 2010.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010	March 31, 2010
	(Unaudited)	
	(In thousands)	
ASSETS		
Cash and cash equivalents	$329,830	$244,118
Reinsurance recoverables and trade receivables, net	204,274	198,283
Notes and mortgage receivables, net	1,344	1,461
Inventories, net	55,659	52,837
Prepaid expenses	48,404	53,379
Investments, fixed maturities and marketable equities	643,351	549,318
Investments, other	159,795	227,486
Deferred policy acquisition costs, net	37,255	39,194
Other assets	145,304	145,864
Related party assets	294,733	302,126
	1,919,949	1,814,066
Property, plant and equipment, at cost:		
Land	226,238	224,904
Buildings and improvements	1,006,101	970,937
Furniture and equipment	330,786	323,334
Rental trailers and other rental equipment	242,455	244,131
Rental trucks	1,559,732	1,529,817
	3,365,312	3,293,123
Less: Accumulated depreciation	(1,345,861)	(1,344,735)
Total property, plant and equipment	2,019,451	1,948,388
Total assets	$3,939,400	$3,762,454
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$328,761	$296,057
Notes, loans and leases payable	1,278,555	1,347,635
Policy benefits and losses, claims and loss expenses payable	856,001	816,909
Liabilities from investment contracts	257,275	268,810
Other policyholders' funds and liabilities	6,624	8,155
Deferred income	27,596	25,207
Deferred income taxes	238,674	186,770
Total liabilities	2,993,486	2,949,543
Commitments and contingencies (notes 4, 8, 9 and 10)		
Stockholders' equity:		

Series preferred stock, with or without par value, 50,000,000 shares authorized:		
Series A preferred stock, with no par value, 6,100,000 shares authorized;		
5,796,000 and 5,992,800 shares issued and outstanding as of September 30 and March 31, 2010	-	-
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of September 30 and March 31, 2010	-	-
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of $0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of September 30 and March 31, 2010	-	-
Common stock of $0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued as of September 30 and March 31, 2010	10,497	10,497
Additional paid-in capital	416,326	419,811
Accumulated other comprehensive loss	(65,604)	(56,207)
Retained earnings	1,114,310	969,017
Cost of common shares in treasury, net (22,377,912 shares as of September 30 and March 31, 2010)	(525,653)	(525,653)
Unearned employee stock ownership plan shares	(3,962)	(4,554)
Total stockholders' equity	945,914	812,911
Total liabilities and stockholders' equity	$3,939,400	$3,762,454

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

1

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended September 30, 2010	2009
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 467,128	$ 427,203
Self-storage revenues	30,647	27,412
Self-moving and self-storage products and service sales	56,821	55,522
Property management fees	4,580	4,478
Life insurance premiums	40,022	28,738
Property and casualty insurance premiums	8,300	7,046
Net investment and interest income	12,874	12,539
Other revenue	16,604	10,986
Total revenues	636,976	573,924
Costs and expenses:		
Operating expenses	270,259	273,730
Commission expenses	57,613	51,098
Cost of sales	29,603	28,359
Benefits and losses	37,383	25,807
Amortization of deferred policy acquisition costs	1,876	2,296
Lease expense	37,964	40,026
Depreciation, net of (gains) losses on disposals	44,157	56,790
Total costs and expenses	478,855	478,106
Earnings from operations	158,121	95,818
Interest expense	(21,788)	(23,938)
Pretax earnings	136,333	71,880
Income tax expense	(51,114)	(27,189)
Net earnings	85,219	44,691
Excess (loss) of carrying amount of preferred stock over consideration paid	(140)	48
Less: Preferred stock dividends	(3,101)	(3,212)
Earnings available to common shareholders	$ 81,978	$ 41,527
Basic and diluted earnings per common share	$ 4.22	$ 2.14
Weighted average common shares outstanding: Basic and diluted	19,427,595	19,382,101

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended September 30, 2010	2009
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 886,591	$ 800,144
Self-storage revenues	58,874	54,416
Self-moving and self-storage products and service sales	120,111	113,344
Property management fees	9,116	8,928
Life insurance premiums	77,825	56,342
Property and casualty insurance premiums	14,479	13,261
Net investment and interest income	26,229	26,219
Other revenue	29,698	21,929
Total revenues	1,222,923	1,094,583
Costs and expenses:		
Operating expenses	523,393	532,231
Commission expenses	109,782	95,509
Cost of sales	61,268	58,809
Benefits and losses	72,805	53,501
Amortization of deferred policy acquisition costs	4,069	4,213
Lease expense	76,630	79,299
Depreciation, net of (gains) losses on disposals	88,746	116,007
Total costs and expenses	936,693	939,569
Earnings from operations	286,230	155,014
Interest expense	(43,252)	(47,159)
Pretax earnings	242,978	107,855
Income tax expense	(91,257)	(40,732)
Net earnings	151,721	67,123
Excess (loss) of carrying amount of preferred stock over consideration paid	(171)	371
Less: Preferred stock dividends	(6,257)	(6,453)
Earnings available to common shareholders	$ 145,293	$ 61,041
Basic and diluted earnings per common share	$ 7.48	$ 3.15
Weighted average common shares outstanding: Basic and diluted	19,421,205	19,375,846

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

3

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Quarter Ended September 30, 2010	Pre-tax	Tax	Net
		(Unaudited)	
		(In thousands)	
Comprehensive income:			
Net earnings	$136,333	$(51,114)	$85,219
Other comprehensive income (loss):			
Foreign currency translation	2,097	-	2,097
Unrealized gain on investments	5,575	(1,927)	3,648
Change in fair value of cash flow hedges	(7,485)	2,844	(4,641)
Total comprehensive income	$136,520	$(50,197)	$86,323

Quarter Ended September 30, 2009	Pre-tax	Tax	Net
		(Unaudited)	
		(In thousands)	
Comprehensive income:			
Net earnings	$71,880	$(27,189)	$44,691
Other comprehensive income (loss):			
Foreign currency translation	5,674	-	5,674
Unrealized gain on investments	12,790	(4,471)	8,319
Change in fair value of cash flow hedges	(5,395)	2,050	(3,345)
Total comprehensive income	$84,949	$(29,610)	$55,339

Six Months Ended September 30, 2010	Pre-tax	Tax	Net
		(Unaudited)	
		(In thousands)	
Comprehensive income:			
Net earnings	$242,978	$(91,257)	$151,721
Other comprehensive income (loss):			
Foreign currency translation	(1,779)	-	(1,779)
Unrealized gain on investments	6,763	(2,249)	4,514
Change in fair value of cash flow hedges	(19,568)	7,436	(12,132)
Total comprehensive income	$228,394	$(86,070)	$142,324

Six Months Ended September 30, 2009	Pre-tax	Tax	Net
		(Unaudited)	
		(In thousands)	
Comprehensive income:			
Net earnings	$107,855	$(40,732)	$67,123
Other comprehensive income (loss):			
Foreign currency translation	9,903	-	9,903
Unrealized gain on investments	7,608	(2,662)	4,946
Change in fair value of cash flow hedges	16,974	(6,450)	10,524
Total comprehensive income	$142,340	$(49,844)	$92,496

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended September 30,	
	2010	2009
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$ 151,721	$ 67,123
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	106,055	117,779
Amortization of deferred policy acquisition costs	4,069	4,213
Change in allowance for losses on trade receivables	(24)	397
Change in allowance for losses on mortgage notes	-	(6)
Change in allowance for inventory reserves	840	1,344
Net gain on sale of real and personal property	(17,309)	(1,772)
Net gain on sale of investments	(1,329)	(401)
Deferred income taxes	57,091	40,431
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	(5,969)	11,917
Inventories	(3,662)	7,334
Prepaid expenses	4,975	(2,928)
Capitalization of deferred policy acquisition costs	(7,377)	(6,533)
Other assets	649	6,998
Related party assets	6,710	7,481
Accounts payable and accrued expenses	20,102	(5,893)
Policy benefits and losses, claims and loss expenses payable	39,452	11,991
Other policyholders' funds and liabilities	(1,531)	(3,311)
Deferred income	2,399	(1,946)
Related party liabilities	693	(551)
Net cash provided by operating activities	357,555	253,667
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(274,240)	(175,827)
Short term investments	(109,785)	(144,306)
Fixed maturities investments	(122,504)	(77,106)
Equity securities	(9,043)	-
Preferred stock	(11,902)	-
Real estate	(1,784)	(466)
Mortgage loans	(1,308)	(525)
Proceeds from sale of:		
Property, plant and equipment	122,157	88,942
Short term investments	178,461	159,307
Fixed maturities investments	56,841	83,667
Equity securities	133	-
Preferred stock	-	2,236

Real estate	683	-
Mortgage loans	1,421	4,053
Payments from notes and mortgage receivables	117	464
Net cash used by investing activities	(170,753)	(59,561)
Cash flows from financing activities:		
Borrowings from credit facilities	134,556	51,921
Principal repayments on credit facilities	(209,420)	(72,695)
Debt issuance costs	(89)	(277)
Capital lease payments	(8,369)	(1,168)
Leveraged Employee Stock Ownership Plan - repayments from loan	592	533
Preferred stock dividends paid	(6,257)	(6,453)
Investment contract deposits	5,875	5,564
Investment contract withdrawals	(17,409)	(28,417)
Net cash used by financing activities	(100,521)	(50,992)
Effects of exchange rate on cash	(569)	1,250
Increase in cash and cash equivalents	85,712	144,364
Cash and cash equivalents at the beginning of period	244,118	240,587
Cash and cash equivalents at the end of period	$329,830	$384,951

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

1. Basis of Presentation

AMERCO, a Nevada corporation ("AMERCO"), has a second fiscal quarter that ends on the 30th of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30th of June for each year that is referenced. They have been consolidated on that basis. Our insurance companies' financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2010 and 2009 correspond to fiscal 2011 and 2010 for AMERCO.

