

AMERCO /NV/  
Form 10-Q  
November 07, 2007

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

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2007**

or

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

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

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

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

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

Large accelerated filer ☐

R

Non-accelerated filer ☐

Accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes ☐ No ☒ R

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed

by a court. Yes R No £

20,059,314 shares of AMERCO Common Stock, \$0.25 par value, were outstanding at November 1, 2007.

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**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****AMERCO AND CONSOLIDATED ENTITIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

|                                                                                  | September 30,<br>2007 | March 31,<br>2007 |
|----------------------------------------------------------------------------------|-----------------------|-------------------|
|                                                                                  | (Unaudited)           |                   |
|                                                                                  | (In thousands)        |                   |
| ASSETS                                                                           |                       |                   |
| Cash and cash equivalents                                                        | \$ 203,344            | \$ 75,272         |
| Reinsurance recoverables and trade receivables, net                              | 189,869               | 184,617           |
| Notes and mortgage receivables, net                                              | 1,862                 | 1,669             |
| Inventories, net                                                                 | 62,983                | 67,023            |
| Prepaid expenses                                                                 | 47,487                | 52,080            |
| Investments, fixed maturities and marketable equities                            | 656,912               | 681,801           |
| Investments, other                                                               | 166,650               | 178,699           |
| Deferred policy acquisition costs, net                                           | 43,887                | 44,514            |
| Other assets                                                                     | 231,506               | 95,123            |
| Related party assets                                                             | 205,849               | 245,179           |
|                                                                                  | 1,810,349             | 1,625,977         |
| Property, plant and equipment, at cost:                                          |                       |                   |
| Land                                                                             | 206,780               | 202,917           |
| Buildings and improvements                                                       | 834,331               | 802,289           |
| Furniture and equipment                                                          | 313,303               | 301,751           |
| Rental trailers and other rental equipment                                       | 206,599               | 200,208           |
| Rental trucks                                                                    | 1,736,826             | 1,604,123         |
| SAC Holding II - property, plant and equipment                                   | 81,385                | 80,349            |
|                                                                                  | 3,379,224             | 3,191,637         |
| Less: Accumulated depreciation                                                   | (1,310,726)           | (1,294,566)       |
| Total property, plant and equipment                                              | 2,068,498             | 1,897,071         |
| Total assets                                                                     | \$ 3,878,847          | \$ 3,523,048      |
| LIABILITIES AND STOCKHOLDERS' EQUITY                                             |                       |                   |
| Liabilities:                                                                     |                       |                   |
| Accounts payable and accrued expenses                                            | \$ 264,876            | \$ 251,197        |
| AMERCO's notes and loans payable                                                 | 1,452,042             | 1,181,165         |
| SAC Holding II notes and loans payable, non-recourse to AMERCO                   | 74,197                | 74,887            |
| Policy benefits and losses, claims and loss expenses payable                     | 773,250               | 768,751           |
| Liabilities from investment contracts                                            | 361,380               | 386,640           |
| Other policyholders' funds and liabilities                                       | 10,774                | 10,563            |
| Deferred income                                                                  | 14,935                | 16,478            |
| Deferred income taxes                                                            | 137,676               | 113,170           |
| Related party liabilities                                                        | 2,008                 | 2,099             |
| Total liabilities                                                                | 3,091,138             | 2,804,950         |
| Commitments and contingencies (Notes 3, 6 and 7)                                 |                       |                   |
| 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;        |                       |                   |

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|                                                                                                                                            |              |              |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| 6,100,000 shares issued and outstanding as of September 30 and March 31, 2007                                                              | -            | -            |
| Series B preferred stock, with no par value, 100,000 shares authorized; none issued and outstanding as of September 30 and March 31, 2007  | -            | -            |
| 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, 2007 | -            | -            |
| Common stock of \$0.25 par value, 150,000,000 shares authorized; 41,985,700 issued as of September 30 and March 31, 2007                   | 10,497       | 10,497       |
| Additional paid-in capital                                                                                                                 | 376,661      | 375,412      |
| Accumulated other comprehensive loss                                                                                                       | (32,628)     | (41,779)     |
| Retained earnings                                                                                                                          | 941,870      | 849,300      |
| Cost of common shares in treasury, net (21,926,386 shares as of September 30, 2007 and 21,440,387 as of March 31, 2007)                    | (501,165)    | (467,198)    |
| Unearned employee stock ownership plan shares                                                                                              | (7,526)      | (8,134)      |
| Total stockholders' equity                                                                                                                 | 787,709      | 718,098      |
| Total liabilities and stockholders' equity                                                                                                 | \$ 3,878,847 | \$ 3,523,048 |

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

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

|                                                               | Quarter Ended September 30,                        |            |
|---------------------------------------------------------------|----------------------------------------------------|------------|
|                                                               | 2007                                               | 2006       |
|                                                               | (Unaudited)                                        |            |
|                                                               | (In thousands, except share and per share amounts) |            |
| Revenues:                                                     |                                                    |            |
| Self-moving equipment rentals                                 | \$ 439,801                                         | \$ 445,720 |
| Self-storage revenues                                         | 33,088                                             | 32,416     |
| Self-moving and self-storage products and service sales       | 62,495                                             | 61,916     |
| Property management fees                                      | 3,993                                              | 3,986      |
| Life insurance premiums                                       | 27,937                                             | 31,120     |
| Property and casualty insurance premiums                      | 7,332                                              | 6,470      |
| Net investment and interest income                            | 16,419                                             | 15,626     |
| Other revenue                                                 | 9,492                                              | 8,999      |
| Total revenues                                                | 600,557                                            | 606,253    |
| Costs and expenses:                                           |                                                    |            |
| Operating expenses                                            | 284,990                                            | 280,808    |
| Commission expenses                                           | 53,437                                             | 53,605     |
| Cost of sales                                                 | 33,943                                             | 31,448     |
| Benefits and losses                                           | 25,592                                             | 28,842     |
| Amortization of deferred policy acquisition costs             | 3,266                                              | 4,825      |
| Lease expense                                                 | 34,457                                             | 37,385     |
| Depreciation, net of (gains) losses on disposals              | 55,746                                             | 43,087     |
| Total costs and expenses                                      | 491,431                                            | 480,000    |
| Earnings from operations                                      | 109,126                                            | 126,253    |
| Interest expense                                              | (27,495)                                           | (21,063)   |
| Amortization of fees on early extinguishment of debt          | -                                                  | (6,969)    |
| Pretax earnings                                               | 81,631                                             | 98,221     |
| Income tax expense                                            | (31,157)                                           | (37,730)   |
| Net earnings                                                  | 50,474                                             | 60,491     |
| Less: Preferred stock dividends                               | (3,241)                                            | (3,241)    |
| Earnings available to common shareholders                     | \$ 47,233                                          | \$ 57,250  |
| Basic and diluted earnings per common share                   | \$ 2.39                                            | \$ 2.74    |
| Weighted average common shares outstanding: Basic and diluted | 19,733,755                                         | 20,910,204 |

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,                     |            |
|---------------------------------------------------------------|----------------------------------------------------|------------|
|                                                               | 2007                                               | 2006       |
|                                                               | (Unaudited)                                        |            |
|                                                               | (In thousands, except share and per share amounts) |            |
| Revenues:                                                     |                                                    |            |
| Self-moving equipment rentals                                 | \$ 835,878                                         | \$ 852,954 |
| Self-storage revenues                                         | 65,124                                             | 62,847     |
| Self-moving and self-storage products and service sales       | 131,209                                            | 129,367    |
| Property management fees                                      | 7,940                                              | 7,833      |
| Life insurance premiums                                       | 57,124                                             | 62,039     |
| Property and casualty insurance premiums                      | 13,248                                             | 11,852     |
| Net investment and interest income                            | 30,788                                             | 29,101     |
| Other revenue                                                 | 17,404                                             | 16,932     |
| Total revenues                                                | 1,158,715                                          | 1,172,925  |
| Costs and expenses:                                           |                                                    |            |
| Operating expenses                                            | 558,321                                            | 542,187    |
| Commission expenses                                           | 101,360                                            | 103,141    |
| Cost of sales                                                 | 68,591                                             | 63,764     |
| Benefits and losses                                           | 54,869                                             | 59,448     |
| Amortization of deferred policy acquisition costs             | 7,183                                              | 10,451     |
| Lease expense                                                 | 67,195                                             | 74,757     |
| Depreciation, net of (gains) losses on disposals              | 100,011                                            | 82,758     |
| Total costs and expenses                                      | 957,530                                            | 936,506    |
| Earnings from operations                                      | 201,185                                            | 236,419    |
| Interest expense                                              | (51,266)                                           | (39,525)   |
| Amortization of fees on early extinguishment of debt          | -                                                  | (6,969)    |
| Pretax earnings                                               | 149,919                                            | 189,925    |
| Income tax expense                                            | (57,693)                                           | (74,013)   |
| Net earnings                                                  | 92,226                                             | 115,912    |
| Less: Preferred stock dividends                               | (6,482)                                            | (6,482)    |
| Earnings available to common shareholders                     | \$ 85,744                                          | \$ 109,430 |
| Basic and diluted earnings per common share                   | \$ 4.32                                            | \$ 5.23    |
| Weighted average common shares outstanding: Basic and diluted | 19,850,874                                         | 20,903,946 |

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, |            |
|-----------------------------------------------------------------------|--------------------------------|------------|
|                                                                       | 2007                           | 2006       |
|                                                                       | (Unaudited)                    |            |
|                                                                       | (In thousands)                 |            |
| Cash flow from operating activities:                                  |                                |            |
| Net earnings                                                          | \$ 92,226                      | \$ 115,912 |
| Adjustments to reconcile net earnings to cash provided by operations: |                                |            |
| Depreciation                                                          | 113,194                        | 86,545     |
| Amortization of deferred policy acquisition costs                     | 7,183                          | 10,451     |
| Change in provision for (gain) loss on trade receivables              | 87                             | (11)       |
| Change in provision for gain on mortgage notes                        | (19)                           | (20)       |
| Change in provision for inventory reserves                            | 1,281                          | -          |
| Net gain on sale of real and personal property                        | (13,183)                       | (3,787)    |
| Net loss on sale of investments                                       | 149                            | 891        |
| Write-off of unamortized debt issuance costs                          | -                              | 6,969      |
| Deferred income taxes                                                 | 33,966                         | 27,677     |
| Net change in other operating assets and liabilities:                 |                                |            |
| Reinsurance recoverables and trade receivables                        | (5,154)                        | 18,383     |
| Inventories                                                           | 3,181                          | (8,357)    |
| Prepaid expenses                                                      | 4,120                          | (2,962)    |
| Capitalization of deferred policy acquisition costs                   | (2,539)                        | (3,166)    |
| Other assets                                                          | (10,373)                       | (95)       |
| Related party assets                                                  | 41,881                         | 12,899     |
| Accounts payable and accrued expenses                                 | 13,497                         | 7,380      |
| Policy benefits and losses, claims and loss expenses payable          | 5,066                          | (8,420)    |
| Other policyholders' funds and liabilities                            | 211                            | 1,577      |
| Deferred income                                                       | (1,673)                        | 530        |
| Related party liabilities                                             | (3,411)                        | (10,016)   |
| Net cash provided by operating activities                             | 279,690                        | 252,380    |
| Cash flows from investing activities:                                 |                                |            |
| Purchases of:                                                         |                                |            |
| Property, plant and equipment                                         | (360,511)                      | (378,605)  |
| Short term investments                                                | (128,627)                      | (103,999)  |
| Fixed maturities investments                                          | (45,622)                       | (59,033)   |
| Real estate                                                           | (3,441)                        | -          |
| Mortgage loans                                                        | (4,895)                        | (8,855)    |
| Proceeds from sale of:                                                |                                |            |
| Property, plant and equipment                                         | 100,660                        | 57,204     |
| Short term investments                                                | 144,814                        | 145,044    |
| Fixed maturities investments                                          | 61,206                         | 52,056     |
| Cash received in excess of purchase for company acquired              | -                              | 1,235      |
| Equity securities                                                     | 46                             | -          |
| Preferred stock                                                       | 2,625                          | 125        |
| Real estate                                                           | 153                            | 10,113     |

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|                                                                |            |            |
|----------------------------------------------------------------|------------|------------|
| Mortgage loans                                                 | 4,043      | 4,182      |
| Payments from notes and mortgage receivables                   | 367        | 293        |
| Net cash used by investing activities                          | (229,182)  | (280,240)  |
| Cash flows from financing activities:                          |            |            |
| Borrowings from credit facilities                              | 447,620    | 276,744    |
| Principal repayments on credit facilities                      | (179,043)  | (39,614)   |
| Debt issuance costs                                            | (9,850)    | (539)      |
| Leveraged Employee Stock Ownership Plan - repayments from loan | 608        | 608        |
| Treasury stock repurchases                                     | (33,966)   | -          |
| Securitization deposits                                        | (116,176)  | -          |
| Preferred stock dividends paid                                 | (6,482)    | (6,482)    |
| Investment contract deposits                                   | 8,772      | 8,444      |
| Investment contract withdrawals                                | (34,032)   | (40,275)   |
| Net cash provided by financing activities                      | 77,451     | 198,886    |
| Effects of exchange rate on cash                               | 113        | 131        |
| Increase in cash equivalents                                   | 128,072    | 171,157    |
| Cash and cash equivalents at the beginning of period           | 75,272     | 155,459    |
| Cash and cash equivalents at the end of period                 | \$ 203,344 | \$ 326,616 |

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

**AMERCO AND CONSOLIDATED ENTITIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

The second fiscal quarter for AMERCO ends on the 30<sup>th</sup> of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30<sup>th</sup> 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 disclosure of our 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 2007 and 2006 correspond to the Company's fiscal years 2008 and 2007, respectively.

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 consolidated financial statements for the second quarter and the first six months of fiscal 2008 and fiscal 2007, and the balance sheet as of March 31, 2007 include the accounts of AMERCO and its wholly-owned subsidiaries and SAC Holding II Corporation and its subsidiaries ("SAC Holding II").

The condensed consolidated balance sheet as of September 30, 2007 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 2008 and 2007 are unaudited.

In our opinion, all adjustments necessary for the fair presentation of such condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The information in this 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the AMERCO 2007 Form 10-K.

Intercompany accounts and transactions have been eliminated.

***Description of Legal Entities***

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

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

Amerco Real Estate Company ("Real Estate"),

Republic Western Insurance Company ("RepWest") and its wholly-owned subsidiary,

Oxford Life Insurance Company ("Oxford") and its wholly-owned subsidiaries,

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



## AMERCO AND CONSOLIDATED ENTITIES

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

#### *Description of Operating Segments*

AMERCO has four reportable segments. They are Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II.

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

Property and Casualty Insurance includes RepWest and its wholly-owned subsidiary. RepWest provides loss adjusting and claims handling for U-Haul through regional offices across North America. RepWest also underwrites components of the Safemove, Safetow and Safestor protection packages to U-Haul customers.

Life Insurance includes Oxford and its wholly-owned subsidiaries. Oxford originates and reinsures annuities, ordinary life and Medicare supplement insurance. Oxford also administers the self-insured employee health and dental plans for Arizona employees of the Company.

SAC Holding Corporation and its subsidiaries, and SAC Holding II Corporation and its subsidiaries, collectively referred to as “SAC Holdings,” own self-storage properties that are managed by U-Haul under property management agreements and act as independent U-Haul rental equipment dealers. AMERCO, through its subsidiaries, has contractual interests in certain SAC Holdings’ properties entitling AMERCO to potential future income based on the financial performance of these properties. With respect to SAC Holding II, AMERCO is considered the primary beneficiary of these contractual interests. Consequently, we include the results of SAC Holding II in the consolidated financial statements of AMERCO, as required by FIN 46(R).

#### **2. Earnings per Share**

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

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares net of shares committed to be released were 319,316 and 368,142 as of September 30, 2007 and September 30, 2006, respectively.

6,100,000 shares of preferred stock have been excluded from the weighted average shares outstanding calculation because they are not common stock and they are not convertible into common stock.

## AMERCO AND CONSOLIDATED ENTITIES

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

## 3. Borrowings

*Long-Term Debt*

Long-term debt was as follows:

|                                         |               |            | September<br>30,<br>2007<br>(Unaudited) | March 31,<br>2007 |
|-----------------------------------------|---------------|------------|-----------------------------------------|-------------------|
|                                         | 2008 Rate (a) | Maturities | (In thousands)                          |                   |
| Real estate loan (amortizing term)      | 6.93%         | 2018       | \$ 290,000                              | \$ 295,000        |
| Real estate loan (revolving credit)     | -             | 2018       | -                                       | -                 |
| Senior mortgages                        | 5.19%-5.75%   | 2015       | 519,990                                 | 521,332           |
| Construction loan (revolving credit)    | 7.32%         | 2009       | 21,700                                  | -                 |
| Working capital loan (revolving credit) | -             | 2008       | -                                       | -                 |
| Fleet loans (amortizing term)           | 6.11%-7.42%   | 2012-2014  | 322,143                                 | 364,833           |
| Fleet loans (securitization)            | 5.40%-5.56%   | 2010-2014  | 298,209                                 | -                 |
| Fleet loan (revolving credit)           | -             | 2011       | -                                       | -                 |
| Total AMERCO notes and loans payable    |               |            | \$ 1,452,042                            | \$ 1,181,165      |

(a) Interest rate as of September 30, 2007, 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 lender is Merrill Lynch Commercial Finance Corp. and 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, 2007 the outstanding balance on the Real Estate Loan was \$290.0 million, with no portion of the revolver drawn down. U-Haul International, Inc. is a guarantor of this loan.

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

The interest rate, per the provisions of the amended Loan Agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.50%, the sum of which was 7.32%. The applicable margin ranges from 1.50% to 2.00%. 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 the current margin.

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.

#### *Senior Mortgages*

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. The lenders for these senior mortgages are Merrill Lynch Mortgage Lending, Inc. and Morgan Stanley Mortgage Capital, Inc. These senior mortgages loan balances as of September 30, 2007 were in the aggregate amount of \$460.6 million and are due July 2015. These 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% per annum for the Merrill Lynch Mortgage Lending Agreement and 5.52% per annum for the Morgan Stanley Mortgage Capital Agreement. 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.

**AMERCO AND CONSOLIDATED ENTITIES**

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

Various subsidiaries of the Company are borrowers under mortgage backed loans that we also classify as senior mortgages. These loans are secured by certain properties owned by the Company. The loan balance of these notes totals \$59.4 as of September 30, 2007. Maturity dates begin in 2009 with the majority maturing in 2015. Rates for these loans range from 5.19% to 5.75%. The loans require monthly principal and interest payments with the balances due upon maturity. The default provisions of the loans include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

*Construction / Working Capital Loans*

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit Construction Loan with MidFirst Bank effective June 29, 2006. The maximum amount that can be drawn at any one time is \$40.0 million. The final maturity is June 2009. As of September 30, 2007 the outstanding balance was \$21.7 million.

The Construction Loan requires monthly interest only payments with the principal and any accrued and unpaid interest due at maturity. The loan can be used to develop new or existing storage properties. The loan is secured by the properties being constructed. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. At September 30, 2007 the applicable LIBOR was 5.82% and the margin was 1.50%, the sum of which was 7.32%. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Amerco Real Estate Company is a borrower under an asset backed facility. The lender is JP Morgan Chase Bank and the facility was originally in the amount of \$20.0 million. The loan is secured by certain properties owned by the borrower. On September 5, 2007, the loan was amended to increase the availability to \$35.0 million. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. The loan agreement provides for revolving loans, subject to the terms of the loan agreement with final maturity in November 2008, subject to a one year extension. 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. At September 30, 2007 the facility was fully available.

*Fleet Loans*

*Rental Truck Amortizing Loans*

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is Merrill Lynch Commercial Finance Corp. The Company's outstanding balance at September 30, 2007 was \$106.6 million and the final maturity is April 2012.

The Merrill Lynch Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Merrill Lynch Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.50% and 1.75%. At September 30, 2007, the applicable LIBOR was 5.82% and the applicable margin was 1.75%, the sum of which was 7.57%. The interest rate is hedged with an interest rate swap fixing the rate at 6.81% based on the current margin. The default provisions of the loan include non-payment of principal or interest

and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is BTMU Capital Corporation ("BTMU"). The Company's outstanding balance at September 30, 2007 was \$119.3 million, and the final maturity is October 2012.