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

The condensed consolidated balance sheet as of September 30, 2010 and the related condensed consolidated statements of operations for the second quarter and the first six months and the cash flows for the first six months ended fiscal 2011 and 2010 are unaudited.

In our opinion, all adjustments necessary for the fair presentation of such condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The information in this 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

AMERCO is the holding company for:

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

Amerco Real Estate Company ("Real Estate"),

Republic Western Insurance Company ("RepWest"), and

Oxford Life Insurance Company ("Oxford").

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

Description of Operating Segments

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

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

The Property and Casualty Insurance operating segment includes RepWest and its wholly-owned subsidiaries and ARCOA risk retention group (“ARCOA”). Property and Casualty Insurance provides loss adjusting and claims handling for U-Haul through regional offices across North America. Property and Casualty Insurance also underwrites components of the Safemove, Safetow, Super Safemove and Safestor protection packages to U-Haul customers. ARCOA is a captive insurer owned by the Company whose purpose is to provide insurance products related to the moving and storage business.

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

2. Earnings per Share

Net earnings for purposes of computing earnings per common share are net earnings less preferred stock dividends paid, adjusted for the price paid by our insurance companies for purchasing AMERCO Preferred stock less its carrying value on our balance sheet. Preferred stock dividends include accrued dividends of AMERCO. Preferred stock dividends paid to or accrued for entities that are part of the consolidated group are excluded.

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares net of shares committed to be released were 173,803 and 219,432 as of September 30, 2010 and September 30, 2009, respectively.

5,796,000 and 6,033,900 shares of preferred stock have been excluded from the weighted average shares outstanding calculation as of September 30, 2010 and 2009, respectively because they are not common stock and they are not convertible into common stock.

From January 1, 2009 through March 31, 2010, our insurance subsidiaries purchased 166,000 shares of our Series A 8½% Preferred Stock ("Series A Preferred") on the open market for $3.6 million. Between April 1, 2010 and September 30, 2010 they acquired an additional 138,000 shares for $3.5 million. Our insurance subsidiaries may make additional investments in shares of the Series A Preferred in the future. Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 260 - Earnings Per Share, for earnings per share purposes, we recognize the excess or deficit of the carrying amount of the Series A Preferred over the fair value of the consideration paid. In the first six months of fiscal 2011 this resulted in a $0.2 million charge to net earnings as the amount paid by the insurance companies exceeded the carrying value, net of a prorated portion of original issue costs of the preferred stock. In the first six months of fiscal 2010 we recognized a $0.4 million gain as the amount paid was less than our adjusted carrying value.

3. Investments

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

The Company deposits bonds with insurance regulatory authorities to meet statutory requirements. The adjusted cost of bonds on deposit with insurance regulatory authorities was $15.0 million at September 30, 2010.

Available-for-Sale Investments

Available-for-sale investments at September 30, 2010 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value

			(Unaudited)		
			(In thousands)		
U.S. treasury securities and government obligations	$66,389	$2,947	$(47)	$-	$69,289
U.S. government agency mortgage-backed securities	79,258	6,935	(3)	(11)	86,179
Obligations of states and political subdivisions	27,389	580	(988)	(942)	26,039
Corporate securities	386,103	24,477	(924)	(792)	408,864
Mortgage-backed securities	8,064	280	(304)	-	8,040
Redeemable preferred stocks	30,626	1,139	(1,924)	(191)	29,650
Common stocks	27,290	2,204	-	(6,634)	22,860
Less: Preferred stock of AMERCO held by subsidiaries	(7,079)	(491)	-	-	(7,570)
	$618,040	$38,071	$(4,190)	$(8,570)	$643,351

7

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Company sold available-for-sale securities with a fair value of $56.8 million during the first six months of fiscal 2011. The gross realized gains on these sales totaled $1.4 million.

The unrealized losses of more than twelve months in the available-for-sale table are considered temporary declines. The Company tracks each investment with an unrealized loss and evaluates them on an individual basis for other-than-temporary impairments including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. Certain of these investments had declines determined by management to be other-than-temporary and the Company recognized these write-downs through earnings in the amount $0.3 million for the second quarter of fiscal 2010 and $0.4 million for the first six months of fiscal 2010. There were no write downs in the second quarter or for the first six months of fiscal 2011.

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

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

Credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in other comprehensive income were as follows:

	Credit Loss
	(Unaudited)
	(In thousands)
Balance at March 31, 2010	$ 552
Additions:	
Other-than-temporary impairment not previously recognized	-
Balance at June 30, 2010	$ 552
Additions:	
Other-than-temporary impairment not previously recognized	-

Balance at September 30, 2010	$ 552

8

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The adjusted cost and estimated market value of available-for-sale investments at September 30, 2010, by contractual maturity, were as follows:

	Amortized Cost	Estimated Market Value
	(Unaudited)	
	(In thousands)	
Due in one year or less	$42,570	$43,308
Due after one year through five years	177,498	185,834
Due after five years through ten years	125,538	133,933
Due after ten years	213,533	227,296
	559,139	590,371
Mortgage backed securities	8,064	8,040
Redeemable preferred stocks	30,626	29,650
Equity securities	27,290	22,860
Less: Preferred stock of AMERCO held by subsidiaries	(7,079)	(7,570)
	$618,040	$643,351

4. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2011 Rate (a)	Maturities	September 30, 2010	March 31, 2010
			(Unaudited)	
			(In thousands)	
Real estate loan (amortizing term)	6.93%	2018	$260,000	$265,000
Real estate loan (revolving credit)	-	2018	-	86,000
Real estate loan (amortizing term)	5.00%	2011	11,420	31,865
Senior mortgages	5.47% - 6.13%	2015 - 2016	482,823	489,186
Working capital loan (revolving credit)	-	2011	-	15,000
Fleet loans (amortizing term)	4.78% - 7.95%	2012 - 2017	345,810	276,222
Fleet loans (securitization)	5.56%	2014	127,267	143,170
Other obligations	3.25% - 9.50%	2011 - 2017	51,235	41,192

Total notes, loans and leases payable	$1,278,555	$1,347,635

(a) Interest rate as of September 30, 2010, including the effect of applicable hedging instruments.

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. The loan has a final maturity date of August 2018. The loan is comprised of a term loan facility with initial availability of $300.0 million and a revolving credit facility with an availability of $200.0 million. As of September 30, 2010, the outstanding balance on the Real Estate Loan was $260.0 million and the Company had the full $200.0 million available to be drawn on the revolving credit facility. U-Haul International, Inc. is a guarantor of this loan.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The interest rate for the amortizing term portion, per the provisions of the amended Loan Agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At September 30, 2010, the applicable LIBOR was 0.26% and the applicable margin was 1.50%, the sum of which was 1.76%. The rate on the term facility portion of the loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin.

The interest rate for the revolving credit facility, per the provision of the amended Loan Agreement, is the applicable LIBOR plus the applicable margin. The margin ranges from 1.50% to 2.00%.

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

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit construction loan effective June 29, 2006. This loan was modified and extended on June 25, 2010. The loan is comprised of a term loan facility and a revolving credit facility with combined availability of $20 million and a final maturity of June 2011. As of September 30, 2010, the outstanding balance was $11.4 million.