The BTMU Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The BTMU Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.75%, the sum of which was 7.57%. The interest rate is hedged with an interest rate swap fixing the rate at 7.32% based on the current margin. AMERCO and U-Haul International, Inc. are guarantors of the loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

**AMERCO AND CONSOLIDATED ENTITIES**

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

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is Bayerische Hypo-und Vereinsbank AG (“HVB”). The Company’s outstanding balance at September 30, 2007 was \$33.7 million and its final maturity is July 2013.

The HVB Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The HVB Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.75%, the sum of which was 7.57%. The interest rate is hedged with an interest rate swap fixing the rate at 7.42% based on the current margin. U-Haul International, Inc. is a guarantor 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.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is U.S. Bancorp Equipment Finance, Inc. (“U.S. Bank”). The Company’s outstanding balance at September 30, 2007 was \$26.5 million and its final maturity is February 2014.

The U.S. Bank Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The U.S. Bank Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 0.900% and 1.125%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.125%, the sum of which was 6.95%. The interest rate is hedged with an interest rate swap fixing the rate at 6.37% based on the current margin. AMERCO and U-Haul International, Inc. 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.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lenders are HSBC Bank US, NA and KBC Bank, NV (“HSBC/KBC”). The Company’s outstanding balance at September 30, 2007 was \$36.0 million and its final maturity is March 2014.

The HSBC/KBC Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The HSBC/KBC Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 0.900% and 1.125%. At September 30, 2007 the applicable LIBOR was 5.82% and the applicable margin was 1.125%, the sum of which was 6.95%. The interest rate is hedged with an interest rate swap fixing the rate at 6.11% based on the current margin. AMERCO is the guarantor 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.

*Rental Truck Securitizations*

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

The Boxed Truck Note has a fixed interest rate of 5.56% with an estimated final maturity of February 2014. At September 30, 2007 the outstanding balance was \$211.6 million. \$91.7 million remains in an escrow account, available to acquire new box trucks through the end of fiscal 2008. The note is secured by the box trucks being purchased and operating cash flows associated with their operation. The unused portion of this facility has been recorded as "Other assets" on our balance sheet.

The Cargo Van/Pickup Note has a fixed interest rate of 5.40% with an estimated final maturity of May 2010. At September 30, 2007 the outstanding balance was \$86.6 million. \$2.4 million remains in an escrow account, available to acquire new cargo vans and pick up trucks. The note is secured by the cargo vans and pickup trucks being purchased and the operating cash flows associated with their operation. The unused portion of this facility has been recorded as "Other assets" on our balance sheet.

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

**AMERCO AND CONSOLIDATED ENTITIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)**

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

*Revolving Credit Agreement*

U-Haul International, Inc. and several of its subsidiaries are borrowers under a revolving credit facility. The lender is Merrill Lynch Commercial Finance Corp. The maximum amount that can be drawn is \$100.0 million with a final maturity of 2011. As of September 30, 2007, the facility was fully available.

The revolving credit agreement requires monthly interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The revolving credit agreement is secured by various older rental trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin. U-Haul International, Inc. is the guarantor 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.

*Annual Maturities of AMERCO Consolidated Notes and Loans Payable*

The annual maturities of AMERCO consolidated long-term debt as of September 30, 2007 for the next five years and thereafter is as follows:

|                        | Year Ending September 30, |            |            |           |            |            |
|------------------------|---------------------------|------------|------------|-----------|------------|------------|
|                        | 2008                      | 2009       | 2010       | 2011      | 2012       | Thereafter |
|                        | (Unaudited)               |            |            |           |            |            |
|                        | (In thousands)            |            |            |           |            |            |
| Notes payable, secured | \$ 110,829                | \$ 125,323 | \$ 159,029 | \$ 63,355 | \$ 141,671 | \$ 851,835 |

*SAC Holding II Notes and Loans Payable to Third Parties*

SAC Holding II notes and loans payable to third parties, other than AMERCO, were as follows:

|                                                       | September<br>30,<br>2007 | March 31,<br>2007 |
|-------------------------------------------------------|--------------------------|-------------------|
|                                                       | (Unaudited)              |                   |
|                                                       | (In thousands)           |                   |
| Notes payable, secured, 7.87% interest rate, due 2027 | \$ 74,197                | \$ 74,887         |

Secured notes payable are secured by deeds of trusts on the collateralized land and buildings. Principal and interest payments on notes payable to third party lenders are due monthly in the amount of \$0.6 million. Certain notes payable contain provisions whereby the loans may not be prepaid at any time prior to the maturity date without payment to the lender of a yield maintenance premium, as defined in the loan agreements.

On March 15, 2004, the SAC entities issued \$200.0 million aggregate principal amount of 8.5% senior notes due 2014 (the "new SAC notes"). SAC Holding Corporation and SAC Holding II Corporation were jointly and severally liable for these obligations. The proceeds from this issuance flowed exclusively to SAC Holding Corporation and as such SAC Holding II had recorded no liability for this. On August 30, 2004, SAC Holdings paid down \$43.2 million on this note. On June 22, 2007, SAC Holdings repaid the balance of the new SAC notes and terminated the related indenture. No funds from SAC Holding II were used as part of this transaction.

## AMERCO AND CONSOLIDATED ENTITIES

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

*Annual Maturities of SAC Holding II Notes and Loans Payable to Third Parties*

The annual maturities of SAC Holding II long-term debt as of September 30, 2007 for the next five years and thereafter is as follows:

|                        | Year Ending September 30, |          |          |          |          |            |
|------------------------|---------------------------|----------|----------|----------|----------|------------|
|                        | 2008                      | 2009     | 2010     | 2011     | 2012     | Thereafter |
|                        | (Unaudited)               |          |          |          |          |            |
|                        | (In thousands)            |          |          |          |          |            |
| Notes payable, secured | \$ 1,499                  | \$ 1,640 | \$ 1,776 | \$ 1,923 | \$ 2,067 | \$ 65,292  |

**4. Interest on Borrowings***Interest Expense*

Expenses associated with loans outstanding were as follows:

|                                                                           | Quarter Ended September 30, |           |
|---------------------------------------------------------------------------|-----------------------------|-----------|
|                                                                           | 2007                        | 2006      |
|                                                                           | (Unaudited)                 |           |
|                                                                           | (In thousands)              |           |
| Interest expense                                                          | \$ 25,373                   | \$ 19,331 |
| Capitalized interest                                                      | (322)                       | (129)     |
| Amortization of transaction costs                                         | 1,514                       | 1,076     |
| Interest income resulting from derivatives                                | (568)                       | (738)     |
| Amortization of transaction costs related to early extinguishment of debt | -                           | 6,969     |
| Total AMERCO interest expense                                             | 25,997                      | 26,509    |
| SAC Holding II interest expense                                           | 3,236                       | 3,206     |
| Less: Intercompany transactions                                           | 1,738                       | 1,683     |
| Total SAC Holding II interest expense                                     | 1,498                       | 1,523     |
| Total                                                                     | \$ 27,495                   | \$ 28,032 |

|                  | Six Months Ended September 30, |           |
|------------------|--------------------------------|-----------|
|                  | 2007                           | 2006      |
|                  | (Unaudited)                    |           |
|                  | (In thousands)                 |           |
| Interest expense | \$ 47,496                      | \$ 35,888 |

|                                                                           |           |           |
|---------------------------------------------------------------------------|-----------|-----------|
| Capitalized interest                                                      | (605)     | (171)     |
| Amortization of transaction costs                                         | 2,395     | 2,374     |
| Interest income resulting from derivatives                                | (1,021)   | (1,601)   |
| Amortization of transaction costs related to early extinguishment of debt | -         | 6,969     |
| Total AMERCO interest expense                                             | 48,265    | 43,459    |
| SAC Holding II interest expense                                           | 6,467     | 6,600     |
| Less: Intercompany transactions                                           | 3,466     | 3,565     |
| Total SAC Holding II interest expense                                     | 3,001     | 3,035     |
| Total                                                                     | \$ 51,266 | \$ 46,494 |

**AMERCO AND CONSOLIDATED ENTITIES**

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

Interest paid in cash by AMERCO amounted to \$25.9 million and \$17.1 million for the second quarter of fiscal 2008 and fiscal 2007, respectively.

Interest paid in cash by AMERCO (excluding any fees from the early extinguishment of debt) amounted to \$46.0 million and \$33.2 million for the first six months of fiscal 2008 and fiscal 2007, respectively.

The exposure to market risk for changes in interest rates relates primarily to our variable rate debt obligations. We have used interest rate swap and interest rate cap agreements to provide for matching the gain or loss recognition on the hedging instrument with the recognition of the changes in the cash flows associated with the hedged asset or liability attributable to the hedged risk or the earnings effect of the hedged forecasted transaction. As of September 30, 2007, the Company had approximately \$633.8 million of variable rate debt obligations. On June 8, 2005, the Company entered into separate interest rate swap contracts for \$100.0 million of our variable rate debt over a three year term and for \$100.0 million of our variable rate debt over a five year term, which were designated as cash flow hedges effective July 1, 2005. These swap contracts were cancelled on August 16, 2006 in conjunction with our amendment of the Real Estate Loan and we entered into a new interest rate swap contract for \$300.0 million of our variable rate debt over a twelve year term effective on August 18, 2006. On May 13, 2004, the Company entered into separate interest rate cap contracts for \$200.0 million of our variable rate debt over a two year term and for \$50.0 million of our variable rate debt over a three year term; however, effective July 11, 2005 when the Real Estate Loan was paid down by \$222.4 million the cash flow hedge designations for these contracts were removed. The \$200.0 million interest rate cap contract expired on May 17, 2006 and the \$50.0 million interest rate cap contract expired on May 17, 2007. On November 15, 2005, the Company entered into a forward starting interest rate swap contract for \$142.3 million of a variable rate debt over a six year term that started on May 10, 2006. On June 21, 2006, the Company entered into a forward starting interest rate swap contract for \$50.0 million of our variable rate debt over a seven year term that started on July 10, 2006. On June 9, 2006, the Company entered into a forward starting interest rate swap contract for \$144.9 million of a variable rate debt over a six year term that started on October 10, 2006. On February 9, 2007, the Company entered into an interest rate swap contract for \$30.0 million of our variable rate debt over a seven year term that started on February 12, 2007. On March 8, 2007, the Company entered into two separate interest rate swap contracts each for \$20.0 million of our variable rate debt over a seven year term that started on March 10, 2007. These interest rate swap agreements were designated cash flow hedges on their effective dates.

The interest rate cap agreement is no longer designated as a hedge as it was replaced with an interest rate swap agreement when the associated debt was replaced in fiscal 2007. Therefore all changes in the interest rate caps fair value (including changes in the option's time value), are recorded to earnings. Previously the change in each caplets' respective allocated fair value amount was reclassified out of accumulated other comprehensive income into earnings when each of the hedged forecasted transactions (the quarterly interest payments) impact earnings and when interest payments are either made or received.

The hedging relationship of the interest rate swap agreements is not considered to be perfectly effective. Therefore, for each reporting period an effectiveness test is performed. For the portion of the change in the interest rate swaps fair value deemed effective, this is charged to accumulated other comprehensive income. The remaining ineffective portion is charged to interest expense for the period. For the six months ended September 30, 2007 and September 30, 2006, the Company recorded interest income related to these swap agreements of \$1.2 million and \$1.6 million, respectively, all of which represented the ineffective component of the swaps that impacted earnings during the period.



## AMERCO AND CONSOLIDATED ENTITIES

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

*Interest Rates*

Interest rates and Company borrowings were as follows:

|                                                   | <b>Revolving Credit Activity</b>      |             |
|---------------------------------------------------|---------------------------------------|-------------|
|                                                   | <b>Quarter Ended September 30,</b>    |             |
|                                                   | <b>2007</b>                           | <b>2006</b> |
|                                                   | (Unaudited)                           |             |
|                                                   | (In thousands, except interest rates) |             |
| Weighted average interest rate during the quarter | 6.87%                                 | 6.85%       |
| Interest rate at the end of the quarter           | 7.32%                                 | 6.82%       |
| Maximum amount outstanding during the quarter     | \$ 121,700                            | \$ 90,000   |
| Average amount outstanding during the quarter     | \$ 98,874                             | \$ 90,000   |
| Facility fees                                     | \$ 65                                 | \$ 57       |

|                                                            | <b>Revolving Credit Activity</b>      |             |
|------------------------------------------------------------|---------------------------------------|-------------|
|                                                            | <b>Six Months Ended September 30,</b> |             |
|                                                            | <b>2007</b>                           | <b>2006</b> |
|                                                            | (Unaudited)                           |             |
|                                                            | (In thousands, except interest rates) |             |
| Weighted average interest rate during the first six months | 6.80%                                 | 7.35%       |
| Interest rate at the end of the first six months           | 7.32%                                 | 6.82%       |
| Maximum amount outstanding during the first six months     | \$ 138,700                            | \$ 90,000   |
| Average amount outstanding during the first six months     | \$ 100,065                            | \$ 90,000   |
| Facility fees                                              | \$ 134                                | \$ 114      |

**5. Comprehensive Income (Loss)**

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

| <b>Foreign<br/>Currency<br/>Translation</b> | <b>Unrealized<br/>Gain (Loss)<br/>on<br/>Investments</b> | <b>Fair Market<br/>Value of<br/>Cash<br/>Flow Hedge<br/>(Unaudited)</b> | <b>FASB<br/>Statement<br/>No.<br/>158<br/>Adjustment</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income<br/>(Loss)</b> |
|---------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|
|---------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|

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| (In thousands)                                 |    |          |         |         |                                 |
|------------------------------------------------|----|----------|---------|---------|---------------------------------|
| Balance at March 31, 2007                      | \$ | (36,166) | \$      | (355)   | \$ (5,105) \$ (153) \$ (41,779) |
| Foreign currency translation                   |    | 11,879   |         | -       | - - 11,879                      |
| Unrealized loss on investments                 |    | -        | (1,287) | -       | - (1,287)                       |
| Change in fair market value of cash flow hedge |    | -        | -       | (1,441) | - (1,441)                       |
| Balance at September 30, 2007                  | \$ | (24,287) | \$      | (1,642) | \$ (6,546) \$ (153) \$ (32,628) |

Total comprehensive income for the six months ended September 30, 2007 and 2006 were \$101.4 million and \$103.6 million, respectively.

## AMERCO AND CONSOLIDATED ENTITIES

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

**6. 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 2012, with the exception of one land lease expiring in 2034. At September 30, 2007, AMERCO has guaranteed \$170.1 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:

|                          | <b>Property,<br/>Plant<br/>and<br/>Equipment</b> | <b>Rental<br/>Equipment</b> | <b>Total</b> |
|--------------------------|--------------------------------------------------|-----------------------------|--------------|
|                          |                                                  | (Unaudited)                 |              |
|                          |                                                  | (In thousands)              |              |
| Year-ended September 30: |                                                  |                             |              |
| 2008                     | \$ 12,458                                        | \$ 116,904                  | \$ 129,362   |
| 2009                     | 12,134                                           | 102,248                     | 114,382      |
| 2010                     | 11,723                                           | 84,057                      | 95,780       |
| 2011                     | 11,601                                           | 67,796                      | 79,397       |
| 2012                     | 10,928                                           | 53,883                      | 64,811       |
| Thereafter               | 22,593                                           | 52,125                      | 74,718       |
| Total                    | \$ 81,437                                        | \$ 477,013                  | \$ 558,450   |

**AMERCO AND CONSOLIDATED ENTITIES**

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

**7. Contingencies**

***Shoen***

On September 24, 2002, Paul F. Shoen filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Paul F. Shoen vs. SAC Holding Corporation et al., CV02-05602, 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 a nominal defendant for purposes of the derivative action. 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 Holdings prior to the filing of the complaint. The complaint seeks a declaration that such transfers are void as well as unspecified damages. On October 28, 2002, AMERCO, the Shoen directors, the non-Shoen directors and SAC Holdings filed Motions to Dismiss the complaint. In addition, on October 28, 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 on January 16, 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. These additional suits are substantially similar to the Paul F. Shoen derivative action. The five suits assert virtually identical claims. In fact, three of the five plaintiffs are parties who are working closely together and chose to file the same claims multiple times. These lawsuits alleged that the AMERCO Board lacked independence. In reaching its decision to dismiss these claims, the court determined that the AMERCO Board of Directors had the requisite level of independence required in order to have these claims resolved by the Board. The court consolidated all five complaints before dismissing them on May 28, 2003. Plaintiffs appealed and, on July 13, 2006, the Nevada Supreme Court reviewed and remanded the claim 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. On November 8, 2006, the nominal plaintiffs filed an Amended Complaint. On December 22, 2006, the defendants filed Motions to Dismiss. Briefing was concluded on February 21, 2007. On March 29, 2007, the Court denied AMERCO's motion to dismiss regarding the issue of demand futility. On March 30, 2007, the Court heard oral argument on the remainder of the Defendants' Motions to Dismiss and requested supplemental briefing. The supplemental briefs were filed on May 14, 2007. In September and October of 2007, the defendants filed Motions For Judgment on the Pleadings or, In the Alternative, Summary Judgment. We are currently awaiting the Court's rulings on these motions.

***Environmental***

In the normal course of business, AMERCO is a defendant in a number of suits and claims. AMERCO is also a party to several administrative proceedings arising from state and local provisions that regulate the removal and/or cleanup of underground fuel storage tanks. It is the opinion of management, that none of these suits, claims or proceedings involving AMERCO, individually or in the aggregate, are expected to result in a material loss.

Compliance with environmental requirements of federal, state and local governments significantly affects Real Estate's business operations. Among other things, these requirements regulate the discharge of materials into the water, air and land and govern the use and disposal of hazardous substances. Real Estate is aware of issues regarding hazardous substances on some of its properties. Real Estate regularly makes capital and operating expenditures to stay in

compliance with environmental laws and has put in place a remedial plan at each site where it believes such a plan is necessary. Since 1988, Real Estate has managed a testing and removal program for underground storage tanks.

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to have a material adverse effect on AMERCO's financial position or operating results. Real Estate expects to spend approximately \$7.6 million in total through 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 condition and ongoing results of operations.

#### **8. Related Party Transactions**

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 Holdings was established in order to acquire self-storage properties. These properties are being managed by the Company pursuant to management agreements. The sale of self-storage properties by the Company to SAC Holdings has in the past provided significant cash flows to the Company.

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

During the first six months of fiscal 2008, 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"), wholly-owned by Mark V. Shoen, a significant shareholder and executive officer of AMERCO. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of \$9.4 million and \$9.8 million, and received cash interest payments of \$10.2 million and \$37.2 million, from SAC Holdings during the first six months of fiscal 2008 and 2007, respectively. The cash interest payments for the first six months of fiscal 2007 included a payment to significantly reduce the outstanding interest receivable from SAC Holdings. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2008 was \$203.7 million and the aggregate notes receivable balance at September 30, 2007 was \$198.4 million, of which \$75.1 million is with SAC Holding II and has been eliminated in the consolidating financial statements. In accordance with the terms of these notes, SAC Holdings may repay the notes without penalty or premium.

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 is 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 2008, AMERCO and U-Haul held various junior notes with Private Mini Storage Realty, L.P. ("Private Mini"). The equity interests of Private Mini are ultimately controlled by Blackwater. The Company recorded interest income of \$2.5 million during the first six months of both fiscal 2008 and 2007, and received cash interest payments of \$2.5 million from Private Mini during the first six months of both fiscal 2008 and 2007, respectively. The balance of notes receivable from Private Mini at September 30, 2007 was \$69.6 million. The largest aggregate amount outstanding during fiscal 2008 was \$70.1 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 \$15.0 million and \$9.2 million from the above mentioned entities during the first six months of fiscal 2008 and 2007, 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 \$1.3 million for each of the first six months of fiscal 2008 and 2007. 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, 2007, 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. For the first six months of fiscal 2008 and 2007, the Company paid the above mentioned entities \$20.8 million and \$21.2 million, respectively in commissions pursuant to such dealership contracts.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of \$20.4 million, expenses of \$1.3 million and cash flows of \$49.4 million during the first six months of fiscal 2008. Revenues and commission expenses related to the Dealer Agreements were \$97.3 million and \$20.8 million, respectively.

In prior years, U-Haul sold various properties to SAC Holding Corporation at prices in excess of U-Haul’s carrying values resulting in gains which U-Haul deferred and treated as additional paid-in capital. The transferred properties have historically been stated at the original cost basis as the gains were eliminated in consolidation. In March 2004, these deferred gains were recognized and treated as contributions from a related party in the amount of \$111.0 million as a result of the deconsolidation of SAC Holdings Corporation.

On September 1, 2007, SAC Holding Corporation issued a promissory note to U-Haul. As part of the note, the Company reclassified \$20.0 million of deferred interest due from SAC Holding Corporation to a note receivable. The note accrues interest at 9.0% per annum with interest payments due quarterly and a final maturity in 2019.

During the second quarter of fiscal 2008 the Company received \$20.1 million from SAC Holding Corporation as full repayment for one of its junior notes.

## AMERCO AND CONSOLIDATED ENTITIES

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

*Related Party Assets*

|                                                         | September 30,<br>2007<br>(Unaudited) | March 31,<br>2007<br>(In thousands) |
|---------------------------------------------------------|--------------------------------------|-------------------------------------|
| Private Mini notes, receivables and interest            | \$ 71,566                            | \$ 71,785                           |
| Oxford note receivable from SAC Holding Corporation     | -                                    | 5,040                               |
| U-Haul notes receivable from SAC Holding Coporation     | 123,340                              | 123,578                             |
| U-Haul interest receivable from SAC Holding Corporation | 3,441                                | 23,361                              |
| U-Haul receivable from SAC Holding Corporation          | 9,233                                | 16,596                              |
| U-Haul receivable from Mercury                          | 2,405                                | 4,278                               |
| Other (a)                                               | (4,136)                              | 541                                 |
|                                                         | \$ 205,849                           | \$ 245,179                          |

(a) The current period credit balance resulted from a timing difference between Oxford and AMERCO for a partial repayment of an intercompany note. This will reverse in our December 31, 2007 financial statements.

*Related Party Liabilities*

|                                     | September<br>30,<br>2007<br>(Unaudited) | March 31,<br>2007<br>(In thousands) |
|-------------------------------------|-----------------------------------------|-------------------------------------|
| SAC Holding II payable to affiliate | \$ 2,008                                | \$ 2,099                            |

**9. Consolidating Financial Information by Industry Segment**

AMERCO has four reportable segments. They are Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II. 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.

This section includes condensed consolidating financial information which presents the condensed consolidating balance sheets as of September 30, 2007 and March 31, 2007 and the related condensed consolidating statements of operations for the second quarter and first six months of fiscal 2008 and 2007 and the condensed consolidating cash flow statements for the first six months of fiscal 2008 and 2007 for:

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

- (b) Property and Casualty Insurance, comprised of RepWest and its wholly-owned subsidiary
- (c) Life Insurance, comprised of Oxford and its wholly-owned subsidiaries
- (d) SAC Holding II and its subsidiaries

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

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

## AMERCO AND CONSOLIDATED ENTITIES

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

## 9. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of September 30, 2007 are as follows:

| Moving & Storage                                      |           |            |                |                 |            | AMERCO Legal Group                  |                                               |                          |             |
|-------------------------------------------------------|-----------|------------|----------------|-----------------|------------|-------------------------------------|-----------------------------------------------|--------------------------|-------------|
|                                                       |           |            |                |                 |            | Moving &<br>Storage<br>Consolidated | Property<br>&<br>Casualty<br>Insurance<br>(a) | Life<br>Insurance<br>(a) | Elimination |
|                                                       | AMERCO    | U-Haul     | Real<br>Estate | Eliminations    |            |                                     | (Unaudited)                                   |                          |             |
|                                                       |           |            |                |                 |            |                                     | (In thousands)                                |                          |             |
| Assets:                                               |           |            |                |                 |            |                                     |                                               |                          |             |
| Cash and cash equivalents                             | \$ 31     | \$ 182,197 | \$ 2,995       | \$ -            | \$ 185,223 | \$ 4,459                            | \$ 13,662                                     | \$ -                     |             |
| Reinsurance recoverables and trade receivables, net   | -         | 25,255     | 25             | -               | 25,280     | 154,004                             | 10,585                                        | -                        |             |
| Notes and mortgage receivables, net                   | -         | 1,307      | 555            | -               | 1,862      | -                                   | -                                             | -                        |             |
| Inventories, net                                      | -         | 61,644     | -              | -               | 61,644     | -                                   | -                                             | -                        |             |
| Prepaid expenses                                      | -         | 47,169     | 44             | -               | 47,213     | -                                   | -                                             | -                        |             |
| Investments, fixed maturities and marketable equities | -         | -          | -              | -               | -          | 151,662                             | 505,250                                       | -                        |             |
| Investments, other                                    | -         | 966        | 13,917         | -               | 14,883     | 71,784                              | 79,983                                        | -                        |             |
| Deferred policy acquisition costs, net                | -         | -          | -              | -               | -          | 76                                  | 43,811                                        | -                        |             |
| Other assets                                          | 6         | 181,375    | 41,738         | -               | 223,119    | 2,193                               | 911                                           | -                        |             |
| Related party assets                                  | 1,208,523 | 233,811    | 89             | (1,146,512) (d) | 295,911    | 8,663                               | -                                             | (17,962)                 |             |
|                                                       | 1,208,560 | 733,724    | 59,363         | (1,146,512)     | 855,135    | 392,841                             | 654,202                                       | (17,962)                 |             |
|                                                       |           |            |                |                 |            |                                     |                                               |                          |             |
| Investment in subsidiaries                            | (160,547) | -          | -              | 444,861 (c)     | 284,314    | -                                   | -                                             | (284,314)                |             |
| Investment in SAC Holding II                          | (8,901)   | -          | -              | -               | (8,901)    | -                                   | -                                             | -                        |             |
| Total investment in subsidiaries and SAC Holding II   | (169,448) | -          | -              | 444,861         | 275,413    | -                                   | -                                             | (284,314)                |             |
|                                                       |           |            |                |                 |            |                                     |                                               |                          |             |
| Property, plant and equipment, at cost:               |           |            |                |                 |            |                                     |                                               |                          |             |

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|                                                    |              |              |            |              |              |            |            |              |
|----------------------------------------------------|--------------|--------------|------------|--------------|--------------|------------|------------|--------------|
| Land                                               | -            | 43,731       | 163,049    | -            | 206,780      | -          | -          | -            |
| Buildings and improvements                         | -            | 112,781      | 721,550    | -            | 834,331      | -          | -          | -            |
| Furniture and equipment                            | 4,645        | 290,586      | 18,072     | -            | 313,303      | -          | -          | -            |
| Rental trailers and other rental equipment         | -            | 206,599      | -          | -            | 206,599      | -          | -          | -            |
| Rental trucks                                      | -            | 1,736,826    | -          | -            | 1,736,826    | -          | -          | -            |
| SAC Holding II - property, plant and equipment (b) | -            | -            | -          | -            | -            | -          | -          | -            |
|                                                    | 4,645        | 2,390,523    | 902,671    | -            | 3,297,839    | -          | -          | -            |
| Less: Accumulated depreciation                     | (950)        | (1,004,243)  | (302,187)  | -            | (1,307,380)  | -          | -          | -            |
| Total property, plant and equipment                | 3,695        | 1,386,280    | 600,484    | -            | 1,990,459    | -          | -          | -            |
| Total assets                                       | \$ 1,042,807 | \$ 2,120,004 | \$ 659,847 | \$ (701,651) | \$ 3,121,007 | \$ 392,841 | \$ 654,202 | \$ (302,276) |

(a) Balances as of June 30, 2007

(b) Included in this caption is land of \$57,169, buildings and improvements of \$97,680, and furniture and equipment of \$748

(c) Eliminate investment in subsidiaries and SAC Holding II

(d) Eliminate intercompany receivables and payables

(e) Eliminate gain on sale of property from U-Haul to SAC Holding II



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 | 3,300 | 2,500 | (5,800) (b) |
|--------------|--------|-----|---|-----------|--------|-------|-------|-------------|

|                               |         |         |         |               |         |        |        |               |
|-------------------------------|---------|---------|---------|---------------|---------|--------|--------|---------------|
| Additional<br>paid-in capital | 422,732 | 121,230 | 147,481 | (268,711) (b) | 422,732 | 86,121 | 26,271 | (112,392) (b) |
|-------------------------------|---------|---------|---------|---------------|---------|--------|--------|---------------|

Additional  
paid-in capital -  
SAC Holding II

|  |   |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|---|
|  | - | - | - | - | - | - | - | - |
|--|---|---|---|---|---|---|---|---|

Accumulated  
other

|                                |          |          |   |            |          |       |         |           |
|--------------------------------|----------|----------|---|------------|----------|-------|---------|-----------|
| comprehensive<br>income (loss) | (32,628) | (30,987) | - | 30,987 (b) | (32,628) | (530) | (1,113) | 1,643 (b) |
|--------------------------------|----------|----------|---|------------|----------|-------|---------|-----------|

Retained  
earnings

|           |         |           |           |             |         |        |         |               |
|-----------|---------|-----------|-----------|-------------|---------|--------|---------|---------------|
| (deficit) | 932,841 | (353,768) | (329,358) | 683,126 (b) | 932,841 | 57,109 | 110,656 | (167,765) (b) |
|-----------|---------|-----------|-----------|-------------|---------|--------|---------|---------------|

Cost of  
common shares  
in treasury, net

|  |           |   |   |   |           |   |   |   |
|--|-----------|---|---|---|-----------|---|---|---|
|  | (501,165) | - | - | - | (501,165) | - | - | - |
|--|-----------|---|---|---|-----------|---|---|---|

Unearned  
employee stock

ownership plan  
shares

|  |   |         |   |   |         |   |   |   |
|--|---|---------|---|---|---------|---|---|---|
|  | - | (7,526) | - | - | (7,526) | - | - | - |
|--|---|---------|---|---|---------|---|---|---|

Total  
stockholders'

|                  |         |           |           |         |         |         |         |           |
|------------------|---------|-----------|-----------|---------|---------|---------|---------|-----------|
| equity (deficit) | 832,277 | (270,511) | (181,876) | 444,861 | 824,751 | 146,000 | 138,314 | (284,314) |
|------------------|---------|-----------|-----------|---------|---------|---------|---------|-----------|

Total liabilities  
and

stockholders'  
equity

|  |              |              |            |              |              |            |            |              |
|--|--------------|--------------|------------|--------------|--------------|------------|------------|--------------|
|  | \$ 1,042,807 | \$ 2,120,004 | \$ 659,847 | \$ (701,651) | \$ 3,121,007 | \$ 392,841 | \$ 654,202 | \$ (302,276) |
|--|--------------|--------------|------------|--------------|--------------|------------|------------|--------------|

(a) Balances as  
of June 30,  
2007

(b) Eliminate investment in  
subsidiaries and SAC  
Holding II

(c) Eliminate intercompany  
receivables and payables

(d) Eliminate gain on sale of property  
from U-Haul to SAC Holding II



## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating balance sheets by industry segment as of March 31, 2007 are as follows:

| Moving & Storage                                      |           |                |              |                 | AMERCO Legal Group                  |                                               |                          |              |  |
|-------------------------------------------------------|-----------|----------------|--------------|-----------------|-------------------------------------|-----------------------------------------------|--------------------------|--------------|--|
|                                                       |           |                |              |                 | Moving &<br>Storage<br>Consolidated | Property<br>&<br>Casualty<br>Insurance<br>(a) | Life<br>Insurance<br>(a) | Eliminations |  |
| AMERCO                                                | U-Haul    | Real<br>Estate | Eliminations |                 |                                     |                                               |                          |              |  |
| (In thousands)                                        |           |                |              |                 |                                     |                                               |                          |              |  |
| Assets:                                               |           |                |              |                 |                                     |                                               |                          |              |  |
| Cash and cash equivalents                             | \$ 9      | \$ 63,490      | \$ 807       | \$ -            | \$ 64,306                           | \$ 4,228                                      | \$ 6,738                 | \$ -         |  |
| Reinsurance recoverables and trade receivables, net   | -         | 18,343         | 27           | -               | 18,370                              | 155,172                                       | 11,075                   | -            |  |
| Notes and mortgage receivables, net                   | -         | 1,236          | 433          | -               | 1,669                               | -                                             | -                        | -            |  |
| Inventories, net                                      | -         | 65,646         | -            | -               | 65,646                              | -                                             | -                        | -            |  |
| Prepaid expenses                                      | 11,173    | 40,586         | 30           | -               | 51,789                              | -                                             | -                        | -            |  |
| Investments, fixed maturities and marketable equities | -         | -              | -            | -               | -                                   | 156,540                                       | 525,261                  | -            |  |
| Investments, other                                    | -         | 1,119          | 10,714       | -               | 11,833                              | 74,716                                        | 92,150                   | -            |  |
| Deferred policy acquisition costs, net                | -         | -              | -            | -               | -                                   | 196                                           | 44,318                   | -            |  |
| Other assets                                          | 12        | 56,264         | 31,794       | -               | 88,070                              | 1,744                                         | 833                      | -            |  |
| Related party assets                                  | 1,180,929 | 251,288        | 12,663       | (1,113,379) (d) | 331,501                             | 9,909                                         | 5,040                    | (20,840)     |  |
|                                                       | 1,192,123 | 497,972        | 56,468       | (1,113,379)     | 633,184                             | 402,505                                       | 685,415                  | (20,840)     |  |
| Investment in subsidiaries                            | (235,860) | -              | -            | 514,745 (c)     | 278,885                             | -                                             | -                        | (278,885)    |  |
| Investment in SAC Holding II                          | (9,256)   | -              | -            | -               | (9,256)                             | -                                             | -                        | -            |  |
| Total investment in subsidiaries and SAC Holding II   | (245,116) | -              | -            | 514,745         | 269,629                             | -                                             | -                        | (278,885)    |  |
| Property, plant and equipment, at cost:               |           |                |              |                 |                                     |                                               |                          |              |  |
| Land                                                  | -         | 39,868         | 163,049      | -               | 202,917                             | -                                             | -                        | -            |  |
| Buildings and improvements                            | -         | 103,542        | 698,747      | -               | 802,289                             | -                                             | -                        | -            |  |

|                                                    |            |              |            |              |              |            |            |              |
|----------------------------------------------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------|
| Furniture and equipment                            | 4,588      | 279,219      | 17,944     | -            | 301,751      | -          | -          | -            |
| Rental trailers and other rental equipment         | -          | 200,208      | -          | -            | 200,208      | -          | -          | -            |
| Rental trucks                                      | -          | 1,604,123    | -          | -            | 1,604,123    | -          | -          | -            |
| SAC Holding II - property, plant and equipment (b) | -          | -            | -          | -            | -            | -          | -          | -            |
|                                                    | 4,588      | 2,226,960    | 879,740    | -            | 3,111,288    | -          | -          | -            |
| Less: Accumulated depreciation                     | (627)      | (995,028)    | (296,563)  | -            | (1,292,218)  | -          | -          | -            |
| Total property, plant and equipment                | 3,961      | 1,231,932    | 583,177    | -            | 1,819,070    | -          | -          | -            |
| Total assets                                       | \$ 950,968 | \$ 1,729,904 | \$ 639,645 | \$ (598,634) | \$ 2,721,883 | \$ 402,505 | \$ 685,415 | \$ (299,725) |

(a) Balances as of  
December 31, 2006

(b) Included in this caption is land of \$57,169, buildings and improvements of \$96,879, and furniture and equipment of \$513

(c) Eliminate investment in  
subsidiaries and SAC Holding  
II

(d) Eliminate intercompany  
receivables and payables

(e) Eliminate gain on sale of property from  
U-Haul to SAC Holding II

## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating balance sheets by industry segment as of March 31, 2007 are as follows:

| Moving & Storage                                               |                |                  |                |                    | AMERCO Legal Group                  |                                               |                          |                 |          |
|----------------------------------------------------------------|----------------|------------------|----------------|--------------------|-------------------------------------|-----------------------------------------------|--------------------------|-----------------|----------|
|                                                                |                |                  |                |                    | Moving &<br>Storage<br>Consolidated | Property<br>&<br>Casualty<br>Insurance<br>(a) | Life<br>Insurance<br>(a) | Eliminations    |          |
| AMERCO                                                         | U-Haul         | Real<br>Estate   | Eliminations   |                    |                                     |                                               |                          |                 |          |
| (In thousands)                                                 |                |                  |                |                    |                                     |                                               |                          |                 |          |
| <b>Liabilities:</b>                                            |                |                  |                |                    |                                     |                                               |                          |                 |          |
| Accounts payable and accrued expenses                          | \$ 926         | \$ 236,830       | \$ 4,973       | \$ -               | \$ 242,729                          | \$ -                                          | \$ 7,083                 | \$ -            | \$ -     |
| AMERCO's notes and loans payable                               | -              | 406,458          | 774,707        | -                  | 1,181,165                           | -                                             | -                        | -               | -        |
| SAC Holding II notes and loans payable, non-recourse to AMERCO | -              | -                | -              | -                  | -                                   | -                                             | -                        | -               | -        |
| Policy benefits and losses, claims and loss expenses payable   | -              | 330,602          | -              | -                  | 330,602                             | 291,241                                       | 146,908                  | -               | -        |
| Liabilities from investment contracts                          | -              | -                | -              | -                  | -                                   | -                                             | 386,640                  | -               | -        |
| Other policyholders' funds and liabilities                     | -              | -                | -              | -                  | -                                   | 7,633                                         | 2,930                    | -               | -        |
| Deferred income                                                | -              | 15,629           | -              | -                  | 15,629                              | -                                             | -                        | -               | -        |
| Deferred income taxes                                          | 186,594        | -                | -              | -                  | 186,594                             | (41,223)                                      | (3,167)                  | -               | -        |
| Related party liabilities                                      | -              | 1,077,090        | 46,139         | (1,113,379) (c)    | 9,850                               | 2,411                                         | 8,579                    | (20,840) (c)    | -        |
| <b>Total liabilities</b>                                       | <b>187,520</b> | <b>2,066,609</b> | <b>825,819</b> | <b>(1,113,379)</b> | <b>1,966,569</b>                    | <b>260,062</b>                                | <b>548,973</b>           | <b>(20,840)</b> | <b>-</b> |
| <b>Stockholders' equity:</b>                                   |                |                  |                |                    |                                     |                                               |                          |                 |          |

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 | 3,300 | 2,500 | (5,800) (b) |
|--------------|--------|-----|---|-----------|--------|-------|-------|-------------|

|                               |         |         |         |               |         |        |        |               |
|-------------------------------|---------|---------|---------|---------------|---------|--------|--------|---------------|
| Additional<br>paid-in capital | 421,483 | 121,230 | 147,481 | (268,711) (b) | 421,483 | 86,121 | 26,271 | (112,392) (b) |
|-------------------------------|---------|---------|---------|---------------|---------|--------|--------|---------------|

|                                                   |   |   |   |   |   |   |   |   |
|---------------------------------------------------|---|---|---|---|---|---|---|---|
| Additional<br>paid-in capital -<br>SAC Holding II | - | - | - | - | - | - | - | - |
|---------------------------------------------------|---|---|---|---|---|---|---|---|

|                                                        |          |          |   |            |          |       |       |         |
|--------------------------------------------------------|----------|----------|---|------------|----------|-------|-------|---------|
| Accumulated<br>other<br>comprehensive<br>income (loss) | (41,779) | (41,454) | - | 41,454 (b) | (41,779) | (163) | (192) | 355 (b) |
|--------------------------------------------------------|----------|----------|---|------------|----------|-------|-------|---------|

|                                   |         |           |           |             |         |        |         |               |
|-----------------------------------|---------|-----------|-----------|-------------|---------|--------|---------|---------------|
| Retained<br>earnings<br>(deficit) | 840,445 | (408,887) | (333,656) | 742,543 (b) | 840,445 | 53,185 | 107,863 | (161,048) (b) |
|-----------------------------------|---------|-----------|-----------|-------------|---------|--------|---------|---------------|

|                                              |           |   |   |   |           |   |   |   |
|----------------------------------------------|-----------|---|---|---|-----------|---|---|---|
| Cost of<br>common shares<br>in treasury, net | (467,198) | - | - | - | (467,198) | - | - | - |
|----------------------------------------------|-----------|---|---|---|-----------|---|---|---|