This Real Estate Loan requires monthly principal and interest payments with the unpaid principal and any accrued and unpaid interest due at maturity. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 3.00%. At September 30, 2010, the applicable LIBOR floor was 2.00% and the margin was 3.00%, the sum of which was 5.00%. U-Haul International, Inc. and AMERCO are guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgage loan balances as of September 30, 2010 were in the aggregate amount of $426.8 million and are due July 2015. The Senior Mortgages require average monthly principal and interest payments of $3.0 million with the unpaid loan balance and accrued and unpaid interest due at maturity. These senior mortgages are secured by certain properties owned by the borrowers. The interest rates, per the provisions of these senior mortgages, are 5.68% and 5.52% per annum. Amerco Real Estate Company and U-Haul International, Inc. have provided limited guarantees of these senior mortgages. The default provisions of these senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Various subsidiaries of the Company are borrowers under the mortgage backed loans that we also classify as senior mortgages. These loans are secured by certain properties owned by the borrowers. The loan balance of these notes totals $56.0 million as of September 30, 2010. These loans mature in 2015 and 2016. Rates for these loans range from 5.47% to 6.13%. The loans require monthly principal and interest payments with the balances due upon maturity. The default provisions of the loans include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Working Capital Loans

Amerco Real Estate Company is a borrower under an asset backed working capital loan. The maximum amount that can be drawn at any one time is $25.0 million. At September 30, 2010, the Company had the full $25.0 million available to be drawn. The loan is secured by certain properties owned by the borrower. The loan agreement provides for revolving loans, subject to the terms of the loan agreement with final maturity in November 2011. The loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. U-Haul International, Inc. and AMERCO are the guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under amortizing term loans. The balance of the loans as of September 30, 2010 was $262.9 million with the final maturities between April 2012 and July 2017.

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus a margin between 0.90% and 2.63%. At September 30, 2010, the applicable LIBOR was 0.26% and applicable margins were between 1.13% and 2.63%. The interest rates are hedged with interest rate swaps fixing the rates between 4.78% and 7.32% based on current margins. Additionally, $20.2 million of these loans are carried at a fixed rate of 7.95%.

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

On December 31, 2009 a subsidiary of U-Haul International, Inc. entered into an $85.0 million term note that will be used to fund cargo van and pickup acquisitions for the next three years. The loan has a final maturity of September 2013. The agreement contains options to extend the maturity. The note will be secured by the purchased equipment and the corresponding operating cash flows associated with their operation. At September 30, 2010, the applicable LIBOR was 0.29% and the applicable margin was 4.50%, the sum of which was 4.79%. At September 30, 2010 the Company had drawn $82.9 million on this loan.

Rental Truck Securitizations

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

The Box Truck Note has a fixed interest rate of 5.56% with an estimated final maturity of February 2014. At September 30, 2010, the outstanding balance was $127.3 million. The note is secured by the box trucks that were purchased and the corresponding operating cash flows associated with their operation.

The Box Truck Note has the benefit of financial guaranty insurance policy that guarantees the timely payment of interest on and the ultimate payment of the principal of the note.

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

Other Obligations

The Company entered into capital leases for new equipment between April 2008 and July 2010, with terms of the leases between 3 and 7 years. At September 30, 2010, the balance of these leases was $46.6 million.

In January 2010, the Company entered into a $0.5 million premium financing arrangement for two years expiring in December 2011 with a fixed rate of 3.37%. The Company entered into $7.5 million of premium financing arrangements for one year expiring in March and April 2011 at rates between 3.25% and 5.50%. At September 30, 2010, the outstanding balance was $4.6 million.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt as of September 30, 2010 for the next five years and thereafter are as follows:

	Year Ending September 30,					
	2011	2012	2013	2014	2015	Thereafter
	(Unaudited)					
	(In thousands)					
Notes, loans and leases payable, secured	$98,380	$162,003	$161,140	$147,804	$450,220	$259,008

5. Interest on Borrowings

Interest Expense

Components of interest expense include the following:

	Quarter Ended September 30,	
	2010	2009
	(Unaudited)	
	(In thousands)	
Interest expense	$14,586	$16,217
Capitalized interest	(122)	(142)
Amortization of transaction costs	1,049	1,224
Interest expense resulting from derivatives	6,275	6,639
Total interest expense	$21,788	$23,938

	Six Months Ended September 30,	
	2010	2009
	(Unaudited)	
	(In thousands)	
Interest expense	$29,011	$32,276
Capitalized interest	(269)	(293)
Amortization of transaction costs	2,154	2,409
Interest expense resulting from derivatives	12,356	12,767
Total interest expense	$43,252	$47,159

Interest paid in cash by AMERCO, including payments related to derivative contracts, amounted to $19.2 million and $21.4 million for the second quarter of fiscal 2011 and 2010, respectively and $38.8 million and $43.1 million for the first six months of fiscal 2011 and 2010, respectively.

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Original variable rate debt amount		Agreement Date	Effective Date	Expiration Date	Designated cash flow hedge date
			(Unaudited)		
			(In millions)		
$ 142.3	(a), (b)	11/15/2005	5/10/2006	4/10/2012	5/31/2006
50.0	(a)	6/21/2006	7/10/2006	7/10/2013	6/9/2006
144.9	(a), (b)	6/9/2006	10/10/2006	10/10/2012	6/9/2006
300.0	(a)	8/16/2006	8/18/2006	8/10/2018	8/4/2006
30.0	(a)	2/9/2007	2/12/2007	2/10/2014	2/9/2007
20.0	(a)	3/8/2007	3/12/2007	3/10/2014	3/8/2007
20.0	(a)	3/8/2007	3/12/2007	3/10/2014	3/8/2007
19.3	(a), (b)	4/8/2008	8/15/2008	6/15/2015	3/31/2008
19.0	(a)	8/27/2008	8/29/2008	7/10/2015	4/10/2008
30.0	(a)	9/24/2008	9/30/2008	9/10/2015	9/24/2008
15.0	(a), (b)	3/24/2009	3/30/2009	4/15/2016	3/25/2009
14.7	(a)	7/6/2010	8/15/2010	7/15/2017	7/6/2010

(a) interest rate swap agreement
(b) forward swap

As of September 30, 2010, the total notional amount of the Company's variable interest rate swaps was $508.1 million.

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

	Liability Derivatives Fair Value as of	
	September 30, 2010	March 31, 2010
	(Unaudited)	
	(In thousands)	
Interest rate contracts designated as hedging instruments	$ 73,654	$ 54,239

	The Effect of Interest Rate Contracts on the Statements of Operations	
	September 30, 2010	September 30, 2009
	(Unaudited)	
	(In thousands)	
Loss recognized in income on interest rate contracts	$ 12,356	$ 12,767
(Gain) loss recognized in AOCI on interest rate contracts (effective portion)	$ 19,568	$ (16,973)
Loss reclassified from AOCI into income (effective portion)	$ 12,509	$ 13,602
	$ (153)	$ (835)

(Gain) loss recognized in income on interest rate contracts
(ineffective portion and amount excluded from effectiveness testing)

Gains or losses recognized in income on derivatives are recorded as interest expense in the statements of operations.

13

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended September 30,	
	2010	2009
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	1.82 %	1.78 %
Interest rate at the end of the quarter	-	1.75 %
Maximum amount outstanding during the quarter	$75,000	$195,000
Average amount outstanding during the quarter	$33,804	$186,033
Facility fees	$57	$238

	Revolving Credit Activity Six Months Ended September 30,	
	2010	2009
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the first six months	1.81 %	1.84 %
Interest rate at the end of the first six months	-	1.75 %
Maximum amount outstanding during the first six months	$111,000	$207,280
Average amount outstanding during the first six months	$59,585	$195,580
Facility fees	$113	$480

6. Stockholders Equity

On December 3, 2008, the Board of Directors (the "Board") authorized us, using management's discretion, to buy back shares from former employees who were participants in our Employee Stock Ownership Plan ("ESOP"). To be eligible for consideration, the employees' respective ESOP account balances must be valued at more than $1,000 at the then-prevailing market prices but have less than 100 shares. No such shares have been purchased.

Between January 1, 2009 and September 30, 2010, our insurance subsidiaries purchased 304,000 shares of Series A Preferred on the open market for $7.1 million. Our insurance subsidiaries may make additional investments in shares of the Series A Preferred in the future.