Unearned  
employee stock

|                          |   |         |   |   |         |   |   |   |
|--------------------------|---|---------|---|---|---------|---|---|---|
| ownership plan<br>shares | - | (8,134) | - | - | (8,134) | - | - | - |
|--------------------------|---|---------|---|---|---------|---|---|---|

|                                            |         |           |           |         |         |         |         |           |
|--------------------------------------------|---------|-----------|-----------|---------|---------|---------|---------|-----------|
| Total<br>stockholders'<br>equity (deficit) | 763,448 | (336,705) | (186,174) | 514,745 | 755,314 | 142,443 | 136,442 | (278,885) |
|--------------------------------------------|---------|-----------|-----------|---------|---------|---------|---------|-----------|

|                                                     |            |              |            |              |              |            |            |              |    |
|-----------------------------------------------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------|----|
| Total liabilities<br>and<br>stockholders'<br>equity | \$ 950,968 | \$ 1,729,904 | \$ 639,645 | \$ (598,634) | \$ 2,721,883 | \$ 402,505 | \$ 685,415 | \$ (299,725) | \$ |
|-----------------------------------------------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------|----|

(a) Balances as  
of December  
31, 2006

(b) Eliminate investment in  
subsidiaries and SAC  
Holding II

(c) Eliminate intercompany  
receivables and payables

(d) Eliminate gain on sale of property  
from U-Haul to SAC Holding II



## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating statement of operations by industry segment for the quarter ended September 30, 2007 are as follows:

| Moving & Storage                                             |        |        |                |              | AMERCO Legal Group     |                                        |                   |              |         | AMERCO |                        |            |         |         |         |
|--------------------------------------------------------------|--------|--------|----------------|--------------|------------------------|----------------------------------------|-------------------|--------------|---------|--------|------------------------|------------|---------|---------|---------|
|                                                              |        |        |                |              | Moving<br>&<br>Storage | Property<br>&<br>Casualty<br>Insurance | Life<br>Insurance |              |         |        | AMERCO<br>Consolidated |            |         |         |         |
|                                                              | AMERCO | U-Haul | Real<br>Estate | Eliminations | Consolidated           | (a)                                    | (a)               | Eliminations |         |        |                        |            |         |         |         |
| (Unaudited)<br>(In thousands)                                |        |        |                |              |                        |                                        |                   |              |         |        |                        |            |         |         |         |
| Revenues:                                                    |        |        |                |              |                        |                                        |                   |              |         |        |                        |            |         |         |         |
| Self-moving<br>equipment<br>rentals                          | \$     | -      | \$ 439,801     | \$           | -                      | \$                                     | -                 | \$           | -       | \$     | -                      | \$ 439,801 |         |         |         |
| Self-storage<br>revenues                                     |        | -      | 27,865         |              | 418                    |                                        | -                 |              | 28,283  |        | -                      | 28,283     |         |         |         |
| Self-moving &<br>self-storage<br>products &<br>service sales |        | -      | 58,185         |              | -                      |                                        | -                 |              | 58,185  |        | -                      | 58,185     |         |         |         |
| Property<br>management<br>fees                               |        | -      | 4,742          |              | -                      |                                        | -                 |              | 4,742   |        | -                      | 4,742      |         |         |         |
| Life insurance<br>premiums                                   |        | -      | -              |              | -                      |                                        | -                 |              | 27,937  |        | -                      | 27,937     |         |         |         |
| Property and<br>casualty<br>insurance<br>premiums            |        | -      | -              |              | -                      |                                        | -                 |              | 7,332   |        | -                      | 7,332      |         |         |         |
| Net investment<br>and interest<br>income                     |        | 1,091  | 9,163          |              | -                      |                                        | -                 |              | 10,254  |        | 3,061                  | 5,294      | (452)   | (b,d)   | 18,157  |
| Other revenue                                                |        | -      | 9,274          |              | 17,661                 | (b)                                    | (18,676)          |              | 8,259   |        | -                      | 1,229      | (131)   | (b)     | 9,357   |
| Total revenues                                               |        | 1,091  | 549,030        |              | 18,079                 | (18,676)                               | 549,524           |              | 10,393  |        | 34,460                 | (583)      |         |         | 593,794 |
| Costs and<br>expenses:                                       |        |        |                |              |                        |                                        |                   |              |         |        |                        |            |         |         |         |
| Operating<br>expenses                                        |        | 2,219  | 285,829        |              | 2,314                  | (b)                                    | (18,676)          |              | 271,686 |        | 3,746                  | 6,467      | (1,868) | (b,c,d) | 280,031 |
| Commission<br>expenses                                       |        | -      | 56,171         |              | -                      | -                                      | 56,171            |              | -       |        | -                      | -          | -       |         | 56,171  |
| Cost of sales                                                |        | -      | 31,485         |              | -                      | -                                      | 31,485            |              | -       |        | -                      | -          | -       |         | 31,485  |
| Benefits and<br>losses                                       |        | -      | -              |              | -                      | -                                      | -                 |              | 2,887   |        | 21,200                 | 1,505      | (c)     |         | 25,592  |
|                                                              |        | -      | -              |              | -                      | -                                      | -                 |              | 38      |        | 3,228                  | -          |         |         | 3,266   |

|                                                               |           |           |            |              |           |          |          |            |     |           |
|---------------------------------------------------------------|-----------|-----------|------------|--------------|-----------|----------|----------|------------|-----|-----------|
| Amortization of deferred policy acquisition costs             |           |           |            |              |           |          |          |            |     |           |
| Lease expense                                                 | 22        | 34,814    | 19         | -            | 34,855    | -        | -        | (220)      | (b) | 34,635    |
| Depreciation, net of (gains) losses on disposals              | 148       | 52,101    | 2,961      | -            | 55,210    | -        | -        | -          |     | 55,210    |
| Total costs and expenses                                      | 2,389     | 460,400   | 5,294      | (18,676)     | 449,407   | 6,671    | 30,895   | (583)      |     | 486,390   |
| Equity in earnings of subsidiaries                            | 37,248    | -         | -          | (32,429) (f) | 4,819     | -        | -        | (4,819)    | (f) | -         |
| Equity in earnings of SAC Holding II                          | 43        | -         | -          | -            | 43        | -        | -        | -          |     | 43        |
| Total - equity in earnings of subsidiaries and SAC Holding II | 37,291    | -         | -          | (32,429)     | 4,862     | -        | -        | (4,819)    |     | 43        |
| Earnings from operations                                      | 35,993    | 88,630    | 12,785     | (32,429)     | 104,979   | 3,722    | 3,565    | (4,819)    |     | 107,447   |
| Interest income (expense)                                     | 22,276    | (34,906)  | (13,367)   | -            | (25,997)  | -        | -        | -          |     | (25,997)  |
| Pretax earnings (loss)                                        | 58,269    | 53,724    | (582)      | (32,429)     | 78,982    | 3,722    | 3,565    | (4,819)    |     | 81,450    |
| Income tax expense                                            | (7,882)   | (20,139)  | (574)      | -            | (28,595)  | (1,303)  | (1,165)  | -          |     | (31,063)  |
| Net earnings (loss)                                           | 50,387    | 33,585    | (1,156)    | (32,429)     | 50,387    | 2,419    | 2,400    | (4,819)    |     | 50,387    |
| Less: Preferred stock dividends                               | (3,241)   | -         | -          | -            | (3,241)   | -        | -        | -          |     | (3,241)   |
| Earnings (loss) available to common shareholders              | \$ 47,146 | \$ 33,585 | \$ (1,156) | \$ (32,429)  | \$ 47,146 | \$ 2,419 | \$ 2,400 | \$ (4,819) |     | \$ 47,146 |
| (a) Balances for the quarter ended June 30, 2007              |           |           |            |              |           |          |          |            |     |           |
| (b) Eliminate intercompany lease income and commission income |           |           |            |              |           |          |          |            |     |           |
| (c ) Eliminate intercompany                                   |           |           |            |              |           |          |          |            |     |           |

premiums

(d) Eliminate  
intercompany  
interest on debt

(e) Eliminate gain on sale of surplus  
property from U-Haul to SAC

Holding II

(f) Eliminate equity in earnings of subsidiaries  
and equity in earnings of SAC Holding II

(g) Eliminate management fees charged to SAC Holding II  
and other intercompany operating expenses

## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating statements of operations by industry for the quarter ended September 30, 2006 are as follows:

| Moving & Storage                                             |        |                |              |    | AMERCO Legal Group     |                                        |                   |              |        | AM           |         |         |
|--------------------------------------------------------------|--------|----------------|--------------|----|------------------------|----------------------------------------|-------------------|--------------|--------|--------------|---------|---------|
|                                                              |        |                |              |    | Moving<br>&<br>Storage | Property<br>&<br>Casualty<br>Insurance | Life<br>Insurance |              |        | AMERCO       |         |         |
| AMERCO                                                       | U-Haul | Real<br>Estate | Eliminations |    | Consolidated           | (a)                                    | (a)               | Eliminations |        | Consolidated |         |         |
| (Unaudited)                                                  |        |                |              |    |                        |                                        |                   |              |        |              |         |         |
| (In thousands)                                               |        |                |              |    |                        |                                        |                   |              |        |              |         |         |
| Revenues:                                                    |        |                |              |    |                        |                                        |                   |              |        |              |         |         |
| Self-moving<br>equipment<br>rentals                          | \$     | -              | \$ 445,720   | \$ | -                      | \$                                     | -                 | \$           | -      | \$ 445,720   |         |         |
| Self-storage<br>revenues                                     |        | -              | 26,970       |    | 398                    | -                                      | 27,368            |              | -      | -            | 27,368  |         |
| Self-moving &<br>self-storage<br>products &<br>service sales |        | -              | 57,531       |    | -                      | -                                      | 57,531            |              | -      | -            | 57,531  |         |
| Property<br>management<br>fees                               |        | -              | 4,738        |    | -                      | -                                      | 4,738             |              | -      | -            | 4,738   |         |
| Life insurance<br>premiums                                   |        | -              | -            |    | -                      | -                                      | -                 | 31,519       | (399)  | (c)          | 31,120  |         |
| Property and<br>casualty<br>insurance<br>premiums            |        | -              | -            |    | -                      | -                                      | 6,470             |              | -      | -            | 6,470   |         |
| Net investment<br>and interest<br>income                     |        | 1,242          | 7,818        |    | -                      | -                                      | 9,060             | 2,790        | 5,771  | (312)        | (b,d)   | 17,309  |
| Other revenue                                                |        | 174            | 8,625        |    | 16,940                 | (18,335) (b)                           | 7,404             | -            | 1,441  | (16)         | (b)     | 8,829   |
| Total revenues                                               |        | 1,416          | 551,402      |    | 17,338                 | (18,335)                               | 551,821           | 9,260        | 38,731 | (727)        |         | 599,085 |
| Costs and<br>expenses:                                       |        |                |              |    |                        |                                        |                   |              |        |              |         |         |
| Operating<br>expenses                                        |        | 2,768          | 282,779      |    | 2,705                  | (18,335) (b)                           | 269,917           | 2,004        | 7,221  | (3,419)      | (b,c,d) | 275,723 |
| Commission<br>expenses                                       |        | -              | 56,359       |    | -                      | -                                      | 56,359            | -            | -      | -            |         | 56,359  |
| Cost of sales                                                |        | -              | 29,559       |    | -                      | -                                      | 29,559            | -            | -      | -            |         | 29,559  |
| Benefits and<br>losses                                       |        | -              | -            |    | -                      | -                                      | -                 | 4,949        | 21,925 | 1,968        | (c)     | 28,842  |
|                                                              |        | -              | -            |    | -                      | -                                      | -                 | 643          | 4,182  | -            |         | 4,825   |

|                                                               |           |           |            |              |           |          |          |            |     |           |
|---------------------------------------------------------------|-----------|-----------|------------|--------------|-----------|----------|----------|------------|-----|-----------|
| Amortization of deferred policy acquisition costs             |           |           |            |              |           |          |          |            |     |           |
| Lease expense                                                 | 22        | 37,858    | 801        | -            | 38,681    | -        | -        | (1,118)    | (b) | 37,563    |
| Depreciation, net of (gains) losses on disposals              | 60        | 43,366    | (869)      | -            | 42,557    | -        | -        | -          |     | 42,557    |
| Total costs and expenses                                      | 2,850     | 449,921   | 2,637      | (18,335)     | 437,073   | 7,596    | 33,328   | (2,569)    |     | 475,428   |
| Equity in earnings of subsidiaries                            | 46,841    | -         | -          | (40,359) (f) | 6,482     | -        | -        | (6,482)    | (f) | -         |
| Equity in earnings of SAC Holding II                          | 560       | -         | -          | -            | 560       | -        | -        | -          |     | 560       |
| Total - equity in earnings of subsidiaries and SAC Holding II | 47,401    | -         | -          | (40,359)     | 7,042     | -        | -        | (6,482)    |     | 560       |
| Earnings from operations                                      | 45,967    | 101,481   | 14,701     | (40,359)     | 121,790   | 1,664    | 5,403    | (4,640)    |     | 124,217   |
| Interest income (expense)                                     | 21,981    | (27,685)  | (13,836)   | -            | (19,540)  | -        | -        | -          |     | (19,540)  |
| Amortization of fees on early extinguishment of debt          | -         | (302)     | (6,667)    | -            | (6,969)   | -        | -        | -          |     | (6,969)   |
| Pretax earnings (loss)                                        | 67,948    | 73,494    | (5,802)    | (40,359)     | 95,281    | 1,664    | 5,403    | (4,640)    |     | 97,708    |
| Income tax benefit (expense)                                  | (7,544)   | (29,328)  | 1,995      | -            | (34,877)  | (560)    | (1,867)  | -          |     | (37,304)  |
| Net earnings (loss)                                           | 60,404    | 44,166    | (3,807)    | (40,359)     | 60,404    | 1,104    | 3,536    | (4,640)    |     | 60,404    |
| Less: Preferred stock dividends                               | (3,241)   | -         | -          | -            | (3,241)   | -        | -        | -          |     | (3,241)   |
| Earnings (loss) available to common shareholders              | \$ 57,163 | \$ 44,166 | \$ (3,807) | \$ (40,359)  | \$ 57,163 | \$ 1,104 | \$ 3,536 | \$ (4,640) |     | \$ 57,163 |
| (a) Balances for the quarter ended June 30, 2006              |           |           |            |              |           |          |          |            |     |           |
| (b) Eliminate intercompany lease income and commission income |           |           |            |              |           |          |          |            |     |           |
| (c ) Eliminate intercompany premiums                          |           |           |            |              |           |          |          |            |     |           |

(d) Eliminate  
intercompany  
interest on debt

(e) Eliminate gain on sale of surplus property  
from U-Haul to SAC Holding II

(f) Eliminate equity in earnings of subsidiaries  
and equity in earnings of SAC Holding II

(g) Eliminate management fees charged to SAC Holding II  
and other intercompany operating expenses

## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating statements of operations by industry for the six months ended September 30, 2007 are as follows:

[illegible]

|                                                                              |           |           |          |              |           |          |          |            |     |      |
|------------------------------------------------------------------------------|-----------|-----------|----------|--------------|-----------|----------|----------|------------|-----|------|
| Amortization of deferred policy acquisition costs                            |           |           |          |              |           |          |          |            |     |      |
| Lease expense                                                                | 48        | 67,898    | 44       | -            | 67,990    | -        | -        | (440)      | (b) | 6    |
| Depreciation, net of (gains) losses on disposals                             | 322       | 103,104   | (4,378)  | -            | 99,048    | -        | -        | -          |     | 9    |
| Total costs and expenses                                                     | 6,239     | 900,480   | 814      | (37,169)     | 870,364   | 13,371   | 64,761   | (1,162)    |     | 94   |
| Equity in earnings of subsidiaries                                           | 67,157    | -         | -        | (59,417) (f) | 7,740     | -        | -        | (7,740)    | (f) |      |
| Equity in earnings of SAC Holding II                                         | 355       | -         | -        | -            | 355       | -        | -        | -          |     |      |
| Total - equity in earnings of subsidiaries and SAC Holding II                | 67,512    | -         | -        | (59,417)     | 8,095     | -        | -        | (7,740)    |     |      |
| Earnings from operations                                                     | 63,550    | 154,587   | 34,751   | (59,417)     | 193,471   | 6,038    | 5,882    | (7,740)    |     | 19   |
| Interest income (expense)                                                    | 43,541    | (65,542)  | (26,264) | -            | (48,265)  | -        | -        | -          |     | (4   |
| Pretax earnings                                                              | 107,091   | 89,045    | 8,487    | (59,417)     | 145,206   | 6,038    | 5,882    | (7,740)    |     | 14   |
| Income tax expense                                                           | (15,039)  | (33,926)  | (4,189)  | -            | (53,154)  | (2,114)  | (2,066)  | -          |     | (5   |
| Net earnings                                                                 | 92,052    | 55,119    | 4,298    | (59,417)     | 92,052    | 3,924    | 3,816    | (7,740)    |     | 9    |
| Less: Preferred stock dividends                                              | (6,482)   | -         | -        | -            | (6,482)   | -        | -        | -          |     | (    |
| Earnings available to common shareholders                                    | \$ 85,570 | \$ 55,119 | \$ 4,298 | \$ (59,417)  | \$ 85,570 | \$ 3,924 | \$ 3,816 | \$ (7,740) |     | \$ 8 |
| (a) Balances for the six months ended June 30, 2007                          |           |           |          |              |           |          |          |            |     |      |
| (b) Eliminate intercompany lease income and commission income                |           |           |          |              |           |          |          |            |     |      |
| (c ) Eliminate intercompany premiums                                         |           |           |          |              |           |          |          |            |     |      |
| (d) Eliminate intercompany interest on debt                                  |           |           |          |              |           |          |          |            |     |      |
| (e) Eliminate gain on sale of surplus property from U-Haul to SAC Holding II |           |           |          |              |           |          |          |            |     |      |

(f) Eliminate equity in earnings of subsidiaries and equity in earnings of SAC Holding II

(g) Eliminate management fees charged to SAC Holding II and other intercompany operating expenses

## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating statements of operations by industry for the six months ended September 30, 2006 are as follows:

| Moving & Storage                                    |        |             |              |                               | AMERCO Legal Group            |        |                |         |                     |  |  |
|-----------------------------------------------------|--------|-------------|--------------|-------------------------------|-------------------------------|--------|----------------|---------|---------------------|--|--|
|                                                     |        |             |              |                               | Property & Casualty Insurance |        | Life Insurance |         |                     |  |  |
| AMERCO                                              | U-Haul | Real Estate | Eliminations | Moving & Storage Consolidated | (a)                           | (a)    | Eliminations   |         | AMERCO Consolidated |  |  |
| (Unaudited)                                         |        |             |              |                               |                               |        |                |         |                     |  |  |
| (In thousands)                                      |        |             |              |                               |                               |        |                |         |                     |  |  |
| Revenues:                                           |        |             |              |                               |                               |        |                |         |                     |  |  |
| Self-moving equipment rentals                       | \$ -   | \$ 852,954  | \$ -         | \$ -                          | \$ 852,954                    | \$ -   | \$ -           | \$ -    | \$ 852,954          |  |  |
| Self-storage revenues                               | -      | 52,149      | 808          | -                             | 52,957                        | -      | -              | -       | 53,765              |  |  |
| Self-moving & self-storage products & service sales | -      | 120,230     | -            | -                             | 120,230                       | -      | -              | -       | 120,230             |  |  |
| Property management fees                            | -      | 9,334       | -            | -                             | 9,334                         | -      | -              | -       | 9,334               |  |  |
| Life insurance premiums                             | -      | -           | -            | -                             | -                             | -      | 62,836         | (797)   | (c) 62,039          |  |  |
| Property and casualty insurance premiums            | -      | -           | -            | -                             | -                             | 11,852 | -              | -       | 11,852              |  |  |
| Net investment and interest income                  | 2,462  | 14,386      | -            | -                             | 16,848                        | 5,476  | 11,277         | (935)   | (b,d) 33,676        |  |  |
| Other revenue                                       | 204    | 16,752      | 33,763       | (36,583)                      | (b) 14,136                    | -      | 2,755          | (281)   | (b) 16,610          |  |  |
| Total revenues                                      | 2,666  | 1,065,805   | 34,571       | (36,583)                      | 1,066,459                     | 17,328 | 76,868         | (2,013) | 1,158,642           |  |  |
| Costs and expenses:                                 |        |             |              |                               |                               |        |                |         |                     |  |  |
| Operating expenses                                  | 7,333  | 545,586     | 4,718        | (36,583)                      | (b) 521,054                   | 3,567  | 13,970         | (6,341) | (b,c,d) 532,234     |  |  |
| Commission expenses                                 | -      | 108,451     | -            | -                             | 108,451                       | -      | -              | -       | 108,451             |  |  |
| Cost of sales                                       | -      | 59,788      | -            | -                             | 59,788                        | -      | -              | -       | 59,788              |  |  |
| Benefits and losses                                 | -      | -           | -            | -                             | -                             | 9,131  | 46,358         | 3,959   | (c) 59,448          |  |  |
|                                                     | -      | -           | -            | -                             | -                             | 1,265  | 9,186          | -       | 10,451              |  |  |

|                                                               |            |           |            |              |            |          |          |            |     |       |
|---------------------------------------------------------------|------------|-----------|------------|--------------|------------|----------|----------|------------|-----|-------|
| Amortization of deferred policy acquisition costs             |            |           |            |              |            |          |          |            |     |       |
| Lease expense                                                 | 41         | 75,726    | 818        | -            | 76,585     | -        | -        | (1,473)    | (b) | 7     |
| Depreciation, net of (gains) losses on disposals              | 122        | 80,639    | 939        | -            | 81,700     | -        | -        | -          |     | 8     |
| Total costs and expenses                                      | 7,496      | 870,190   | 6,475      | (36,583)     | 847,578    | 13,963   | 69,514   | (3,855)    |     | 92    |
| Equity in earnings of subsidiaries                            | 89,889     | -         | -          | (81,056) (f) | 8,833      | -        | -        | (8,833)    | (f) |       |
| Equity in earnings of SAC Holding II                          | 997        | -         | -          | -            | 997        | -        | -        | -          |     |       |
| Total - equity in earnings of subsidiaries and SAC Holding II | 90,886     | -         | -          | (81,056)     | 9,830      | -        | -        | (8,833)    |     |       |
| Earnings from operations                                      | 86,056     | 195,615   | 28,096     | (81,056)     | 228,711    | 3,365    | 7,354    | (6,991)    |     | 23    |
| Interest income (expense)                                     | 44,102     | (54,526)  | (26,066)   | -            | (36,490)   | -        | -        | -          |     | (3)   |
| Amortization of fees on early extinguishment of debt          | -          | (302)     | (6,667)    | -            | (6,969)    | -        | -        | -          |     | (6)   |
| Pretax earnings (loss)                                        | 130,158    | 140,787   | (4,637)    | (81,056)     | 185,252    | 3,365    | 7,354    | (6,991)    |     | 18    |
| Income tax benefit (expense)                                  | (14,420)   | (56,425)  | 1,331      | -            | (69,514)   | (1,178)  | (2,550)  | -          |     | (7)   |
| Net earnings (loss)                                           | 115,738    | 84,362    | (3,306)    | (81,056)     | 115,738    | 2,187    | 4,804    | (6,991)    |     | 11    |
| Less: Preferred stock dividends                               | (6,482)    | -         | -          | -            | (6,482)    | -        | -        | -          |     | (6)   |
| Earnings (loss) available to common shareholders              | \$ 109,256 | \$ 84,362 | \$ (3,306) | \$ (81,056)  | \$ 109,256 | \$ 2,187 | \$ 4,804 | \$ (6,991) |     | \$ 10 |
| (a) Balances for the six months ended June 30, 2006           |            |           |            |              |            |          |          |            |     |       |
| (b) Eliminate intercompany lease income and commission income |            |           |            |              |            |          |          |            |     |       |
| (c ) Eliminate intercompany premiums                          |            |           |            |              |            |          |          |            |     |       |

(d) Eliminate  
intercompany  
interest on debt

(e) Eliminate gain on sale of surplus property from  
U-Haul to SAC Holding II

(f) Eliminate equity in earnings of subsidiaries and  
equity in earnings of SAC Holding II

(g) Eliminate management fees charged to SAC Holding II  
and other intercompany operating expenses

## 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, 2007 are as follows:

|                                                                       | Moving & Storage |           |             |             | AMERCO Legal Group            |                                   |                    |             | AMERCO Holding II   |                |
|-----------------------------------------------------------------------|------------------|-----------|-------------|-------------|-------------------------------|-----------------------------------|--------------------|-------------|---------------------|----------------|
|                                                                       |                  |           |             |             |                               |                                   |                    |             |                     |                |
|                                                                       | AMERCO           | U-Haul    | Real Estate | Elimination | Moving & Storage Consolidated | Property & Casualty Insurance (a) | Life Insurance (a) | Elimination | AMERCO Consolidated | SAC Holding II |
|                                                                       | (Unaudited)      |           |             |             |                               |                                   |                    |             |                     |                |
| Cash flows from operating activities:                                 | (In thousands)   |           |             |             |                               |                                   |                    |             |                     |                |
| Net earnings                                                          | \$ 92,052        | \$ 55,119 | \$ 4,298    | \$ (59,417) | \$ 92,052                     | \$ 3,924                          | \$ 3,816           | \$ (7,740)  | \$ 92,052           | \$ 35,119      |
| Earnings from consolidated entities                                   | (67,512)         | -         | -           | 59,417      | (8,095)                       | -                                 | -                  | 7,740       | (355)               | -              |
| Adjustments to reconcile net earnings to cash provided by operations: |                  |           |             |             |                               |                                   |                    |             |                     |                |
| Depreciation                                                          | 322              | 106,115   | 5,634       | -           | 112,071                       | -                                 | -                  | -           | 112,071             | 1,400          |
| Amortization of deferred policy acquisition costs                     | -                | -         | -           | -           | -                             | 179                               | 7,004              | -           | 7,183               | -              |
| Change in provision for loss on trade receivables                     | -                | 31        | -           | -           | 31                            | -                                 | 56                 | -           | 87                  | -              |
| Change in provision for gain on mortgage notes                        | -                | (19)      | -           | -           | (19)                          | -                                 | -                  | -           | (19)                | -              |
| Change in provision for inventory reserve                             | -                | 1,281     | -           | -           | 1,281                         | -                                 | -                  | -           | 1,281               | -              |
| Net gain on sale of real and personal                                 | -                | (3,011)   | (10,012)    | -           | (13,023)                      | -                                 | -                  | -           | (13,023)            | (16,012)       |

|                 |        |         |         |   |         |          |         |   |         |      |
|-----------------|--------|---------|---------|---|---------|----------|---------|---|---------|------|
| property        |        |         |         |   |         |          |         |   |         |      |
| Net (gain) loss |        |         |         |   |         |          |         |   |         |      |
| on sale of      |        |         |         |   |         |          |         |   |         |      |
| investments     | -      | -       | -       | - | -       | 167      | (18)    | - | 149     |      |
| Deferred        |        |         |         |   |         |          |         |   |         |      |
| income taxes    | 31,666 | 121     | -       | - | 31,787  | 2,411    | (572)   | - | 33,626  | 23   |
| Net change in   |        |         |         |   |         |          |         |   |         |      |
| other           |        |         |         |   |         |          |         |   |         |      |
| operating       |        |         |         |   |         |          |         |   |         |      |
| assets and      |        |         |         |   |         |          |         |   |         |      |
| liabilities:    |        |         |         |   |         |          |         |   |         |      |
| Reinsurance     |        |         |         |   |         |          |         |   |         |      |
| recoverables    |        |         |         |   |         |          |         |   |         |      |
| and trade       |        |         |         |   |         |          |         |   |         |      |
| receivables     | -      | (6,754) | (2)     | - | (6,756) | 1,168    | 434     | - | (5,154) |      |
| Inventories     | -      | 3,143   | -       | - | 3,143   | -        | -       | - | 3,143   | 3    |
| Prepaid         |        |         |         |   |         |          |         |   |         |      |
| expenses        | 11,173 | (7,056) | (14)    | - | 4,103   | -        | -       | - | 4,103   | 1    |
| Capitalization  |        |         |         |   |         |          |         |   |         |      |
| of deferred     |        |         |         |   |         |          |         |   |         |      |
| policy          |        |         |         |   |         |          |         |   |         |      |
| acquisition     |        |         |         |   |         |          |         |   |         |      |
| costs           | -      | -       | -       | - | -       | (59)     | (2,480) | - | (2,539) |      |
| Other           |        |         |         |   |         |          |         |   |         |      |
| assets          | 6      | 797     | (9,774) | - | (8,971) | (447)    | (79)    | - | (9,497) | (87) |
| Related         |        |         |         |   |         |          |         |   |         |      |
| party assets    | 5,812  | 17,204  | 12,574  | - | 35,590  | 1,246    | 5,040   | - | 41,876  |      |
| Accounts        |        |         |         |   |         |          |         |   |         |      |
| payable and     |        |         |         |   |         |          |         |   |         |      |
| accrued         |        |         |         |   |         |          |         |   |         |      |
| expenses        | 415    | 18,485  | (4,187) | - | 14,713  | -        | (1,613) | - | 13,100  | 39   |
| Policy          |        |         |         |   |         |          |         |   |         |      |
| benefits and    |        |         |         |   |         |          |         |   |         |      |
| losses, claims  |        |         |         |   |         |          |         |   |         |      |
| and loss        |        |         |         |   |         |          |         |   |         |      |
| expenses        |        |         |         |   |         |          |         |   |         |      |
| payable         | -      | 26,459  | -       | - | 26,459  | (15,548) | (5,845) | - | 5,066   |      |
| Other           |        |         |         |   |         |          |         |   |         |      |
| policyholders'  |        |         |         |   |         |          |         |   |         |      |
| funds and       |        |         |         |   |         |          |         |   |         |      |
| liabilities     | -      | -       | -       | - | -       | 280      | (69)    | - | 211     |      |
| Deferred        |        |         |         |   |         |          |         |   |         |      |
| income          | -      | (1,655) | -       | - | (1,655) | -        | -       | - | (1,655) | (1   |
| Related         |        |         |         |   |         |          |         |   |         |      |
| party           |        |         |         |   |         |          |         |   |         |      |
| liabilities     | -      | (3,715) | -       | - | (3,715) | (167)    | 235     | - | (3,647) | 23   |
| Net cash        | 73,934 | 206,545 | (1,483) | - | 278,996 | (6,846)  | 5,909   | - | 278,059 | 1,63 |
| provided        |        |         |         |   |         |          |         |   |         |      |
| (used) by       |        |         |         |   |         |          |         |   |         |      |

operating  
activities

Cash flows  
from investing  
activities:

Purchases of:

Property, plant  
and equipment

(58) (338,531) (20,590) - (359,179) - - - (359,179) (1,33

Short term  
investments

- - - - - (34,607) (94,020) - (128,627)

Fixed  
maturities

investments

- - - - - (12,885) (32,737) - (45,622)

Real estate

- - (3,203) - (3,203) (238) - - (3,441)

Mortgage

loans

- - - - - - (4,895) - (4,895)

Proceeds from  
sales of:

Property, plant  
and equipment

- 88,385 11,884 - 100,269 - - - 100,269 39

Short term  
investments

- - - - - 37,778 107,036 - 144,814

Fixed  
maturities

investments

- - - - - 15,029 46,177 - 61,206

Equity

securities

- - - - - - 46 - 46

Preferred

stock

- - - - - 2,000 625 - 2,625

Real estate

- 153 - - 153 - - - 153

Mortgage

loans

- - - - - - 4,043 - 4,043

Payments  
from notes  
and mortgage  
receivables

- 56 311 - 367 - - - 367

Net cash  
provided  
(used) by

investing

activities

(58) (249,937) (11,598) - (261,593) 7,077 26,275 - (228,241) (94

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(a) Balance  
for the period  
ended June  
30, 2007

## 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, 2007  
are as follows:

| AMERCO Legal Group                                             |           |             |             |              |     |                               |             |                |        |              |             | AMERCO as Consolidated |  |
|----------------------------------------------------------------|-----------|-------------|-------------|--------------|-----|-------------------------------|-------------|----------------|--------|--------------|-------------|------------------------|--|
| Moving & Storage                                               |           |             |             |              |     | Property & Casualty Insurance |             | Life Insurance |        | SAC Holding  |             | Total                  |  |
| AMERCO                                                         | U-Haul    | Real Estate | Elimination | Consolidated | (a) | (a)                           | Elimination | Consolidated   | AMERCO | Consolidated | Elimination | Consolidated           |  |
| (Unaudited)                                                    |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| Cash flows from financing activities:                          |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| (In thousands)                                                 |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| Borrowings from credit facilities                              |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| -                                                              | 409,794   | 37,826      | -           | 447,620      | -   | -                             | -           | 447,620        | -      | -            | -           | 447,620                |  |
| Principal repayments on credit facilities                      |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| -                                                              | (148,696) | (29,657)    | -           | (178,353)    | -   | -                             | -           | (178,353)      | (690)  | -            | -           | (179,043)              |  |
| Debt issuance costs                                            |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| -                                                              | (9,680)   | (170)       | -           | (9,850)      | -   | -                             | -           | (9,850)        | -      | -            | -           | (9,850)                |  |
| Leveraged Employee Stock Ownership Plan - repayments from loan |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| -                                                              | 608       | -           | -           | 608          | -   | -                             | -           | 608            | -      | -            | -           | 608                    |  |
| Treasury stock repurchases                                     |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| (33,966)                                                       | -         | -           | -           | (33,966)     | -   | -                             | -           | (33,966)       | -      | -            | -           | (33,966)               |  |
| Securitization deposits                                        |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| -                                                              | (116,176) | -           | -           | (116,176)    | -   | -                             | -           | (116,176)      | -      | -            | -           | (116,176)              |  |
| Proceeds from (repayment of) intercompany loans                |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| (33,406)                                                       | 26,136    | 7,270       | -           | -            | -   | -                             | -           | -              | -      | -            | -           | -                      |  |
| Preferred stock dividends                                      |           |             |             |              |     |                               |             |                |        |              |             |                        |  |
| (6,482)                                                        | -         | -           | -           | (6,482)      | -   | -                             | -           | (6,482)        | -      | -            | -           | (6,482)                |  |

|                |          |            |          |      |            |          |           |      |            |       |      |            |  |
|----------------|----------|------------|----------|------|------------|----------|-----------|------|------------|-------|------|------------|--|
| paid           |          |            |          |      |            |          |           |      |            |       |      |            |  |
| Investment     |          |            |          |      |            |          |           |      |            |       |      |            |  |
| contract       |          |            |          |      |            |          |           |      |            |       |      |            |  |
| deposits       | -        | -          | -        | -    | -          | -        | 8,772     | -    | 8,772      | -     | -    | 8,772      |  |
| Investment     |          |            |          |      |            |          |           |      |            |       |      |            |  |
| contract       |          |            |          |      |            |          |           |      |            |       |      |            |  |
| withdrawals    | -        | -          | -        | -    | -          | -        | (34,032)  | -    | (34,032)   | -     | -    | (34,032)   |  |
| Net cash       |          |            |          |      |            |          |           |      |            |       |      |            |  |
| provided       |          |            |          |      |            |          |           |      |            |       |      |            |  |
| (used) by      |          |            |          |      |            |          |           |      |            |       |      |            |  |
| financing      |          |            |          |      |            |          |           |      |            |       |      |            |  |
| activities     | (73,854) | 161,986    | 15,269   | -    | 103,401    | -        | (25,260)  | -    | 78,141     | (690) | -    | 77,451     |  |
| Effects of     |          |            |          |      |            |          |           |      |            |       |      |            |  |
| exchange rate  |          |            |          |      |            |          |           |      |            |       |      |            |  |
| on cash        | -        | 113        | -        | -    | 113        | -        | -         | -    | 113        | -     | -    | 113        |  |
| Increase       |          |            |          |      |            |          |           |      |            |       |      |            |  |
| (decrease) in  |          |            |          |      |            |          |           |      |            |       |      |            |  |
| cash and cash  |          |            |          |      |            |          |           |      |            |       |      |            |  |
| equivalents    | 22       | 118,707    | 2,188    | -    | 120,917    | 231      | 6,924     | -    | 128,072    | -     | -    | 128,072    |  |
| Cash and cash  |          |            |          |      |            |          |           |      |            |       |      |            |  |
| equivalents at |          |            |          |      |            |          |           |      |            |       |      |            |  |
| beginning of   |          |            |          |      |            |          |           |      |            |       |      |            |  |
| period         | 9        | 63,490     | 807      | -    | 64,306     | 4,228    | 6,738     | -    | 75,272     | -     | -    | 75,272     |  |
| Cash and cash  |          |            |          |      |            |          |           |      |            |       |      |            |  |
| equivalents at |          |            |          |      |            |          |           |      |            |       |      |            |  |
| end of period  | \$ 31    | \$ 182,197 | \$ 2,995 | \$ - | \$ 185,223 | \$ 4,459 | \$ 13,662 | \$ - | \$ 203,344 | \$ -  | \$ - | \$ 203,344 |  |

(page 2 of 2)

(a) Balance  
for the period  
ended June  
30, 2007

## 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, 2006 are as follows:

|                                                                              | Moving & Storage |           |             |             | AMERCO Legal Group            |          |          |             | AMERCO       | AMERCO    |
|------------------------------------------------------------------------------|------------------|-----------|-------------|-------------|-------------------------------|----------|----------|-------------|--------------|-----------|
|                                                                              |                  |           |             |             | Property & Casualty Insurance |          |          |             | AMERCO       | AMERCO    |
|                                                                              |                  |           |             |             | Life Insurance                |          |          |             | AMERCO       | AMERCO    |
|                                                                              | AMERCO           | U-Haul    | Real Estate | Elimination | Moving & Storage Consolidated | (a)      | (a)      | Elimination | Consolidated | II        |
|                                                                              | (Unaudited)      |           |             |             |                               |          |          |             |              |           |
| Cash flows from operating activities:                                        | (In thousands)   |           |             |             |                               |          |          |             |              |           |
| Net earnings (loss)                                                          | \$ 115,738       | \$ 84,362 | \$ (3,306)  | \$ (81,056) | \$ 115,738                    | \$ 2,187 | \$ 4,804 | \$ (6,991)  | \$ 115,738   | \$ 99,000 |
| Earnings from consolidated entities                                          | (90,886)         | -         | -           | 81,056      | (9,830)                       | -        | -        | 8,833       | (997)        |           |
| Adjustments to reconcile net earnings (loss) to cash provided by operations: |                  |           |             |             |                               |          |          |             |              |           |
| Depreciation                                                                 | 122              | 80,042    | 5,323       | -           | 85,487                        | -        | -        | -           | 85,487       | 1,330     |
| Amortization of deferred policy acquisition costs                            | -                | -         | -           | -           | -                             | 1,265    | 9,186    | -           | 10,451       |           |
| Change in provision for (gain) loss on trade receivables                     | -                | (57)      | -           | -           | (57)                          | -        | 46       | -           | (11)         |           |
| Change in provision for gain on mortgage notes                               | -                | (20)      | -           | -           | (20)                          | -        | -        | -           | (20)         |           |
| Net (gain) loss on sale of real and personal                                 | -                | 597       | (4,384)     | -           | (3,787)                       | -        | -        | -           | (3,787)      |           |

|                |          |         |         |          |          |          |         |         |          |       |
|----------------|----------|---------|---------|----------|----------|----------|---------|---------|----------|-------|
| property       |          |         |         |          |          |          |         |         |          |       |
| Net loss on    |          |         |         |          |          |          |         |         |          |       |
| sale of        |          |         |         |          |          |          |         |         |          |       |
| investments    | -        | -       | -       | -        | -        | 505      | 386     | -       | 891      |       |
| Write-off of   |          |         |         |          |          |          |         |         |          |       |
| unamortized    |          |         |         |          |          |          |         |         |          |       |
| debt issuance  |          |         |         |          |          |          |         |         |          |       |
| costs          | -        | 302     | 6,667   | -        | 6,969    | -        | -       | -       | 6,969    |       |
| Deferred       |          |         |         |          |          |          |         |         |          |       |
| income taxes   | 25,888   | (16)    | -       | -        | 25,872   | 24       | 1,030   | -       | 26,926   | 64    |
| Net change in  |          |         |         |          |          |          |         |         |          |       |
| other          |          |         |         |          |          |          |         |         |          |       |
| operating      |          |         |         |          |          |          |         |         |          |       |
| assets and     |          |         |         |          |          |          |         |         |          |       |
| liabilities:   |          |         |         |          |          |          |         |         |          |       |
| Reinsurance    |          |         |         |          |          |          |         |         |          |       |
| recoverables   |          |         |         |          |          |          |         |         |          |       |
| and trade      |          |         |         |          |          |          |         |         |          |       |
| receivables    | -        | (2,797) | 1       | -        | (2,796)  | 20,125   | 1,054   | -       | 18,383   |       |
| Inventories    | -        | (8,249) | -       | -        | (8,249)  | -        | -       | -       | (8,249)  | (10   |
| Prepaid        |          |         |         |          |          |          |         |         |          |       |
| expenses       | 1,096    | (3,938) | -       | -        | (2,842)  | -        | -       | -       | (2,842)  | (12   |
| Capitalization |          |         |         |          |          |          |         |         |          |       |
| of deferred    |          |         |         |          |          |          |         |         |          |       |
| policy         |          |         |         |          |          |          |         |         |          |       |
| acquisition    |          |         |         |          |          |          |         |         |          |       |
| costs          | -        | -       | -       | -        | -        | (699)    | (2,467) | -       | (3,166)  |       |
| Other assets   | (3)      | (936)   | 1,266   | -        | 327      | 138      | 11      | -       | 476      | (57   |
| Related party  |          |         |         |          |          |          |         |         |          |       |
| assets         | (17,621) | 11,360  | 2,793   | 18,668   | 15,200   | 6,232    | (60)    | (5,568) | 15,804   | 2,90  |
| Accounts       |          |         |         |          |          |          |         |         |          |       |
| payable and    |          |         |         |          |          |          |         |         |          |       |
| accrued        |          |         |         |          |          |          |         |         |          |       |
| expenses       | (19,824) | 31,704  | (6,774) | -        | 5,106    | -        | 1,697   | -       | 6,803    | 57    |
| Policy         |          |         |         |          |          |          |         |         |          |       |
| benefits and   |          |         |         |          |          |          |         |         |          |       |
| losses, claims |          |         |         |          |          |          |         |         |          |       |
| and loss       |          |         |         |          |          |          |         |         |          |       |
| expenses       |          |         |         |          |          |          |         |         |          |       |
| payable        | -        | 31,763  | -       | -        | 31,763   | (30,506) | (9,677) | -       | (8,420)  |       |
| Other          |          |         |         |          |          |          |         |         |          |       |
| policyholders' |          |         |         |          |          |          |         |         |          |       |
| funds and      |          |         |         |          |          |          |         |         |          |       |
| liabilities    | -        | -       | -       | -        | -        | 1,863    | (286)   | -       | 1,577    |       |
| Deferred       |          |         |         |          |          |          |         |         |          |       |
| income         | -        | 486     | -       | -        | 486      | -        | -       | -       | 486      | 4     |
| Related party  |          |         |         |          |          |          |         |         |          |       |
| liabilities    | (201)    | 4,801   | -       | (18,668) | (14,068) | (1,977)  | 186     | 5,184   | (10,675) | (5,14 |
| Net cash       | 14,309   | 229,404 | 1,586   | -        | 245,299  | (843)    | 5,910   | 1,458   | 251,824  | 55    |
| provided       |          |         |         |          |          |          |         |         |          |       |
| (used) by      |          |         |         |          |          |          |         |         |          |       |

operating  
activities

Cash flows  
from investing  
activities:

Purchases of:

Property, plant  
and equipment

|       |           |          |   |           |   |   |   |           |     |
|-------|-----------|----------|---|-----------|---|---|---|-----------|-----|
| (931) | (340,932) | (36,566) | - | (378,429) | - | - | - | (378,429) | (17 |
|-------|-----------|----------|---|-----------|---|---|---|-----------|-----|

Short term  
investments

|   |   |   |   |   |          |          |   |           |
|---|---|---|---|---|----------|----------|---|-----------|
| - | - | - | - | - | (28,201) | (75,798) | - | (103,999) |
|---|---|---|---|---|----------|----------|---|-----------|

Fixed  
maturities  
investments

|   |   |   |   |   |          |          |   |          |
|---|---|---|---|---|----------|----------|---|----------|
| - | - | - | - | - | (33,855) | (25,178) | - | (59,033) |
|---|---|---|---|---|----------|----------|---|----------|

Mortgage  
loans

|   |   |   |   |   |   |         |   |         |
|---|---|---|---|---|---|---------|---|---------|
| - | - | - | - | - | - | (8,855) | - | (8,855) |
|---|---|---|---|---|---|---------|---|---------|

Proceeds from  
sales of:

Property, plant  
and equipment

|   |        |       |   |        |   |   |   |        |
|---|--------|-------|---|--------|---|---|---|--------|
| - | 52,817 | 4,387 | - | 57,204 | - | - | - | 57,204 |
|---|--------|-------|---|--------|---|---|---|--------|

Short term  
investments

|   |   |   |   |   |        |        |   |         |
|---|---|---|---|---|--------|--------|---|---------|
| - | - | - | - | - | 51,069 | 93,975 | - | 145,044 |
|---|---|---|---|---|--------|--------|---|---------|

Fixed  
maturities  
investments

|   |   |   |   |   |        |        |   |        |
|---|---|---|---|---|--------|--------|---|--------|
| - | - | - | - | - | 10,968 | 41,088 | - | 52,056 |
|---|---|---|---|---|--------|--------|---|--------|

Cash received  
in excess of  
purchase of  
company  
acquired

|   |   |   |   |   |   |       |   |       |
|---|---|---|---|---|---|-------|---|-------|
| - | - | - | - | - | - | 1,235 | - | 1,235 |
|---|---|---|---|---|---|-------|---|-------|

Preferred  
stock

|   |   |   |   |   |   |     |   |     |
|---|---|---|---|---|---|-----|---|-----|
| - | - | - | - | - | - | 125 | - | 125 |
|---|---|---|---|---|---|-----|---|-----|

Real estate

|   |   |     |   |     |   |   |       |        |
|---|---|-----|---|-----|---|---|-------|--------|
| - | - | 907 | - | 907 | - | - | 9,206 | 10,113 |
|---|---|-----|---|-----|---|---|-------|--------|

Mortgage  
loans

|   |   |   |   |   |   |       |   |       |
|---|---|---|---|---|---|-------|---|-------|
| - | - | - | - | - | - | 4,182 | - | 4,182 |
|---|---|---|---|---|---|-------|---|-------|

Payments  
from notes  
and mortgage  
receivables

|   |      |     |   |     |   |   |   |     |
|---|------|-----|---|-----|---|---|---|-----|
| - | (45) | 338 | - | 293 | - | - | - | 293 |
|---|------|-----|---|-----|---|---|---|-----|

Net cash  
provided  
(used) by  
investing  
activities

|       |           |          |   |           |      |        |       |           |     |
|-------|-----------|----------|---|-----------|------|--------|-------|-----------|-----|
| (931) | (288,160) | (30,934) | - | (320,025) | (19) | 30,774 | 9,206 | (280,064) | (17 |
|-------|-----------|----------|---|-----------|------|--------|-------|-----------|-----|

(page 1 of 2)

(a) Balance  
for the six  
months ended  
June 30, 2006





Investment  
contract  
withdrawals

Net cash  
provided  
(used) by  
financing  
activities

|          |         |        |   |         |   |          |   |         |       |   |      |
|----------|---------|--------|---|---------|---|----------|---|---------|-------|---|------|
| (13,376) | 215,460 | 29,268 | - | 231,352 | - | (31,831) | - | 199,521 | (635) | - | 198, |
|----------|---------|--------|---|---------|---|----------|---|---------|-------|---|------|

Effects of  
exchange rate  
on cash

|   |     |   |   |     |   |   |   |     |   |   |
|---|-----|---|---|-----|---|---|---|-----|---|---|
| - | 131 | - | - | 131 | - | - | - | 131 | - | - |
|---|-----|---|---|-----|---|---|---|-----|---|---|

Increase  
(decrease) in  
cash and cash  
equivalents

|   |         |      |   |         |       |       |        |         |       |   |      |
|---|---------|------|---|---------|-------|-------|--------|---------|-------|---|------|
| 2 | 156,835 | (80) | - | 156,757 | (862) | 4,853 | 10,664 | 171,412 | (255) | - | 171, |
|---|---------|------|---|---------|-------|-------|--------|---------|-------|---|------|

Cash and cash  
equivalents at  
beginning of  
period

|   |         |     |   |         |       |       |   |         |     |   |      |
|---|---------|-----|---|---------|-------|-------|---|---------|-----|---|------|
| 7 | 140,499 | 856 | - | 141,362 | 9,815 | 4,027 | - | 155,204 | 255 | - | 155, |
|---|---------|-----|---|---------|-------|-------|---|---------|-----|---|------|

Cash and cash  
equivalents at  
end of period

|    |   |            |    |     |      |            |          |          |           |            |      |      |         |
|----|---|------------|----|-----|------|------------|----------|----------|-----------|------------|------|------|---------|
| \$ | 9 | \$ 297,334 | \$ | 776 | \$ - | \$ 298,119 | \$ 8,953 | \$ 8,880 | \$ 10,664 | \$ 326,616 | \$ - | \$ - | \$ 326, |
|----|---|------------|----|-----|------|------------|----------|----------|-----------|------------|------|------|---------|

(page 2 of 2)

(a) Balance  
for the six  
months ended  
June 30, 2006

## AMERCO AND CONSOLIDATED ENTITIES

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

## 10. Industry Segment and Geographic Area Data

|                                                                   | United States                               | Canada      | Consolidated |
|-------------------------------------------------------------------|---------------------------------------------|-------------|--------------|
|                                                                   |                                             | (Unaudited) |              |
|                                                                   | (All amounts are in thousands of U.S. \$'s) |             |              |
| Quarter ended September 30, 2007                                  |                                             |             |              |
| Total revenues                                                    | \$ 565,860                                  | \$ 34,697   | \$ 600,557   |
| Depreciation and amortization, net of (gains) losses on disposals | 56,802                                      | 2,210       | 59,012       |
| Interest expense                                                  | 27,342                                      | 153         | 27,495       |
| Pretax earnings                                                   | 79,511                                      | 2,120       | 81,631       |
| Income tax expense                                                | 30,436                                      | 721         | 31,157       |
| Identifiable assets                                               | 3,758,139                                   | 120,708     | 3,878,847    |
| Quarter ended September 30, 2006                                  |                                             |             |              |
| Total revenues                                                    | \$ 575,446                                  | \$ 30,807   | \$ 606,253   |
| Depreciation and amortization, net of (gains) losses on disposals | 46,060                                      | 1,852       | 47,912       |
| Interest expense                                                  | 20,959                                      | 104         | 21,063       |
| Pretax earnings                                                   | 94,987                                      | 3,234       | 98,221       |
| Income tax expense                                                | 36,630                                      | 1,100       | 37,730       |
| Identifiable assets                                               | 3,615,432                                   | 88,680      | 3,704,112    |

|                                                                     | United<br>States                            | Canada    | Consolidated |
|---------------------------------------------------------------------|---------------------------------------------|-----------|--------------|
|                                                                     | (Unaudited)                                 |           |              |
|                                                                     | (All amounts are in thousands of U.S. \$'s) |           |              |
| <b>Six months ended September 30, 2007</b>                          |                                             |           |              |
| Total revenues                                                      | \$ 1,095,078                                | \$ 63,637 | \$ 1,158,715 |
| Depreciation and amortization, net of (gains) losses on disposals * | 102,605                                     | 4,589     | 107,194      |
| Interest expense                                                    | 50,912                                      | 354       | 51,266       |
| Pretax earnings                                                     | 146,186                                     | 3,733     | 149,919      |
| Income tax expense                                                  | 56,423                                      | 1,270     | 57,693       |
| Identifiable assets                                                 | 3,758,139                                   | 120,708   | 3,878,847    |
| <b>Six months ended September 30, 2006</b>                          |                                             |           |              |
| Total revenues                                                      | \$ 1,117,005                                | \$ 55,920 | \$ 1,172,925 |
| Depreciation and amortization, net of (gains) losses on disposals   | 89,635                                      | 3,574     | 93,209       |
| Interest expense                                                    | 39,260                                      | 265       | 39,525       |
| Pretax earnings                                                     | 184,620                                     | 5,305     | 189,925      |

|                     |           |        |           |
|---------------------|-----------|--------|-----------|
| Income tax expense  | 72,209    | 1,804  | 74,013    |
| Identifiable assets | 3,615,432 | 88,680 | 3,704,112 |

\* This includes a \$10.0 million gain on disposal of real property in the United States

**AMERCO AND CONSOLIDATED ENTITIES**

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

**11. Tax**

Effective April 1, 2007, the Company adopted Financial Accounting Standards Board (“FASB”) Interpretation No.48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109*. FIN 48 prescribes a minimum recognition threshold and measurement methodology that a tax position is required to meet before being recognized in the financial statements. As a result of the adoption of FIN 48, the Company recognized a \$6.8 million decrease to reserves for uncertain tax positions. This decrease is presented as an increase in the beginning balance of retained earnings.

The total amount of unrecognized tax benefits at April 1, 2007 was \$6.3 million. This entire amount of unrecognized tax benefits, if resolved in our favor, would favorably impact our effective tax rate.

The Company recognizes interest related to unrecognized tax benefits as interest expense, and penalties as operating expenses. At April 1, 2007, the amount of interest accrued on unrecognized tax benefits was \$2.3 million, net of tax.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With some exceptions, the Company is no longer subject to audit for years prior to the fiscal year ended March 31, 2004.

## ***ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations***

### **General**

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") with the overall strategy of AMERCO, followed by a description of our operating segments and the strategy of our operating segments to give the reader an overview of the goals of our business and the direction in which our businesses and products are moving. This is followed by a discussion of the "Critical Accounting Policies and Estimates" that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for the second quarter and first six months of fiscal 2008, compared with the second quarter and first six months of fiscal 2007 beginning with an overview. We then provide an analysis of changes in our balance sheets and cash flows, and discuss our financial commitments in the sections entitled "Liquidity and Capital Resources" and "Disclosures about Contractual Obligations and Commercial Commitments." We conclude this MD&A by discussing our outlook for the remainder of fiscal 2008.

This MD&A should be read in conjunction with the other sections of this Quarterly Report on Form 10-Q. The various sections of this MD&A contain a number of forward-looking statements, as discussed under the caption "Cautionary Statements Regarding Forward-Looking Statements" all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing. Our actual results may differ materially from these forward-looking statements.

The second fiscal quarter for AMERCO ends on the 30<sup>th</sup> of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30<sup>th</sup> 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 disclosure of our 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 2007 and 2006 correspond to the Company's fiscal years 2008 and 2007, respectively.

### **Overall Strategy**

Our overall strategy is to maintain our leadership position in the North American "do-it-yourself" moving and storage industry. We accomplish this by providing a seamless and integrated supply chain to the "do-it-yourself" moving and storage market. As part of executing this strategy, we leverage the brand recognition of U-Haul with our full line of moving and self-storage related products and services and the convenience of our broad geographic presence.

Our primary focus is to provide our customers with a wide selection of moving rental equipment, convenient self-storage rental facilities and related moving and self-storage products and services. We are able to expand our distribution and improve customer service by increasing the amount of moving equipment and storage rooms available for rent, expanding the number of independent dealers in our network and expanding and taking advantage of our growing eMove capabilities.

RepWest is focused on providing and administering property and casualty insurance to U-Haul, its customers, its independent dealers and affiliates.

Oxford is focused on long-term capital growth through direct writing and reinsuring of life, Medicare supplement and annuity products in the senior marketplace.

### **Description of Operating Segments**

AMERCO has four reportable segments. They are Moving and Storage, Property and Casualty Insurance, Life Insurance and SAC Holding II.

#### **Moving and Storage Operating Segment**

Our Moving and Storage Operating Segment consists of the rental of trucks, trailers, specialty rental items and self-storage spaces primarily to the household mover as well as sales of moving supplies, towing accessories and propane. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada.

With respect to our truck, trailer, specialty rental items and self-storage rental business, we are focused on expanding our dealer network, which provides added convenience for our customers and expanding the selection and availability of rental equipment to satisfy the needs of our customers.

U-Haul brand self-moving related products and services, such as boxes, pads and tape allow our customers to, among other things, protect their belongings from potential damage during the moving process. We are committed to providing a complete line of products selected with the “do-it-yourself” moving and storage customer in mind.

AMERCO has a sustainability initiative and believes implementing it is good business and part of being a good corporate citizen. In the near term this means to Reduce, Reuse and Recycle. In addition to existing programs, the Company has launched some new programs to advance its sustainability initiative including U-Car Share, "take a box, leave a box", and an Internet-based Box Exchange program.

eMove is an online marketplace that connects consumers to over 3,600 independent Moving Help™ service providers and over 3,000 independent Self-Storage Affiliates. Our network of customer-rated affiliates provides pack and load help, cleaning help, self-storage and similar services, all over North America.

An individual or a company can connect to the eMove network by becoming an eMove Moving Help® Affiliate or an eMove Storage Affiliate™. Moving Helpers assist customers with packing, loading, cleaning and unloading their truck or storage unit. The Storage Affiliate program enables independent self-storage facilities to expand their reach by connecting into a centralized 1-800 and internet reservation system and for a fee, receive an array of services including web-based management software, Secured Online Affiliated Rentals (S.O.A.R®), co-branded rental trucks, savings on insurance, credit card processing and more.

The marketplace includes unedited reviews of independent Affiliates, and has facilitated thousands of Moving Help® and Self-Storage transactions all over North America. We believe that acting as an intermediary, with little added investment, serves the customer in a cost effective manner. Our goal is to further utilize our web-based technology platform to increase service to consumers and businesses in the moving and storage market.

### **Property and Casualty Insurance Operating Segment**

RepWest provides loss adjusting and claims handling for U-Haul through regional offices across North America. RepWest also underwrites components of the Safemove, Safetow and Safestor protection packages to U-Haul customers. We continue to focus on increasing the penetration of these products. The business plan for RepWest includes offering property and casualty products in other U-Haul related programs.

### **Life Insurance Operating Segment**

Oxford provides life and health insurance products primarily to the senior market through the direct writing or reinsuring of life insurance, and Medicare supplement and annuity policies. Additionally, Oxford administers the self-insured employee health and dental plans for Arizona employees of the Company.

### **SAC Holding II Operating Segment**

SAC Holding Corporation and its subsidiaries, and SAC Holding II Corporation and its subsidiaries, collectively referred to as “SAC Holdings,” own self-storage properties that are managed by U-Haul under property management agreements and act as independent U-Haul rental equipment dealers. AMERCO, through its subsidiaries, has contractual interests in certain SAC Holdings’ properties entitling AMERCO to potential future income based on the financial performance of these properties. With respect to SAC Holding II, AMERCO is considered the primary

beneficiary of these contractual interests. Consequently, we include the results of SAC Holding II in the consolidated financial statements of AMERCO, as required by FIN 46(R).

### **Critical Accounting Policies and Estimates**

The Company's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States. The methods, estimates and judgments we use in applying our accounting policies can have a significant impact on the results we report in our financial statements. Certain accounting policies require us to make difficult and subjective judgments and assumptions, often as a result of estimating matters that are inherently uncertain.

Below we have set forth, with a detailed description, the accounting policies that we deem most critical to us and that require management's most difficult and subjective judgments. These estimates are based on historical experience, observance of trends in particular areas, information and valuations available from outside sources and on various other assumptions that are believed to be reasonable under the circumstances and which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from these estimates under different assumptions and conditions; such differences may be material.

We also have other policies that we consider key accounting policies, such as revenue recognition; however, these policies do not meet the definition of critical accounting estimates, because they do not generally require us to make estimates or judgments that are difficult or subjective. The accounting policies that we deem most critical to us, and involve the most difficult, subjective or complex judgments include the following:

### ***Principles of Consolidation***

The Company applies FIN 46(R), "Consolidation of Variable Interest Entities" and ARB 51 in its principles of consolidation. FIN 46(R) addresses arrangements where a company does not hold a majority of the voting or similar interests of a variable interest entity ("VIE"). A company is required to consolidate a VIE if it is determined it is the primary beneficiary. ARB 51 addresses the policy when a company owns a majority of the voting or similar rights and exercises effective control.

As promulgated by FIN 46(R), a VIE is not self-supportive due to having one or both of the following conditions: a) it has an insufficient amount of equity for it to finance its activities without receiving additional subordinated financial support or b) its owners do not hold the typical risks and rights of equity owners. This determination is made upon the creation of a variable interest and can be re-assessed should certain changes in the operations of a VIE, or its relationship with the primary beneficiary trigger a reconsideration under the provisions of FIN 46(R). After a triggering event occurs the most recent facts and circumstances are utilized in determining whether or not a company is a variable interest entity, which other company(s) have a variable interest in the entity, and whether or not the company's interest is such that it is the primary beneficiary.