14

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

7. Comprehensive Income (Loss)

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

	Foreign Currency Translation	Unrealized Gain on Investments	Fair Market Value of Cash Flow Hedges	Postretirement Benefit Obligation Gain	Accumulated Other Comprehensive Income (Loss)
			(Unaudited)		
			(In thousands)		
Balance at March 31, 2010	$(29,142)	$ 5,931	$(33,933)	$ 937	$ (56,207)
Foreign currency translation	(1,779)	-	-	-	(1,779)
Unrealized gain on investments	-	4,514	-	-	4,514
Change in fair value of cash flow hedges	-	-	(12,132)	-	(12,132)
Balance at September 30, 2010	$(30,921)	$ 10,445	$(46,065)	$ 937	$ (65,604)

8. Contingent Liabilities and Commitments

The Company leases a portion of its rental equipment and certain of its facilities under operating leases with terms that expire at various dates substantially through 2017, with the exception of one land lease expiring in 2034. As of September 30, 2010, AMERCO has guaranteed $170.7 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, the Company has the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. AMERCO has been leasing equipment since 1987 and has experienced no material losses relating to these types of residual value guarantees.

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

	Property, Plant and Equipment	Rental Equipment	Total
		(Unaudited)	
		(In thousands)	
Year-ended September 30:			
2011	$14,800	$113,164	$127,964
2012	14,066	99,791	113,857
2013	13,359	80,128	93,487
2014	8,820	60,881	69,701
2015	669	37,413	38,082
Thereafter	5,672	8,862	14,534

Total	$57,386	$400,239	$457,625

15

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

9. Contingencies

Shoen

In September 2002, Paul F. Shoen filed a shareholder derivative lawsuit in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Paul F. Shoen vs. SAC Holding Corporation et al., CV 02-05602, seeking damages and equitable relief on behalf of AMERCO from SAC Holdings and certain current and former members of the AMERCO Board of Directors, including Edward J. Shoen, Mark V. Shoen and James P. Shoen as Defendants. AMERCO is named as a nominal Defendant in the case. The complaint alleges breach of fiduciary duty, self-dealing, usurpation of corporate opportunities, wrongful interference with prospective economic advantage and unjust enrichment and seeks the unwinding of sales of self-storage properties by subsidiaries of AMERCO to SAC prior to the filing of the complaint. The complaint seeks a declaration that such transfers are void as well as unspecified damages. In October 2002, the Defendants filed motions to dismiss the complaint. Also in October 2002, Ron Belec filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Ron Belec vs. William E. Carty, et al., CV 02-06331 and in January 2003, M.S. Management Company, Inc. filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned M.S. Management Company, Inc. vs. William E. Carty, et al., CV 03-00386. Two additional derivative suits were also filed against these parties. Each of these suits is substantially similar to the Paul F. Shoen case. The Court consolidated the five cases and thereafter dismissed these actions in May 2003, concluding that the AMERCO Board of Directors had the requisite level of independence required in order to have these claims resolved by the Board. Plaintiffs appealed this decision and, in July 2006, the Nevada Supreme Court reversed the ruling of the trial court and remanded the case to the trial court for proceedings consistent with its ruling, allowing the Plaintiffs to file an amended complaint and plead in addition to substantive claims, demand futility.

In November 2006, the Plaintiffs filed an amended complaint. In December 2006, the Defendants filed motions to dismiss, based on various legal theories. In March 2007, the Court denied AMERCO’s motion to dismiss regarding the issue of demand futility, stating that “Plaintiffs have satisfied the heightened pleading requirements of demand futility by showing a majority of the members of the AMERCO Board of Directors were interested parties in the SAC transactions.” The Court heard oral argument on the remainder of the Defendants’ motions to dismiss, including the motion (“Goldwasser Motion”) based on the fact that the subject matter of the lawsuit had been settled and dismissed in earlier litigation known as Goldwasser v. Shoen, C.V.N.-94-00810-ECR (D.Nev), Washoe County, Nevada. In addition, in September and October 2007, the Defendants filed Motions for Judgment on the Pleadings or in the Alternative Summary Judgment, based on the fact that the stockholders of the Company had ratified the underlying transactions at the 2007 annual meeting of stockholders of AMERCO. In December 2007, the Court denied this motion. This ruling does not preclude a renewed motion for summary judgment after discovery and further proceedings on these issues. On April 7, 2008, the litigation was dismissed, on the basis of the Goldwasser Motion. On May 8, 2008, the Plaintiffs filed a notice of appeal of such dismissal to the Nevada Supreme Court. On May 20, 2008, AMERCO filed a cross appeal relating to the denial of its Motion to Dismiss in regard to demand futility. The Nevada Supreme Court heard the case En Banc on July 7, 2010 and we are awaiting the ruling.

Environmental

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

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to result in a material adverse effect on AMERCO’s financial position or results of operations. Real Estate expects to spend approximately $2.6 million in total through fiscal 2011 to remediate these properties.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Other

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

10. Related Party Transactions

As set forth in the Audit Committee Charter and consistent with Nasdaq Listing Rules, the Audit Committee reviews and maintains oversight over related party transactions which are required to be disclosed under the Securities and Exchange Commission ("SEC") rules and regulations. Accordingly, all such related party transactions are submitted to the Audit Committee for ongoing review and oversight. The Company's internal processes ensure that the Company's legal and finance departments identify and monitor potential related party transactions which may require disclosure and Audit Committee oversight.

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

SAC Holding Corporation and SAC Holding II Corporation, (collectively "SAC Holdings") were established in order to acquire self-storage properties. These properties are being managed by the Company pursuant to management agreements. In the past, the Company has sold various self-storage properties to SAC Holdings, and such sales provided significant cash flows to the Company.

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

During the first six months of fiscal 2011, subsidiaries of the Company held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. ("Blackwater"). Blackwater is wholly-owned by Mark V. Shoen, a significant shareholder and executive officer of AMERCO. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of $9.6 million and $9.4 million, and received cash interest payments of $8.8 million and $6.8 million, from SAC Holdings during the first six months of fiscal 2011 and 2010, respectively. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2011 was $196.9 million and the aggregate notes receivable balance at September 30, 2010 was $196.6 million. In accordance with the terms of these notes, SAC Holdings may prepay the notes without penalty or premium at any time. The scheduled maturities of these notes are between 2019 and 2024.

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

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

During the first six months of fiscal 2011, AMERCO and U-Haul held various junior notes issued by Private Mini Storage Realty, L.P. (“Private Mini”). The equity interests of Private Mini are ultimately controlled by Blackwater. The Company recorded interest income of $2.7 million and $2.6 million and received cash interest payments of $2.8 million and $2.6 million from Private Mini during the first six months of fiscal 2011 and 2010, respectively. The largest aggregate amount outstanding during the first six months of fiscal 2011 was $67.3 million. The balance of notes receivable from Private Mini at September 30, 2010 was $66.8 million.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury Partners, L.P. (“Mercury”), Four SAC Self-Storage Corporation (“4 SAC”), Five SAC Self-Storage Corporation (“5 SAC”), Galaxy Investments, L.P. (“Galaxy”) and Private Mini pursuant to a standard form of management agreement, under which the Company receives a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. The Company received management fees, exclusive of reimbursed expenses, of $13.5 million and $14.3 million from the above mentioned entities during the first six months of fiscal 2011 and 2010, respectively. This management fee is consistent with the fee received for other properties the Company previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mercury is substantially controlled by Mark V. Shoen. James P. Shoen, a significant shareholder and director of AMERCO, has an interest in Mercury.

The Company leases space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. Total lease payments pursuant to such leases were $1.2 million in the first six months of fiscal 2011 and 2010. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to the Company.

At September 30, 2010, subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with the Company’s other independent dealers whereby commissions are paid by the Company based upon equipment rental revenues. The Company paid the above mentioned entities $21.4 million and $19.6 million in commissions pursuant to such dealership contracts during the first six months of fiscal 2011 and 2010, respectively.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of $21.4 million, expenses of $1.2 million and cash flows of $24.5 million during the first six months of fiscal 2011. Revenues and commission expenses related to the Dealer Agreements were $101.4 million and $21.4 million, respectively during the first six months of fiscal 2011.

Between January 1, 2009 and September 30, 2010, our insurance subsidiaries purchased 304,000 shares of Series A Preferred on the open market for $7.1 million. Our insurance subsidiaries may make additional investments in shares of the Series A Preferred in the future.

The Company adopted Accounting Standards Update (“ASU”) 2009-17, which amends the FASB ASC for the issuance of FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R), as of April 1, 2010. Management determined that the junior notes of SAC Holdings and Private Mini and the management agreements with SAC Holdings, Mercury, 4 SAC, 5 SAC, Galaxy, and Private Mini represent potential variable interests for the Company. Management evaluated whether it should be identified as the primary beneficiary of one or more of these variable interest entity’s (“VIE’s”) using a two step approach in which management a) identified all other parties that hold interests in the VIE’s, and b) determined if any variable interest holder has the power to direct the activities of the VIE’s that most significantly impact their economic performance.