The consolidated financial statements for the second quarter and the first six months of fiscal 2008 and fiscal 2007 and the balance sheet as of March 31, 2007, include the accounts of AMERCO and its wholly-owned subsidiaries and SAC Holding II and its subsidiaries.

In fiscal 2003 and fiscal 2002, SAC Holdings were considered special purpose entities and were consolidated based on the provisions of Emerging Issues Task Force (EITF) Issue No. 90-15. In fiscal 2004, the Company applied FIN 46(R) to its interests in SAC Holdings. Initially, the Company concluded that SAC Holdings were VIE's and that the Company was the primary beneficiary. Accordingly, the Company continued to include SAC Holdings in its consolidated financial statements.

In February 2004, SAC Holding Corporation restructured the indebtedness of three subsidiaries and then distributed its interest in those subsidiaries to its sole shareholder. This triggered a requirement to reassess AMERCO's involvement with those subsidiaries, which led to the conclusion that based on current contractual and ownership interests between AMERCO and this entity, AMERCO ceased to have a variable interest in those three subsidiaries at that date.

Separately, in March 2004, SAC Holding Corporation restructured its indebtedness, triggering a similar reassessment of SAC Holding Corporation that led to the conclusion that SAC Holding Corporation was not a VIE and that AMERCO ceased to be the primary beneficiary of SAC Holding Corporation and its remaining subsidiaries. This

conclusion was based on SAC Holding Corporation's ability to fund its own operations and execute its business plan without any future subordinated financial support.

Accordingly, at the dates AMERCO ceased to have a variable interest and ceased to be the primary beneficiary of SAC Holding Corporation and its current or former subsidiaries, it deconsolidated those entities. The deconsolidation was accounted for as a distribution of SAC Holding Corporations interests to the sole shareholder of the SAC entities. Because of AMERCO's continuing involvement with SAC Holding Corporation and its current and former subsidiaries, the distributions do not qualify as discontinued operations as defined by SFAS No. 144.

It is possible that SAC Holding Corporation could take actions that would require us to re-determine whether SAC Holding Corporation has become a VIE or whether we have become the primary beneficiary of SAC Holding Corporation. Should this occur, we could be required to consolidate some or all of SAC Holding Corporation with our financial statements.

Similarly, SAC Holding II could take actions that would require us to re-determine whether it is a VIE or whether we continue to be the primary beneficiary of our variable interest in SAC Holding II. Should we cease to be the primary beneficiary, we would be required to deconsolidate some or all of our variable interest in SAC Holding II from our financial statements.

### ***Recoverability of Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Interest expense incurred during the initial construction of buildings and rental equipment is considered part of cost. Depreciation is computed for financial reporting purposes using the straight-line or an accelerated method based on a declining balance formula over the following estimated useful lives: rental equipment 2-20 years and buildings and non-rental equipment 3-55 years. The Company follows the deferral method of accounting based in the AICPA's Airline Guide for major overhauls in which engine overhauls are capitalized and amortized over five years and transmission overhauls are capitalized and amortized over three years. Routine maintenance costs are charged to operating expense as they are incurred. Gains and losses on dispositions of property, plant and equipment are netted against depreciation expense when realized. Equipment depreciation is recognized in amounts expected to result in the recovery of estimated residual values upon disposal, i.e., no gains or losses. In determining the depreciation rate, historical disposal experience, holding periods and trends in the market for vehicles are reviewed.

We regularly perform reviews to determine whether facts and circumstances exist which indicate that the carrying amount of assets, including estimates of residual value, may not be recoverable or that the useful life of assets is shorter or longer than originally estimated. Reductions in residual values (i.e., the price at which we ultimately expect to dispose of revenue earning equipment) or useful lives will result in an increase in depreciation expense over the life of the equipment. Reviews are performed based on vehicle class, generally subcategories of trucks and trailers. We assess the recoverability of our assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining lives against their respective carrying amounts. We consider factors such as current and expected future market price trends on used vehicles and the expected life of vehicles included in the fleet. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. If asset residual values are determined to be recoverable, but the useful lives are shorter or longer than originally estimated, the net book value of the assets is depreciated over the newly determined remaining useful lives.

Since fiscal 2006 the Company has been acquiring a significant number of moving trucks via purchase rather than lease. Management performed an analysis of the expected economic value of new rental trucks and determined that additions to the fleet resulting from purchase should be depreciated on an accelerated method based upon a declining formula. The salvage value and useful life assumptions of the rental truck fleet remain unchanged. Under the declining balances method (2.4 times declining balance) the book value of a rental truck is reduced 16%, 13%, 11%, 9%, 8%, 7%, and 6% during years one through seven, respectively and then reduced on a straight line basis an additional 10% by the end of year fifteen. In contrast, a standard straight line approach would reduce the book value by approximately 5.3% per year over the life of the truck. For the affected equipment, the accelerated depreciation was \$14.0 million and \$8.3 million greater than what it would have been if calculated under a straight line approach for the second quarter of fiscal 2008 and 2007, respectively and \$26.7 million and \$13.7 million for the first six months of fiscal 2008 and 2007, respectively.

We typically sell our used vehicles at one of our sales centers throughout North America, on our web site at [trucksales.uhaul.com](http://trucksales.uhaul.com) or by phone at 1-866-404-0355. Although we intend to sell our used vehicles for prices approximating book value, the extent to which we realize a gain or loss on the sale of used vehicles is dependent upon various factors including the general state of the used vehicle market, the age and condition of the vehicle at the time of its disposal and depreciation rates with respect to the vehicle.

***Insurance Reserves***

Liabilities for life insurance and certain annuity and health policies are established to meet the estimated future obligations of policies in force, and are based on mortality, morbidity and withdrawal assumptions from recognized actuarial tables which contain provisions for adverse deviation. In addition, liabilities for health, disability and other policies include estimates of payments to be made on insurance claims for reported losses and estimates of losses incurred, but not yet reported. Liabilities for annuity contracts consist of contract account balances that accrue to the benefit of the policyholders.

Insurance reserves for RepWest and U-Haul take into account losses incurred based upon actuarial estimates. These estimates are based on past claims experience and current claim trends as well as social and economic conditions such as changes in legal theories and inflation. Due to the nature of underlying risks and the high degree of uncertainty associated with the determination of the liability for future policy benefits and claims, the amounts to be ultimately paid to settle liabilities cannot be precisely determined and may vary significantly from the estimated liability.

A consequence of the long tail nature of the assumed reinsurance and the excess workers compensation lines of insurance that were written by RepWest is that it takes a number of years for claims to be fully reported and finally settled.

### ***Impairment of Investments***

For investments accounted for under SFAS No. 115, in determining if and when a decline in market value below amortized cost is other-than-temporary, management makes certain assumptions or judgments in its assessment including but not limited to: ability and intent to hold the security, quoted market prices, dealer quotes or discounted cash flows, industry factors, financial factors, and issuer specific information such as credit strength. Other-than-temporary impairment in value is recognized in the current period operating results. The Company's insurance subsidiaries recognized \$0.2 million and \$0.1 million in other-than-temporary impairments for the second quarter of fiscal 2008 and 2007, respectively and \$0.3 million and \$1.1 million for the first six months of fiscal 2008 and 2007.

### ***Income Taxes***

The Company's tax returns are periodically reviewed by various taxing authorities. Despite our belief that all of our tax treatments are supportable, the final outcome of these audits may cause changes that could materially impact our financial results. Our current effective tax rate is approximately 38.5%.

AMERCO files a consolidated tax return with all of its legal subsidiaries, except for DGLIC which will file on a stand alone basis. SAC Holding Corporation and its legal subsidiaries and SAC Holding II Corporation and its legal subsidiaries file consolidated tax returns, which are in no way associated with AMERCO's consolidated returns.

### ***Adoption of New Accounting Pronouncements***

Effective April 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No.48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109*. FIN 48 prescribes a minimum recognition threshold and measurement methodology that a tax position is required to meet before being recognized in the financial statements. As a result of the adoption of FIN 48, the Company recognized a \$6.8 million decrease to reserves for uncertain tax positions. This decrease is presented as an increase in the beginning balance of retained earnings.

The total amount of unrecognized tax benefits at April 1, 2007 was \$6.3 million. This entire amount of unrecognized tax benefits, if resolved in our favor, would favorably impact our effective tax rate.

The Company recognizes interest related to unrecognized tax benefits as interest expense, and penalties as operating expenses. At April 1, 2007, the amount of interest accrued on unrecognized tax benefits was \$2.3 million, net of tax.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With some exceptions, the Company is no longer subject to audit for years prior to the fiscal year ended March 31, 2004.

***Recent Accounting Pronouncements***

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* which establishes how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles (“GAAP”). This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of SFAS 157 are effective for us in April 2008. The Company is currently evaluating the impact of this statement on our Consolidated Financial Statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Liabilities*, including an amendment of SFAS 115. This statement allows for a company to irrevocably elect fair value as the measurement attribute for certain financial assets and financial liabilities. Changes in the fair value of such assets are recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The provision of SFAS 159 is effective for us in April 2008. The Company is currently evaluating the impact of this statement on our Consolidated Financial Statements.

## Results of Operations

### AMERCO and Consolidated Entities

#### *Quarter Ended September 30, 2007 compared with the Quarter Ended September 30, 2006*

Listed below on a consolidated basis are revenues for our major product lines for the second quarter of fiscal 2008 and the second quarter of fiscal 2007:

|                                                         | Quarter Ended September 30, |            |
|---------------------------------------------------------|-----------------------------|------------|
|                                                         | 2007                        | 2006       |
|                                                         | (Unaudited)                 |            |
|                                                         | (In thousands)              |            |
| Self-moving equipment rentals                           | \$ 439,801                  | \$ 445,720 |
| Self-storage revenues                                   | 33,088                      | 32,416     |
| Self-moving and self-storage products and service sales | 62,495                      | 61,916     |
| Property management fees                                | 3,993                       | 3,986      |
| Life insurance premiums                                 | 27,937                      | 31,120     |
| Property and casualty insurance premiums                | 7,332                       | 6,470      |
| Net investment and interest income                      | 16,419                      | 15,626     |
| Other revenue                                           | 9,492                       | 8,999      |
| Consolidated revenue                                    | \$ 600,557                  | \$ 606,253 |

During the second quarter of fiscal 2008, self-moving equipment rentals decreased \$5.9 million, compared with the second quarter of fiscal 2007. The decline was largely due to fewer one-way rentals and lower average one-way revenue per transaction resulting in lower than expected utilization. However, in-town transactions have increased compared with the same period last year resulting in an increase in total rental transactions.

Self-storage revenues increased \$0.7 million in the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007 due to improved pricing. During the second quarter of fiscal 2008, the Company has increased rooms and square footage available primarily through build-outs at existing facilities.

Sales of self-moving and self-storage products and service sales increased \$0.6 million for the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007, with the largest increases occurring in propane sales and moving supplies.

Premiums at RepWest increased \$0.9 million due to increases in U-Haul related business.

Oxford's premium revenues decreased approximately \$3.2 million primarily as a result of decreases in credit and Medicare supplement premiums.

As a result of the items mentioned above, revenues for AMERCO and its consolidated entities were \$600.6 million in the second quarter of fiscal 2008, compared with \$606.3 million in the second quarter of fiscal 2007.

Listed below are revenues and earnings from operations at each of our four operating segments for the second quarter of fiscal 2008 and the second quarter of fiscal 2007; for the insurance companies the second quarter ended June 30, 2007 and 2006.

|                                        | <b>Quarter Ended September 30,</b> |             |
|----------------------------------------|------------------------------------|-------------|
|                                        | <b>2007</b>                        | <b>2006</b> |
|                                        | <b>(Unaudited)</b>                 |             |
|                                        | <b>(In thousands)</b>              |             |
| <b>Moving and storage</b>              |                                    |             |
| Revenues                               | \$ 549,524                         | \$ 551,821  |
| Earnings from operations               | 104,979                            | 121,790     |
| <b>Property and casualty insurance</b> |                                    |             |
| Revenues                               | 10,393                             | 9,260       |
| Earnings from operations               | 3,722                              | 1,664       |
| <b>Life insurance</b>                  |                                    |             |
| Revenues                               | 34,460                             | 38,731      |
| Earnings from operations               | 3,565                              | 5,403       |
| <b>SAC Holding II</b>                  |                                    |             |
| Revenues                               | 12,162                             | 12,535      |
| Earnings from operations               | 3,320                              | 4,139       |
| <b>Eliminations</b>                    |                                    |             |
| Revenues                               | (5,982)                            | (6,094)     |
| Earnings from operations               | (6,460)                            | (6,743)     |
| <b>Consolidated results</b>            |                                    |             |
| Revenues                               | 600,557                            | 606,253     |
| Earnings from operations               | 109,126                            | 126,253     |

Total costs and expenses increased \$11.4 million in the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007. This is due primarily to increases in depreciation expense associated with the fleet rotation partially offset by reductions in maintenance and repair costs.

As a result of the aforementioned changes in revenues and expenses, earnings from operations decreased to \$109.1 million in the second quarter of fiscal 2008, compared with \$126.3 million in the second quarter of fiscal 2007.

Interest expense in the second quarter of fiscal 2008 was \$27.5 million, compared with \$28.0 million in the second quarter of fiscal 2007. The second quarter of fiscal 2007 included a one-time, non-recurring charge of \$7.0 million, before taxes, of deferred debt issuance costs related to the Real Estate Loan that was amended in the quarter. The refinancing costs had the effect of decreasing on a non-recurring basis, earnings in the second quarter of fiscal 2007 by \$0.33 per share before taxes, in which the tax effect was approximately \$0.13 per share. Absent this charge, the increase in interest expense in fiscal 2008 is related to increased debt associated with the fleet rotation.

Income tax expense was \$31.2 million in the second quarter of fiscal 2008, compared with \$37.7 million in the second quarter of fiscal 2007 and reflects lower pretax earnings for the second quarter of fiscal 2008.

Dividends accrued on our Series A preferred stock were \$3.2 million in second quarter of fiscal 2008, unchanged from the second quarter of fiscal 2007.

As a result of the above mentioned items, earnings available to common shareholders were \$47.2 million in the second quarter of fiscal 2008, compared with \$57.3 million in the second quarter of fiscal 2008.

The weighted average common shares outstanding basic and diluted were 19,733,755 in second quarter of fiscal 2008, compared with 20,910,204 in the second quarter of fiscal 2007. The decrease is the result of the stock repurchase program.

Basic and diluted earnings per common share in the second quarter of fiscal 2008 were \$2.39, compared with \$2.74 in the second quarter of fiscal 2007.

**Moving and Storage*****Quarter Ended September 30, 2007 compared with the Quarter Ended September 30, 2006***

Listed below are revenues for the major product lines at our Moving and Storage operating segment for the second quarter of fiscal 2008 and the second quarter of fiscal 2007:

|                                                         | <b>Quarter Ended September 30,</b> |             |
|---------------------------------------------------------|------------------------------------|-------------|
|                                                         | <b>2007</b>                        | <b>2006</b> |
|                                                         | <b>(Unaudited)</b>                 |             |
|                                                         | <b>(In thousands)</b>              |             |
| Self-moving equipment rentals                           | \$ 439,801                         | \$ 445,720  |
| Self-storage revenues                                   | 28,283                             | 27,368      |
| Self-moving and self-storage products and service sales | 58,185                             | 57,531      |
| Property management fees                                | 4,742                              | 4,738       |
| Net investment and interest income                      | 10,254                             | 9,060       |
| Other revenue                                           | 8,259                              | 7,404       |
| Moving and Storage revenue                              | \$ 549,524                         | \$ 551,821  |

During the second quarter of fiscal 2008, self-moving equipment rentals decreased \$5.9 million, compared with the second quarter of fiscal 2007. The decline was largely due to fewer one-way rentals and lower average one-way revenue per transaction resulting in lower than expected utilization. However, in-town transactions have increased compared with the same period last year resulting in an increase in total rental transactions.

Self-storage revenues increased \$0.9 million in the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007 due to improved pricing. During the second quarter of fiscal 2008, the Company has increased rooms and square footage available primarily through build-outs at existing facilities.

Sales of self-moving and self-storage products and service sales increased \$0.7 million for the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007, with the largest increases occurring in propane sales and moving supplies.

The Company owns and manages self-storage facilities. Self-storage revenues reported in the consolidated financial statements for Moving and Storage represent Company-owned locations only. Self-storage data for our owned storage locations was as follows:

|                                            | <b>Quarter Ended September 30,</b>           |             |
|--------------------------------------------|----------------------------------------------|-------------|
|                                            | <b>2007</b>                                  | <b>2006</b> |
|                                            | <b>(Unaudited)</b>                           |             |
|                                            | <b>(In thousands, except occupancy rate)</b> |             |
| Room count as of September 30              | 130                                          | 125         |
| Square footage as of September 30          | 10,379                                       | 9,853       |
| Average number of rooms occupied           | 112                                          | 111         |
| Average occupancy rate based on room count | 86.5%                                        | 89.2%       |
| Average square footage occupied            | 8,995                                        | 8,877       |

Total costs and expenses increased \$12.3 million in the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007. This is due primarily to increases in depreciation expense associated with the fleet rotation partially offset by reductions in maintenance and repair costs.

As a result of the above mentioned changes in revenues and expenses, earnings from operations decreased to \$105.0 million in the second quarter of fiscal 2008, compared with \$121.8 million in the second quarter of fiscal 2007.

**Republic Western Insurance Company**

***Quarter Ended June 30, 2007 compared with the Quarter Ended June 30, 2006***

Premium revenues were \$7.3 million and \$6.5 million for the second quarters ended June 30, 2007 and 2006, respectively. U-Haul related premiums were \$7.0 million and \$5.8 million for the second quarters ended June 30, 2007 and 2006, respectively. Other lines of business were \$0.3 million and \$0.7 million for the quarters ended June 30, 2007 and 2006, respectively.

Net investment income was \$3.1 million and \$2.8 million for the second quarters ended June 30, 2007 and 2006, respectively.

Net operating expenses, which are offset by claims handling fees, were \$3.7 million and \$2.0 million for the second quarters ended June 30, 2007 and 2006, respectively. The increase is primarily due to \$0.9 million in commissions associated with the additional liability program.

Benefits and losses incurred were \$2.9 million and \$5.0 million for the second quarters ended June 30, 2007 and 2006, respectively. The decrease is a result of reserve strengthening that was done in 2006 for discontinued lines.

Pretax earnings from operations were \$3.7 million and \$1.7 million for the second quarters ended June 30, 2007 and 2006, respectively.

**Oxford Life Insurance Company**

***Quarter Ended June 30, 2007 compared with the Quarter Ended June 30, 2006***

Premium revenues were \$27.9 million and \$31.5 million for the second quarters ended June 30, 2007 and 2006, respectively. Medicare supplement premiums decreased by \$1.6 million due to lapses in excess of new sales. Life insurance premiums decreased by \$0.1 million primarily due to reductions in group life premiums and annuitizations, partially offset by increased sales of small face amount whole life premiums. Credit life and disability premiums decreased by \$1.6 million as a result of no new sales following Oxford's discontinuance of this business.

Net investment income was \$5.3 million and \$5.8 million for the second quarters ended June 30, 2007 and 2006, respectively. The decrease was primarily due to a smaller invested asset base for the current period.

Net operating expenses were \$6.5 million and \$7.2 million for the second quarters ended June 30, 2007 and 2006, respectively. The decrease was mostly attributable to the reduction of expenses on credit life and disability due to business discontinuance.

Benefits incurred were \$21.2 million and \$21.9 million for the second quarters ended June 30, 2007 and 2006, respectively. The decrease is primarily the result of decreased credit life and disability business of \$0.5 million and annuities of \$0.6 million offset by benefit increases for health business of \$0.5 million due to increases in claim costs.

Amortization of deferred acquisition costs ("DAC") and the value of business acquired ("VOBA") was \$3.2 million and \$4.2 million for the second quarters ended June 30, 2007 and 2006, respectively. Amortization expense for the credit life and disability business decreased \$1.1 million from 2006 primarily due to the attrition of business.

Earnings from operations were \$3.6 million and \$5.4 million for the second quarters ended June 30, 2007 and 2006, respectively.