Management determined that they do not have a variable interest in the holding entities Mercury, 4 SAC, 5 SAC, or Galaxy through management agreements which are with the individual operating entities or through the issuance of junior debt therefore the Company is precluded from consolidating these entities, which is consistent with the accounting treatment immediately prior to adopting ASU 2009-17.

The Company has junior debt with the holding entities SAC Holding Corporation, SAC Holding II Corporation, and Private Mini which represents a variable interest in each individual entity. Though the Company has certain protective rights within these debt agreements, the Company has no present influence or control over these holding entities unless their protective rights become exercisable, which management considers unlikely based on their payment history. As a result, the Company has no basis under ASC 810 - Consolidation ("ASC 810") to consolidate these entities, which is consistent with the accounting treatment immediately prior to adopting ASU 2009-17.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company does not have the power to direct the activities that most significantly impact the economic performance of the individual operating entities which have management agreements with U-Haul. Through control of the holding entities assets, and its ability and history of making key decisions relating to the entity and its assets, Blackwater, and its owner, are the variable interest holder with the power to direct the activities that most significantly impact each of the individual holding entities and the individual operating entities' performance. As a result, the Company has no basis under ASC 810 to consolidate these entities, which is consistent with the accounting treatment immediately prior to adopting ASU 2009-17.

The Company has not provided financial or other support explicitly or implicitly during the first six months ended September 30, 2010 to any of these entities that it was not previously contractually required to provide. The carrying amount and classification of the assets and liabilities in the Company's balance sheet that relate to the Company's variable interests in the aforementioned entities are as follows, which approximate the maximum exposure to loss as a result of the Company's involvement with these entities:

Related Party Assets

	September 30, 2010	March 31, 2010
	(Unaudited)	
	(In thousands)	
U-Haul notes, receivables and interest from Private Mini	$69,407	$69,867
U-Haul notes receivable from SAC Holdings	196,575	196,903
U-Haul interest receivable from SAC Holdings	14,559	13,775
U-Haul receivable from SAC Holdings	11,224	15,780
U-Haul receivable from Mercury	2,607	6,138
Other (a)	361	(337)
	$294,733	$302,126

(a) Timing differences for intercompany balances with insurance subsidiaries.

11. Consolidating Financial Information by Industry Segment

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

AMERCO's three reportable segments are:

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

- Property and Casualty Insurance, comprised of RepWest and its subsidiaries and ARCOA, and
- Life Insurance, comprised of Oxford and its subsidiaries.

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

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

11. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of September 30, 2010 are as follows:

	Moving & Storage						AMERCO Legal Group		
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminatio
						(Unaudited) (In thousands)			
Assets:									
Cash and cash equivalents	$184,013	$102,102	$750	$-		$286,865	$29,108	$13,857	$-
Reinsurance recoverables and trade receivables, net	-	20,229	-	-		20,229	171,711	12,334	-
Notes and mortgage receivables, net	-	335	1,009	-		1,344	-	-	-
Inventories, net	-	55,659	-	-		55,659	-	-	-
Prepaid expenses	-	47,787	617	-		48,404	-	-	-
Investments, fixed maturities and marketable equities	20,032	-	-	-		20,032	129,416	501,473	(7,570
Investments, other	-	2,016	14,637	-		16,653	71,840	71,302	-
Deferred policy acquisition costs, net	-	-	-	-		-	-	37,255	-
Other assets	37,798	79,963	26,635	-		144,396	598	310	-
Related party assets	1,149,010	239,447	43	(1,092,184)	(c)	296,316	3,564	-	(5,147
	1,390,853	547,538	43,691	(1,092,184)		889,898	406,237	636,531	(12,717
Investment in subsidiaries	(159,389)	-	-	497,926	(b)	338,537	-	-	(338,53
Property, plant and equipment, at cost:									
Land	-	44,696	181,542	-		226,238	-	-	-
Buildings and improvements	1	171,011	835,089	-		1,006,101	-	-	-
	245	312,351	18,190	-		330,786	-	-	-

Furniture and equipment								
Rental trailers and other rental equipment	-	242,455	-	-	242,455	-	-	-
Rental trucks	-	1,559,732	-	-	1,559,732	-	-	-
	246	2,330,245	1,034,821	-	3,365,312	-	-	-
Less: Accumulated depreciation	(218)	(1,007,381)	(338,262)	-	(1,345,861)	-	-	-
Total property, plant and equipment	28	1,322,864	696,559	-	2,019,451	-	-	-
Total assets	$1,231,492	$1,870,402	$740,250	$(594,258)	$3,247,886	$406,237	$636,531	$(351,254

(a) Balances as of June 30, 2010

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

(d) Eliminate intercompany preferred stock investment

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of September 30, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	C
					(Unaudited) (In thousands)				
Liabilities:									
Accounts payable and accrued expenses	$8,466	$310,965	$4,157	$-	$323,588	$-	$5,173	$-	$
Notes, loans and leases payable	-	563,282	715,273	-	1,278,555	-	-	-	
Policy benefits and losses, claims and loss expenses payable	-	396,298	-	-	396,298	275,310	184,393	-	
Liabilities from investment contracts	-	-	-	-	-	-	257,275	-	
Other policyholders' funds and liabilities	-	-	-	-	-	4,656	1,968	-	
Deferred income	-	27,596	-	-	27,596	-	-	-	
Deferred income taxes	265,752	-	-	-	265,752	(31,227)	4,321	(172)(d)	
Related party liabilities	-	917,793	177,176	(1,092,184) (c)	2,785	2,256	106	(5,147)(c)	
Total liabilities	274,218	2,215,934	896,606	(1,092,184)	2,294,574	250,995	453,236	(5,319)	
Stockholders' equity:									
Series preferred stock:									
Series A preferred stock	-	-	-	-	-	-	-	-	

Series B preferred stock	-	-	-	-		-	-	-	-		
Series A common stock	-	-	-	-		-	-	-	-		
Common stock	10,497	540	1	(541)	(b)	10,497	3,301	2,500	(5,801)	(b)	
Additional paid-in capital	423,622	121,230	147,941	(269,171)	(b)	423,622	89,620	26,271	(123,187)	(b,d	
Accumulated other comprehensive income (loss)	(65,285)	(76,049)	-	76,049	(b)	(65,285)	1,594	11,315	(13,228)	(b,d	
Retained earnings (deficit)	1,114,093	(387,291)	(304,298)	691,589	(b)	1,114,093	60,727	143,209	(203,719)	(b,d	
Cost of common shares in treasury, net	(525,653)	-	-	-		(525,653)	-	-	-		
Unearned employee stock ownership plan shares	-	(3,962)	-	-		(3,962)	-	-	-		
Total stockholders' equity (deficit)	957,274	(345,532)	(156,356)	497,926		953,312	155,242	183,295	(345,935)		
Total liabilities and stockholders' equity	$1,231,492	$1,870,402	$740,250	$(594,258)		$3,247,886	$406,237	$636,531	$(351,254)		$

(a) Balances as of June 30, 2010

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

(d) Eliminate intercompany preferred stock investment

21

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminatio
						(In thousands)			
Assets:									
Cash and cash equivalents	$100,460	$107,241	$4	$-		$207,705	$22,126	$14,287	$-
Reinsurance recoverables and trade receivables, net	-	17,797	-	-		17,797	168,119	12,367	-
Notes and mortgage receivables, net	-	379	1,082	-		1,461	-	-	-
Inventories, net	-	52,837	-	-		52,837	-	-	-
Prepaid expenses	-	53,305	74	-		53,379	-	-	-
Investments, fixed maturities and marketable equities	18,247	-	-	-		18,247	98,623	435,015	(2,567
Investments, other	-	2,626	12,990	-		15,616	106,334	105,536	-
Deferred policy acquisition costs, net	-	-	-	-		-	-	39,194	-
Other assets	37,800	79,228	27,407	-		144,435	912	517	-
Related party assets	1,176,096	247,074	8	(1,118,983)	(c)	304,195	2,446	-	(4,515
	1,332,603	560,487	41,565	(1,118,983)		815,672	398,560	606,916	(7,082
Investment in subsidiaries	(279,582)	-	-	604,478	(b)	324,896	-	-	(324,89
Property, plant and equipment, at cost:									
Land	-	44,525	180,379	-		224,904	-	-	-
Buildings and improvements	-	157,073	813,864	-		970,937	-	-	-
Furniture and equipment	248	304,926	18,160	-		323,334	-	-	-
	-	244,131	-	-		244,131	-	-	-

Rental trailers and other rental equipment								
Rental trucks	-	1,529,817	-	-	1,529,817	-	-	-
	248	2,280,472	1,012,403	-	3,293,123	-	-	-
Less: Accumulated depreciation	(216)	(1,012,575)	(331,944)	-	(1,344,735)	-	-	-
Total property, plant and equipment	32	1,267,897	680,459	-	1,948,388	-	-	-
Total assets	$1,053,053	$1,828,384	$722,024	$(514,505)	$3,088,956	$398,560	$606,916	$(331,978

(a) Balances as of December 31, 2009
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables
(d) Eliminate intercompany preferred stock investment

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating balance sheets by industry segment as of March 31, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	A C
					(In thousands)				
Liabilities:									
Accounts payable and accrued expenses	$12,496	$275,150	$4,212	$-	$291,858	$-	$4,199	$-	$
Notes, loans and leases payable	-	508,930	838,705	-	1,347,635	-	-	-	
Policy benefits and losses, claims and loss expenses payable	-	385,520	-	-	385,520	272,438	158,951	-	
Liabilities from investment contracts	-	-	-	-	-	-	268,810	-	
Other policyholders' funds and liabilities	-	-	-	-	-	5,609	2,546	-	
Deferred income	-	25,207	-	-	25,207	-	-	-	
Deferred income taxes	220,659	-	-	-	220,659	(32,819)	(936)	(134)(d)	
Related party liabilities	-	1,081,278	40,438	(1,118,983)(c)	2,733	1,655	127	(4,515)(c)	
Total liabilities	233,155	2,276,085	883,355	(1,118,983)	2,273,612	246,883	433,697	(4,649)	
Stockholders' equity:									
Series preferred stock:									
Series A preferred stock	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	

Series B preferred stock											
Series A common stock	-	-	-	-		-	-	-	-		
Common stock	10,497	540	1	(541)	(b)	10,497	3,301	2,500	(5,801)	(b)	
Additional paid-in capital	422,384	121,230	147,941	(269,171)	(b)	422,384	89,620	26,271	(118,464)	(b,c	
Accumulated other comprehensive income (loss)	(55,959)	(62,138)	-	62,138	(b)	(55,959)	242	5,625	(6,115)	(b,c	
Retained earnings (deficit)	968,629	(502,779)	(309,273)	812,052	(b)	968,629	58,514	138,823	(196,949)	(b,c	
Cost of common shares in treasury, net	(525,653)	-	-	-		(525,653)	-	-	-		
Unearned employee stock ownership plan shares	-	(4,554)	-	-		(4,554)	-	-	-		
Total stockholders' equity (deficit)	819,898	(447,701)	(161,331)	604,478		815,344	151,677	173,219	(327,329)		
Total liabilities and stockholders' equity	$1,053,053	$1,828,384	$722,024	$(514,505)		$3,088,956	$398,560	$606,916	$(331,978)		$

(a) Balances as of December 31, 2009

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

(d) Eliminate intercompany preferred stock investment

23

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statement of operations by industry segment for the quarter ended September 30, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group						
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
	(Unaudited) (In thousands)										
Revenues:											
Self-moving equipment rentals	$-	$467,797	$-	$-		$467,797	$-	$-	$(669)	(c)	$467,128
Self-storage revenues	-	30,282	365	-		30,647	-	-	-		30,647
Self-moving and self-storage products and service sales	-	56,821	-	-		56,821	-	-	-		56,821
Property management fees	-	4,580	-	-		4,580	-	-	-		4,580
Life insurance premiums	-	-	-	-		-	-	40,022	-		40,022
Property and casualty insurance premiums	-	-	-	-		-	8,300	-	-		8,300
Net investment and interest income	1,283	5,142	-	-		6,425	2,096	4,789	(436)	(b,e)	12,874
Other revenue	-	17,841	19,286	(20,765)	(b)	16,362	-	588	(346)	(b)	16,604
Total revenues	1,283	582,463	19,651	(20,765)		582,632	10,396	45,399	(1,451)		636,976
Costs and expenses:											
Operating expenses	1,816	276,725	2,328	(20,765)	(b)	260,104	4,154	7,007	(1,006)	(b,c)	270,259
Commission expenses	-	57,613	-	-		57,613	-	-	-		57,613
Cost of sales	-	29,603	-	-		29,603	-	-	-		29,603
Benefits and losses	-	-	-	-		-	4,235	33,148	-		37,383

Amortization of deferred policy acquisition costs	-	-	-	-	-	-	1,876	-	1,876
Lease expense	22	38,246	1	-	38,269	-	-	(305) (b)	37,964
Depreciation, net of (gains) losses on disposals	2	40,971	3,184	-	44,157	-	-	-	44,157
Total costs and expenses	1,840	443,158	5,513	(20,765)	429,746	8,389	42,031	(1,311)	478,855
Equity in earnings of subsidiaries	73,125	-	-	(69,567) (d)	3,558	-	-	(3,558) (d)	-
Earnings from operations	72,568	139,305	14,138	(69,567)	156,444	2,007	3,368	(3,698)	158,121
Interest income (expense)	20,288	(31,076)	(11,000)	-	(21,788)	-	-	-	(21,788)
Pretax earnings	92,856	108,229	3,138	(69,567)	134,656	2,007	3,368	(3,698)	136,333
Income tax expense	(7,497)	(40,400)	(1,400)	-	(49,297)	(702)	(1,115)	-	(51,114)
Net earnings	85,359	67,829	1,738	(69,567)	85,359	1,305	2,253	(3,698)	85,219
Loss of carrying amount of preferred stock over consideration paid	-	-	-	-	-	-	-	(140)	(140)
Less: Preferred stock dividends	(3,241)	-	-	-	(3,241)	-	-	140 (e)	(3,101)
Earnings available to common shareholders	$82,118	$67,829	$1,738	$(69,567)	$82,118	$1,305	$2,253	$(3,698)	$81,978

(a) Balances for the quarter ended June 30, 2010

(b) Eliminate intercompany lease income

(c) Eliminate intercompany premiums

(d) Eliminate equity in

earnings of
subsidiaries
(e) Eliminate
preferred stock
dividends paid
to affiliates

24

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the quarter ended September 30, 2009 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
	(Unaudited) (In thousands)								
Revenues:									
Self-moving equipment rentals	$-	$427,637	$-	$-	$427,637	$-	$-	$(434)(c)	$427,203
Self-storage revenues	-	27,101	311	-	27,412	-	-	-	27,412
Self-moving and self-storage products and service sales	-	55,522	-	-	55,522	-	-	-	55,522
Property management fees	-	4,478	-	-	4,478	-	-	-	4,478
Life insurance premiums	-	-	-	-	-	-	28,738	-	28,738
Property and casualty insurance premiums	-	-	-	-	-	7,046	-	-	7,046
Net investment and interest income	1,080	5,741	-	-	6,821	1,813	4,230	(325)(b,e)	12,539
Other revenue	-	11,977	18,439	(19,874) (b)	10,542	-	767	(323)(b)	10,986
Total revenues	1,080	532,456	18,750	(19,874)	532,412	8,859	33,735	(1,082)	573,924
Costs and expenses:									
Operating expenses	2,024	281,515	1,956	(19,874) (b)	265,621	3,617	5,240	(748)(b,c)	273,730
Commission expenses	-	51,098	-	-	51,098	-	-	-	51,098
Cost of sales	-	28,359	-	-	28,359	-	-	-	28,359
	-	-	-	-	-	3,619	22,188	-	25,807

Benefits and losses									
Amortization of deferred policy acquisition costs	-	-	-	-	-	-	2,296	-	2,296
Lease expense	22	40,306	3	-	40,331	-	-	(305) (b)	40,026
Depreciation, net of (gains) losses on disposals	5	53,426	3,359	-	56,790	-	-	-	56,790
Total costs and expenses	2,051	454,704	5,318	(19,874)	442,199	7,236	29,724	(1,053)	478,106
Equity in earnings of subsidiaries	30,525	-	-	(26,849) (d)	3,676	-	-	(3,676) (d)	-
Earnings from operations	29,554	77,752	13,432	(26,849)	93,889	1,623	4,011	(3,705)	95,818
Interest income (expense)	24,110	(39,504)	(8,544)	-	(23,938)	-	-	-	(23,938)
Pretax earnings	53,664	38,248	4,888	(26,849)	69,951	1,623	4,011	(3,705)	71,880
Income tax expense	(8,944)	(14,167)	(2,120)	-	(25,231)	(568)	(1,390)	-	(27,189)
Net earnings	44,720	24,081	2,768	(26,849)	44,720	1,055	2,621	(3,705)	44,691
Excess carrying amount of preferred stock over consideration paid	-	-	-	-	-	-	-	48	48
Less: Preferred stock dividends	(3,241)	-	-	-	(3,241)	-	-	29 (e)	(3,212)
Earnings available to common shareholders	$41,479	$24,081	$2,768	$(26,849)	$41,479	$1,055	$2,621	$(3,628)	$41,527

(a) Balances for the quarter ended June 30, 2009

(b) Eliminate intercompany lease income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

(e) Eliminate preferred stock dividends paid to affiliate

25

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the six months ended September 30, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group				
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidat
	(Unaudited) (In thousands)										
Revenues:											
Self-moving equipment rentals	$-	$887,677	$-	$-		$887,677	$-	$-	$(1,086)	(c)	$886,591
Self-storage revenues	-	58,197	677	-		58,874	-	-	-		58,874
Self-moving and self-storage products and service sales	-	120,111	-	-		120,111	-	-	-		120,111
Property management fees	-	9,116	-	-		9,116	-	-	-		9,116
Life insurance premiums	-	-	-	-		-	-	77,825	-		77,825
Property and casualty insurance premiums	-	-	-	-		-	14,479	-	-		14,479
Net investment and interest income	2,494	10,221	-	-		12,715	4,011	10,321	(818)	(b,e)	26,229
Other revenue	20	32,013	38,658	(41,394)	(b)	29,297	-	1,095	(694)	(b)	29,698
Total revenues	2,514	1,117,335	39,335	(41,394)		1,117,790	18,490	89,241	(2,598)		1,222,92
Costs and expenses:											
Operating expenses	3,895	537,382	4,591	(41,394)	(b)	504,474	6,972	13,710	(1,763)	(b,c)	523,393
Commission expenses	-	109,782	-	-		109,782	-	-	-		109,782
Cost of sales	-	61,268	-	-		61,268	-	-	-		61,268
Benefits and losses	-	-	-	-		-	8,114	64,691	-		72,805

Amortization of deferred policy acquisition costs	-	-	-	-	-	-	4,069	-		4,069
Lease expense	47	77,187	6	-	77,240	-	-	(610)	(b)	76,630
Depreciation, net of (gains) losses on disposals	4	83,578	5,164	-	88,746	-	-	-		88,746
Total costs and expenses	3,946	869,197	9,761	(41,394)	841,510	15,086	82,470	(2,373)		936,693
Equity in earnings of subsidiaries	127,062	-	-	(120,463) (d)	6,599	-	-	(6,599)	(d)	-
Earnings from operations	125,630	248,138	29,574	(120,463)	282,879	3,404	6,771	(6,824)		286,230
Interest income (expense)	41,568	(63,952)	(20,868)	-	(43,252)	-	-	-		(43,252
Pretax earnings	167,198	184,186	8,706	(120,463)	239,627	3,404	6,771	(6,824)		242,978
Income tax expense	(15,252)	(68,698)	(3,731)	-	(87,681)	(1,191)	(2,385)	-		(91,257
Net earnings	151,946	115,488	4,975	(120,463)	151,946	2,213	4,386	(6,824)		151,721
Loss of carrying amount of preferred stock over consideration paid	-	-	-	-	-	-	-	(171)		(171
Less: Preferred stock dividends	(6,482)	-	-	-	(6,482)	-	-	225	(e)	(6,257
Earnings available to common shareholders	$ 145,464	$ 115,488	$ 4,975	$ (120,463)	$ 145,464	$ 2,213	$ 4,386	$ (6,770)		$ 145,293

(a) Balances for the six months ended June 30, 2010
(b) Eliminate intercompany lease income
(c) Eliminate intercompany premiums
(d) Eliminate equity in

earnings of
subsidiaries
(e) Eliminate
preferred stock
dividends paid
to affiliates

26

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating statements of operations by industry for the six months ended September 30, 2009 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	AMERCO Consolidated
					(Unaudited)				
					(In thousands)				
Revenues:									
Self-moving equipment rentals	$-	$800,892	$-	$-	$800,892	$-	$-	$(748) (c)	$800,144
Self-storage revenues	-	53,759	657	-	54,416	-	-	-	54,416
Self-moving and self-storage products and service sales	-	113,344	-	-	113,344	-	-	-	113,344
Property management fees	-	8,928	-	-	8,928	-	-	-	8,928
Life insurance premiums	-	-	-	-	-	-	56,342	-	56,342
Property and casualty insurance premiums	-	-	-	-	-	13,261	-	-	13,261
Net investment and interest income	2,152	11,278	-	-	13,430	3,649	9,762	(622) (b,e)	26,219
Other revenue	-	23,900	36,741	(39,566) (b)	21,075	-	1,503	(649) (b)	21,929
Total revenues	2,152	1,012,101	37,398	(39,566)	1,012,085	16,910	67,607	(2,019)	1,094,583
Costs and expenses:									
Operating expenses	4,710	547,106	4,197	(39,566) (b)	516,447	6,879	10,285	(1,380) (b,c)	532,231
Commission expenses	-	95,509	-	-	95,509	-	-	-	95,509
Cost of sales	-	58,809	-	-	58,809	-	-	-	58,809
	-	-	-	-	-	6,981	46,520	-	53,501

Benefits and losses									
Amortization of deferred policy acquisition costs	-	-	-	-	-	-	4,213	-	4,213
Lease expense	36	79,868	5	-	79,909	-	-	(610) (b)	79,299
Depreciation, net of (gains) losses on disposals	9	109,464	6,534	-	116,007	-	-	-	116,007
Total costs and expenses	4,755	890,756	10,736	(39,566)	866,681	13,860	61,018	(1,990)	939,569
Equity in earnings of subsidiaries	39,302	-	-	(33,040) (d)	6,262	-	-	(6,262) (d)	-
Earnings from operations	36,699	121,345	26,662	(33,040)	151,666	3,050	6,589	(6,291)	155,014
Interest income (expense)	47,521	(77,710)	(16,970)	-	(47,159)	-	-	-	(47,159
Pretax earnings	84,220	43,635	9,692	(33,040)	104,507	3,050	6,589	(6,291)	107,855
Income tax expense	(17,068)	(16,079)	(4,208)	-	(37,355)	(1,068)	(2,309)	-	(40,732
Net earnings	67,152	27,556	5,484	(33,040)	67,152	1,982	4,280	(6,291)	67,123
Excess carrying amount of preferred stock over consideration paid	-	-	-	-	-	-	-	371	371
Less: Preferred stock dividends	(6,482)	-	-	-	(6,482)	-	-	29 (e)	(6,453
Earnings available to common shareholders	$60,670	$27,556	$5,484	$(33,040)	$60,670	$1,982	$4,280	$(5,891)	$61,041

(a) Balances for the six months ended June 30, 2009

(b) Eliminate intercompany lease income

(c) Eliminate intercompany premiums

(d) Eliminate equity in earnings of subsidiaries

(e) Eliminate preferred stock dividends paid to affiliate

27

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating cash flow statements by industry segment for the six months ended September 30, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
					(Unaudited)				
Cash flows from operating activities:					(In thousands)				
Net earnings	$151,946	$115,488	$4,975	$(120,463)	$151,946	$2,213	$4,386	$(6,824)	$151,721
Earnings from consolidated entities	(127,062)	-	-	120,463	(6,599)	-	-	6,599	-
Adjustments to reconcile net earnings to the cash provided by operations:									
Depreciation	4	99,673	6,378	-	106,055	-	-	-	106,055
Amortization of deferred policy acquisition costs	-	-	-	-	-	-	4,069	-	4,069
Change in allowance for losses on trade receivables	-	(25)	-	-	(25)	-	1	-	(24)
Change in allowance for losses on mortgage notes	-	-	-	-	-	-	-	-	-
Change in allowance for inventory reserve	-	840	-	-	840	-	-	-	840
Net gain on sale of real	-	(16,095)	(1,214)	-	(17,309)	-	-	-	(17,309)

and personal property									
Net gain on sale of investments	-	-	-	-	-	(36)	(1,293)	-	(1,329)
Deferred income taxes	54,034	-	-	-	54,034	864	2,193	-	57,091
Net change in other operating assets and liabilities:									
Reinsurance recoverables and trade receivables	-	(2,407)	-	-	(2,407)	(3,592)	30	-	(5,969)
Inventories	-	(3,662)	-	-	(3,662)	-	-	-	(3,662)
Prepaid expenses	-	5,518	(543)	-	4,975	-	-	-	4,975
Capitalization of deferred policy acquisition costs	-	-	-	-	-	-	(7,377)	-	(7,377)
Other assets	2	(646)	772	-	128	314	207	-	649
Related party assets	286	7,602	(35)	-	7,853	(1,143)	-	-	6,710
Accounts payable and accrued expenses	(2,792)	21,114	(52)	-	18,270	-	1,832	-	20,102
Policy benefits and losses, claims and loss expenses payable	-	11,139	-	-	11,139	2,872	25,441	-	39,452
Other policyholders' funds and liabilities	-	-	-	-	-	(953)	(578)	-	(1,531)
Deferred income	-	2,399	-	-	2,399	-	-	-	2,399
Related party liabilities	-	53	-	-	53	626	14	-	693
Net cash provided (used) by operating activities	76,418	240,991	10,281	-	327,690	1,165	28,925	(225)	357,555

Cash flows from investing activities:									
Purchases of:									
Property, plant and equipment	(1)	(251,606)	(22,633)	-	(274,240)	-	-	-	(274,240)
Short term investments	-	-	-	-	-	(38,243)	(71,542)	-	(109,785)
Fixed maturities investments	-	-	-	-	-	(24,350)	(98,154)	-	(122,504)
Equity securities	(5,746)	-	-	-	(5,746)	(3,297)	-	-	(9,043)
Preferred stock	-	-	-	-	-	(9,305)	(2,597)	-	(11,902)
Real estate	-	-	(1,647)	-	(1,647)	(56)	(81)	-	(1,784)
Mortgage loans	-	-	-	-	-	(1,297)	(11)	-	(1,308)
Proceeds from sales of:									
Property, plant and equipment	-	120,790	1,367	-	122,157	-	-	-	122,157
Short term investments	-	-	-	-	-	73,980	104,481	-	178,461
Fixed maturities investments	-	-	-	-	-	8,142	48,699	-	56,841
Equity securities	-	-	-	-	-	133	-	-	133
Real estate	-	610	-	-	610	73	-	-	683
Mortgage loans	-	-	-	-	-	37	1,384	-	1,421
Payments from notes and mortgage receivables	-	44	73	-	117	-	-	-	117
Net cash provided (used) by investing activities	(5,747)	(130,162)	(22,840)	-	(158,749)	5,817	(17,821)	-	(170,753)

(page 1 of 2)

(a) Balance for the period ended June 30, 2010

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Continuation of consolidating cash flow statements by industry segment for the six months ended September 30, 2010 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(Unaudited)								
Cash flows from financing activities:	(In thousands)								
Borrowings from credit facilities	-	100,422	34,134	-	134,556	-	-	-	134,556
Principal repayments on credit facilities	-	(51,853)	(157,567)	-	(209,420)	-	-	-	(209,420)
Debt issuance costs	-	(89)	-	-	(89)	-	-	-	(89)
Capital lease payments	-	(8,369)	-	-	(8,369)	-	-	-	(8,369)
Leveraged Employee Stock Ownership Plan - repayments from loan	-	592	-	-	592	-	-	-	592
Proceeds from (repayment of) intercompany loans	19,364	(156,102)	136,738	-	-	-	-	-	-
Preferred stock dividends paid	(6,482)	-	-	-	(6,482)	-	-	225 (b)	(6,257)
Investment contract deposits	-	-	-	-	-	-	5,875	-	5,875
Investment contract withdrawals	-	-	-	-	-	-	(17,409)	-	(17,409)
Net cash provided (used)	12,882	(115,399)	13,305	-	(89,212)	-	(11,534)	225	(100,521)

by financing activities									
Effects of exchange rate on cash	-	(569)	-	-	(569)	-	-	-	(569)
Increase (decrease) in cash and cash equivalents	83,553	(5,139)	746	-	79,160	6,982	(430)	-	85,712
Cash and cash equivalents at beginning of period	100,460	107,241	4	-	207,705	22,126	14,287	-	244,118
Cash and cash equivalents at end of period	$ 184,013	$ 102,102	$ 750	$ -	$ 286,865	$ 29,108	$ 13,857	$ -	$ 329,830

(page 2 of 2)

(a) Balance for the period ended June 30, 2010

(b) Eliminate preferred stock dividends paid to affiliates

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Consolidating cash flow statements by industry segment for the six months ended September 30, 2009 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(Unaudited)								
Cash flows from operating activities:	(In thousands)								
Net earnings	$67,152	$27,556	$5,484	$(33,040)	$67,152	$1,982	$4,280	$(6,291)	$67,123
Earnings from consolidated entities	(39,302)	-	-	33,040	(6,262)	-	-	6,262	-
Adjustments to reconcile net earnings to cash provided by operations:									
Depreciation	9	111,273	6,497	-	117,779	-	-	-	117,779
Amortization of deferred policy acquisition costs	-	-	-	-	-	-	4,213	-	4,213
Change in allowance for losses on trade receivables	-	398	-	-	398	-	(1)	-	397
Change in allowance for losses on mortgage notes	-	(6)	-	-	(6)	-	-	-	(6)
Change in allowance for inventory reserve	-	1,344	-	-	1,344	-	-	-	1,344
Net (gain) loss on sale of real	-	(1,809)	37	-	(1,772)	-	-	-	(1,772)

and personal property									
Net (gain) loss on sale of investments	-	-	-	-	-	27	(428)	-	(401)
Deferred income taxes	38,038	-	-	-	38,038	870	1,523	-	40,431
Net change in other operating assets and liabilities:									
Reinsurance recoverables and trade receivables	-	1,637	-	-	1,637	11,826	(1,546)	-	11,917
Inventories	-	7,334	-	-	7,334	-	-	-	7,334
Prepaid expenses	(660)	(1,842)	(426)	-	(2,928)	-	-	-	(2,928)
Capitalization of deferred policy acquisition costs	-	-	-	-	-	-	(6,533)	-	(6,533)
Other assets	(303)	6,439	804	-	6,940	131	(73)	-	6,998
Related party assets	339	6,945	(17)	-	7,267	214	-	-	7,481
Accounts payable and accrued expenses	(1,027)	3,589	(2,688)	-	(126)	-	(5,767)	-	(5,893)
Policy benefits and losses, claims and loss expenses payable	-	20,382	-	-	20,382	(13,652)	5,261	-	11,991
Other policyholders' funds and liabilities	-	-	-	-	-	(3,210)	(101)	-	(3,311)
Deferred income	-	(1,946)	-	-	(1,946)	-	-	-	(1,946)
Related party liabilities	-	(121)	-	-	(121)	(491)	61	-	(551)
Net cash provided (used) by operating activities	64,246	181,173	9,691	-	255,110	(2,303)	889	(29)	253,667

Cash flows from investing activities:									
Purchases of:									
Property, plant and equipment	(2)	(163,134)	(12,691)	-	(175,827)	-	-	-	(175,827)
Short term investments	-	-	-	-	-	(49,589)	(94,717)	-	(144,306)
Fixed maturities investments	-	-	-	-	-	(17,753)	(59,353)	-	(77,106)
Real estate	-	(204)	(308)	-	(512)	46	-	-	(466)
Mortgage loans	-	(424)	-	-	(424)	(50)	(51)	-	(525)
Proceeds from sales of:									
Property, plant and equipment	-	87,862	1,080	-	88,942	-	-	-	88,942
Short term investments	-	-	-	-	-	58,457	100,850	-	159,307
Fixed maturities investments	-	-	-	-	-	15,036	68,631	-	83,667
Preferred stock	-	-	-	-	-	1,724	512	-	2,236
Mortgage loans	-	-	-	-	-	35	4,018	-	4,053
Payments from notes and mortgage receivables	-	123	341	-	464	-	-	-	464
Net cash provided (used) by investing activities	(2)	(75,777)	(11,578)	-	(87,357)	7,906	19,890	-	(59,561)

(page 1 of 2)

(a) Balance for the period ended June 30, 2009

30

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Continuation of consolidating cash flow statements by industry segment for the six months ended September 30, 2009 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Elimination	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
					(Unaudited)				
Cash flows from financing activities:					(In thousands)				
Borrowings from credit facilities	-	25,712	26,209	-	51,921	-	-	-	51,921
Principal repayments on credit facilities	-	(59,660)	(13,035)	-	(72,695)	-	-	-	(72,695)
Debt issuance costs	-	(100)	(177)	-	(277)	-	-	-	(277)
Capital lease payments	-	(1,168)	-	-	(1,168)	-	-	-	(1,168)
Leveraged Employee Stock Ownership Plan - repayments from loan	-	533	-	-	533	-	-	-	533
Proceeds from (repayment of) intercompany loans	(57,706)	68,816	(11,110)	-	-	-	-	-	-
Preferred stock dividends paid	(6,482)	-	-	-	(6,482)	-	-	29 (b)	(6,453)
Investment contract deposits	-	-	-	-	-	-	5,564	-	5,564
Investment contract withdrawals	-	-	-	-	-	-	(28,417)	-	(28,417)
Net cash provided (used) by financing activities	(64,188)	34,133	1,887	-	(28,168)	-	(22,853)	29	(50,992)
Effects of									