**SAC Holding II*****Quarter Ended September 30, 2007 compared with the Quarter Ended September 30, 2006***

Listed below are revenues for the major product lines at SAC Holding II for the second quarter of fiscal 2008 and the second quarter of fiscal 2007:

|                                                         | <b>Quarter Ended September 30,</b> |             |
|---------------------------------------------------------|------------------------------------|-------------|
|                                                         | <b>2007</b>                        | <b>2006</b> |
|                                                         | (Unaudited)                        |             |
|                                                         | (In thousands)                     |             |
| Self-moving equipment rentals                           | \$ 2,734                           | \$ 2,754    |
| Self-storage revenues                                   | 4,805                              | 5,048       |
| Self-moving and self-storage products and service sales | 4,310                              | 4,385       |
| Other revenue                                           | 313                                | 348         |
| Segment revenue                                         | \$ 12,162                          | \$ 12,535   |

During the second quarter of fiscal 2008 revenues decreased \$0.4 million, compared with the second quarter of fiscal 2007.

Total costs and expenses were \$8.8 million in the second quarter of fiscal 2008, compared with \$8.4 million in the second quarter of fiscal 2007.

Earnings from operations were \$3.3 million in the second quarter of fiscal 2008, compared with \$4.1 million in the second quarter of fiscal 2007.

**AMERCO and Consolidated Entities*****Six Months Ended September 30, 2007 compared with the Six Months Ended September 30, 2006***

Listed below on a consolidated basis are revenues for our major product lines for the first six months of fiscal 2008 and the first six months of fiscal 2007:

|                                                         | <b>Six Months Ended September 30,</b> |             |
|---------------------------------------------------------|---------------------------------------|-------------|
|                                                         | <b>2007</b>                           | <b>2006</b> |
|                                                         | (Unaudited)                           |             |
|                                                         | (In thousands)                        |             |
| Self-moving equipment rentals                           | \$ 835,878                            | \$ 852,954  |
| Self-storage revenues                                   | 65,124                                | 62,847      |
| Self-moving and self-storage products and service sales | 131,209                               | 129,367     |
| Property management fees                                | 7,940                                 | 7,833       |
| Life insurance premiums                                 | 57,124                                | 62,039      |
| Property and casualty insurance premiums                | 13,248                                | 11,852      |
| Net investment and interest income                      | 30,788                                | 29,101      |
| Other revenue                                           | 17,404                                | 16,932      |

|                      |              |              |
|----------------------|--------------|--------------|
| Consolidated revenue | \$ 1,158,715 | \$ 1,172,925 |
|----------------------|--------------|--------------|

During the first six months of fiscal 2008, self-moving equipment rentals decreased \$17.1 million, compared with the first six months of fiscal 2007. Contributing to this decrease are continued negative year-over-year trends in average one-way revenue per transaction related to pricing and lower than expected utilization. Conversely, the average size of the fleet is greater and the overall number of transactions has increased compared with the same period last year.

Self-storage revenues increased \$2.3 million in the first six months of fiscal 2008, compared with the first six months of fiscal 2007 due to an increase in pricing. During the first six months of fiscal 2008, the Company has increased rooms and square footage available primarily through build-outs at existing facilities.

Sales of self-moving and self-storage products and service sales increased \$1.8 million for the first six months of fiscal 2008, compared with the first six months of fiscal 2007, with the largest increases occurring in propane and moving supply sales.

Premiums at RepWest increased \$1.4 million due to increases in U-Haul related business.

Oxford's premium revenues decreased approximately \$4.9 million primarily as a result of decreases in credit and Medicare supplement premiums.

As a result of the items mentioned above, revenues for AMERCO and its consolidated entities were \$1,158.7 million in the first six months of fiscal 2008, compared with \$1,172.9 million in the first six months of fiscal 2007.

Listed below are revenues and earnings from operations at each of our four operating segments for the first six months of fiscal 2008 and the first six months of fiscal 2007; for the insurance companies the first six months ended June 30, 2007 and 2006.

|                                        | <b>Six Months Ended September 30,</b> |              |
|----------------------------------------|---------------------------------------|--------------|
|                                        | <b>2007</b>                           | <b>2006</b>  |
|                                        | <b>(Unaudited)</b>                    |              |
|                                        | <b>(In thousands)</b>                 |              |
| <b>Moving and storage</b>              |                                       |              |
| Revenues                               | \$ 1,055,740                          | \$ 1,066,459 |
| Earnings from operations               | 193,471                               | 228,711      |
| <b>Property and casualty insurance</b> |                                       |              |
| Revenues                               | 19,409                                | 17,328       |
| Earnings from operations               | 6,038                                 | 3,365        |
| <b>Life insurance</b>                  |                                       |              |
| Revenues                               | 70,643                                | 76,868       |
| Earnings from operations               | 5,882                                 | 7,354        |
| <b>SAC Holding II</b>                  |                                       |              |
| Revenues                               | 24,551                                | 25,014       |
| Earnings from operations               | 7,075                                 | 8,262        |
| <b>Eliminations</b>                    |                                       |              |
| Revenues                               | (11,628)                              | (12,744)     |
| Earnings from operations               | (11,281)                              | (11,273)     |
| <b>Consolidated results</b>            |                                       |              |
| Revenues                               | 1,158,715                             | 1,172,925    |
| Earnings from operations               | 201,185                               | 236,419      |

Total costs and expenses increased \$21.0 million in the first six months of fiscal 2008, compared with the first six months of fiscal 2007. This is due primarily to an increase in depreciation expense associated with the rotation of our fleet partially offset by reductions in rental fleet maintenance and repair costs.

As a result of the above mentioned changes in revenues and expenses, earnings from operations decreased to \$201.2 million in the first six months of fiscal 2008, compared with \$236.4 million in the first six months of fiscal 2007.

Interest expense in the first six months of fiscal 2008 was \$51.3 million, compared with \$46.5 million in the first six months of fiscal 2007. The second quarter of fiscal 2007 included a one-time, non-recurring charge of \$7.0 million, before taxes, of deferred debt issuance costs related to the Real Estate Loan that was amended in the quarter. The refinancing costs had the effect of decreasing on a non-recurring basis, earnings in the first six months ended September 30, 2006 by \$0.33 per share before taxes, in which the tax effect was approximately \$0.13 per share. Absent this charge, the increase in interest expense in fiscal 2008 is related to increased debt associated with the fleet rotation.

Income tax expense was \$57.7 million in the first six months of fiscal 2008, compared with \$74.0 million in first six months of fiscal 2007 and reflects lower pretax earnings for the first six months of fiscal 2008.

Dividends accrued on our Series A preferred stock were \$6.5 million in first six months of fiscal 2008, unchanged from the first six months of fiscal 2007.

As a result of the above mentioned items, earnings available to common shareholders were \$85.7 million in the first six months of fiscal 2008, compared with \$109.4 million in the first six months of fiscal 2007.

The weighted average common shares outstanding basic and diluted were 19,850,874 in first six months of fiscal 2008, compared with 20,903,946 in the first six months of fiscal 2007. The decrease is the result of the stock repurchase program.

Basic and diluted earnings per common share in the first six months of fiscal 2008 were \$4.32, compared with \$5.23 in the first six months of fiscal 2007.

### **Moving and Storage**

#### ***Six Months Ended September 30, 2007 compared with the Six Months Ended September 30, 2006***

Listed below are revenues for the major product lines at our Moving and Storage operating segment for the first six months of fiscal 2008 and the first six months of fiscal 2007:

|                                                         | <b>Six Months Ended September 30,</b> |              |
|---------------------------------------------------------|---------------------------------------|--------------|
|                                                         | <b>2007</b>                           | <b>2006</b>  |
|                                                         | <b>(Unaudited)</b>                    |              |
|                                                         | <b>(In thousands)</b>                 |              |
| Self-moving equipment rentals                           | \$ 835,878                            | \$ 852,954   |
| Self-storage revenues                                   | 55,327                                | 52,957       |
| Self-moving and self-storage products and service sales | 122,247                               | 120,230      |
| Property management fees                                | 9,428                                 | 9,334        |
| Net investment and interest income                      | 17,848                                | 16,848       |
| Other revenue                                           | 15,012                                | 14,136       |
| Moving and Storage revenue                              | \$ 1,055,740                          | \$ 1,066,459 |

During the first six months of fiscal 2008, self-moving equipment rentals decreased \$17.1 million, compared with the first six months of fiscal 2007. Contributing to this decrease are continued negative year-over-year trends in average one-way revenue per transaction related to pricing and lower than expected utilization. Conversely, the average size of the fleet is greater and the overall number of transactions has improved compared with the same period last year.

Self-storage revenues increased \$2.4 million in the first six months of fiscal 2008, compared with the first six months of fiscal 2007, due to an increase in pricing. During the first six months of fiscal 2008, the Company has increased rooms and square footage available primarily through build-outs at existing facilities.

Sales of self-moving and self-storage products and service sales increased \$2.0 million in the first six months of fiscal 2008, compared with the first six months of fiscal 2007, with the largest increases occurring in propane and moving supply sales.



The Company owns and manages self-storage facilities. Self-storage revenues reported in the consolidated financial statements for Moving and Storage represent Company-owned locations only. Self-storage data for our owned storage locations is as follows:

|                                            | <b>Six Months Ended September 30,</b>        |             |
|--------------------------------------------|----------------------------------------------|-------------|
|                                            | <b>2007</b>                                  | <b>2006</b> |
|                                            | <b>(Unaudited)</b>                           |             |
|                                            | <b>(In thousands, except occupancy rate)</b> |             |
| Room count as of September 30              | 130                                          | 125         |
| Square footage as of September 30          | 10,379                                       | 9,853       |
| Average number of rooms occupied           | 111                                          | 110         |
| Average occupancy rate based on room count | 86.0%                                        | 88.7%       |
| Average square footage occupied            | 8,883                                        | 8,760       |

Total costs and expenses increased \$22.8 million in the first six months of fiscal 2008, compared with the first six months of fiscal 2007. Increases in fleet rotation-related expenses including depreciation, licensing and freight costs were partially offset by reductions in maintenance and repair.

As a result of the above mentioned changes in revenues and expenses, earnings from operations decreased to \$193.5 million in the first six months of fiscal 2008, compared with \$228.7 million in the first six months of fiscal 2007.

### **Republic Western Insurance Company**

#### ***Six Months Ended June 30, 2007 compared with the Six Months Ended June 30, 2006***

Premium revenues were \$13.2 million and \$11.9 million for the six months ended June 30, 2007 and 2006, respectively. The overall increase is due to an increase in the U-Haul related lines of business. U-Haul related premiums were \$12.7 million and \$10.3 million for the six months ended June 30, 2007 and 2006, respectively. The \$2.4 million increase is due to RepWest adding an additional liability program which enables third party renters the ability to purchase higher limits. Other lines of business were \$0.5 million and \$1.6 million for the six months ended June 30, 2007 and 2006, respectively.

Net investment income was \$6.2 million and \$5.5 million for the six months ended June 30, 2007 and 2006, respectively.

Net operating expenses, which are offset by claims handling fees, were \$6.5 million and \$3.6 million for the six months ended June 30, 2007 and 2006, respectively. The increase is primarily due to \$1.6 million in commissions associated with the additional liability program.

Benefits and losses incurred were \$6.7 million and \$9.1 million for the six months ended June 30, 2007 and 2006, respectively. The decrease is a result of reserve strengthening that was done in 2006 for discontinued lines.

Amortization of deferred acquisition costs were \$0.2 million and \$1.3 million for the six months ended June 30, 2007 and 2006, respectively. The decrease is due to decreased premium writings in the non U-Haul related lines of business.

Pretax earnings from operations were \$6.0 million and \$3.4 million for the six months ended June 30, 2007 and 2006, respectively.

**Oxford Life Insurance Company*****Six Months Ended June 30, 2007 compared with the Six Months Ended June 30, 2006***

Premium revenues were \$57.1 million and \$62.8 million for the six months ended June 30, 2007 and 2006, respectively. Medicare supplement premiums decreased by \$1.3 million due to lapses in excess of new sales. Life insurance premiums decreased by \$0.3 million primarily due to reductions in group life premiums and annuitizations, partially offset by increased sales of small face amount whole life premiums. Credit life and disability premiums decreased by \$3.8 million as a result of no new sales following Oxford's discontinuance of this business.

Net investment income was \$11.1 million and \$11.3 million for the six months ended June 30, 2007 and 2006, respectively. The decrease was primarily due to a smaller invested asset base for the current period.

Net operating expenses were \$12.8 million and \$14.0 million for the six months ended June 30, 2007 and 2006, respectively. The decrease was mostly attributable to the reduction of expenses on Credit life and disability due to business discontinuance.

Benefits incurred were \$44.9 million and \$46.4 million for the six months ended June 30, 2007 and 2006, respectively. The decrease is primarily the result of decreased credit life and disability business of \$1.1 million and annuities of \$1.8 million is due to fewer annuitizations offset by increases for Medicare supplement of \$1.1 million.

Amortization of DAC and VOBA was \$7.0 million and \$9.2 million for the six months ended June 30, 2007 and 2006, respectively. Amortization expense for the credit life and disability business decreased \$2.3 million from 2006 primarily due to the attrition of business.

Earnings from operations were \$5.9 million and \$7.4 million for the six months ended June 30, 2007 and 2006, respectively.

**SAC Holding II*****Six Months Ended September 30, 2007 compared with the Six Months Ended September 30, 2006***

Listed below are revenues for the major product lines at SAC Holding II for the first six months of fiscal 2008 and the first six months of fiscal 2007:

|                                                         | <b>Six Months Ended September 30,</b> |             |
|---------------------------------------------------------|---------------------------------------|-------------|
|                                                         | <b>2007</b>                           | <b>2006</b> |
|                                                         | (Unaudited)                           |             |
|                                                         | (In thousands)                        |             |
| Self-moving equipment rentals                           | \$ 5,157                              | \$ 5,310    |
| Self-storage revenues                                   | 9,797                                 | 9,890       |
| Self-moving and self-storage products and service sales | 8,962                                 | 9,137       |
| Other revenue                                           | 635                                   | 677         |
| Segment revenue                                         | \$ 24,551                             | \$ 25,014   |

Revenues in the first six months of fiscal 2008 decreased \$0.5 million, compared with the first six months of fiscal 2007.

Total costs and expenses were \$17.5 million in the first six months of fiscal 2008, compared with \$16.8 million in the first six months of fiscal 2007.

Earnings from operations were \$7.1 million in the first six months of fiscal 2008, compared with \$8.3 million in the first six months of fiscal 2007.

## Liquidity and Capital Resources

We believe our current capital structure is one positive factor that will enable us to pursue our operational plans and goals, and provide us with sufficient liquidity for the next three to five years. The majority of the obligations currently in place mature at the end of fiscal years 2014 or 2018. As a result, we believe that our liquidity is sufficient for our current and foreseeable needs. However, there is no assurance that future cash flows will be sufficient to meet our outstanding obligations or our future capital needs.

At September 30, 2007, cash and cash equivalents totaled \$203.3 million, compared with \$75.3 million on March 31, 2007. The assets of our insurance subsidiaries are generally unavailable to fulfill the obligations of non-insurance operations (AMERCO, U-Haul and Real Estate). The assets of SAC Holding II are completely unavailable to satisfy any of the Company's obligations. As of September 30, 2007 (or as otherwise indicated), cash and cash equivalents, other financial assets (receivables, short-term investments, other investments, fixed maturities, and related party assets) and obligations of each operating segment were:

|                           | Moving<br>& Storage | RepWest<br>(a) | Oxford (a) | SAC<br>Holding II |
|---------------------------|---------------------|----------------|------------|-------------------|
|                           |                     | (Unaudited)    |            |                   |
|                           |                     | (In thousands) |            |                   |
| Cash and cash equivalents | \$ 185,223          | \$ 4,459       | \$ 13,662  | \$ -              |
| Other financial assets    | 337,936             | 386,113        | 595,818    | -                 |
| Debt obligations (b)      | 1,452,042           | -              | -          | 74,197            |

(a) As of June 30, 2007

(b) Payable to third parties

At September 30, 2007, our Moving and Storage operations (AMERCO, U-Haul and Real Estate) had cash available under existing credit facilities of \$353.3 million comprised of:

|                                         | September 30,<br>2007 |
|-----------------------------------------|-----------------------|
|                                         | (Unaudited)           |
|                                         | (In millions)         |
| Real estate loan (revolving credit)     | \$ 200.0              |
| Construction loan (revolving credit)    | 18.3                  |
| Working capital loan (revolving credit) | 35.0                  |
| Fleet loan (revolving credit)           | 100.0                 |
|                                         | \$ 353.3              |

Additionally, the Company had \$94.1 million available in purchase accounts related to the fleet securitization transaction. These amounts are held by the trustee and are available to the Company to purchase new box trucks, cargo vans and pick-ups through March 2008.

Cash provided by operating activities improved \$27.3 million in the first six months of fiscal 2008, compared with fiscal 2007, primarily due to the timing of federal income tax payments.

Net cash used in investing activities decreased \$51.1 million in the first six months of fiscal 2008, compared with fiscal 2007. Capital expenditures for rental truck acquisitions have decreased compared with the first six months of fiscal 2007 while sales of retired trucks have increased. Fiscal 2008 real estate sales were greater than fiscal 2007.

Cash provided by financing activities decreased \$121.4 million in the first six months of fiscal 2008, compared with fiscal 2007. Cash used for the repurchase of common stock was \$34.0 million which was partially offset from cash provided by the fleet securitization of \$94.1 million.

## **Liquidity and Capital Resources and Requirements of Our Operating Segments**

### ***Moving and Storage***

To meet the needs of our customers, U-Haul maintains a large fleet of rental equipment. Capital expenditures have primarily reflected new rental equipment acquisitions and the buyouts of existing fleet from TRAC leases. The capital to fund these expenditures has historically been obtained internally from operations and the sale of used equipment, and externally from debt and lease financing. In the future we anticipate that our internally generated funds will be used to service the existing debt and support operations. U-Haul estimates that during each of the next three fiscal years the Company may reinvest in its truck and trailer rental fleet up to approximately \$400.0 million, net of equipment sales, depending upon several factors including availability of capital and market conditions. This investment will be funded through external lease financing, debt financing and internally from operations. Management considers several factors including cost and tax consequences when selecting a method to fund capital expenditures. Because the Company has utilized all of its federal net operating loss carry forwards, there will be more of a focus on financing the fleet through asset-backed debt.

Real Estate has traditionally financed the acquisition of self-storage properties to support U-Haul's growth through debt financing and funds from operations and sales. The Company is developing several existing locations for use as storage centers. The Company is funding these development projects through construction loans and internally generated funds and expects to invest approximately \$80.0 million in new storage development over the next twelve to eighteen months. U-Haul's growth plan in self-storage also includes eMove, which does not require significant capital.

Net capital expenditures (purchases of property, plant and equipment less proceeds from the sale of property, plant and equipment) were \$258.9 million and \$321.2 million in the first six months of fiscal 2008 and 2007, respectively. During the first six months of fiscal 2008, the Company entered into \$129.1 million in new equipment operating leases.

Moving and Storage continues to hold significant cash and has access to additional liquidity. Management may invest these funds in our existing operations or pursue external opportunities in the self-moving and storage market place.

### ***Property and Casualty Insurance***

State insurance regulations restrict the amount of dividends that can be paid to stockholders of insurance companies. As a result, RepWest's assets are generally not available to satisfy the claims of AMERCO or its legal subsidiaries.

Stockholder's equity was \$146.0 million and \$142.4 million at June 30, 2007 and December 31, 2006, respectively. RepWest does not use debt or equity issues to increase capital and therefore has no exposure to capital market conditions other than through its investment portfolio.

### ***Life Insurance***

Oxford manages its financial assets to meet policyholder and other obligations including investment contract withdrawals. Oxford's net withdrawals for the six months ended June 30, 2007 was \$25.3 million. State insurance regulations restrict the amount of dividends that can be paid to stockholders of insurance companies. As a result, Oxford's funds are generally not available to satisfy the claims of AMERCO or its legal subsidiaries.

Oxford's stockholder's equity was \$138.3 million and \$136.4 million at June 30, 2007 and December 31, 2006, respectively. Oxford does not use debt or equity issues to increase capital and therefore has no exposure to capital

market conditions other than through its investment portfolio.

***SAC Holding II***

SAC Holding II operations are funded by various mortgage loans, and secured and unsecured notes. SAC Holding II does not utilize revolving lines of credit to finance its operations or acquisitions. Certain of SAC Holding II loan agreements contain covenants and restrictions on incurring additional subsidiary indebtedness.

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## **Cash Provided (Used) from Operating Activities by Operating Segments**

### ***Moving and Storage***

Cash provided from operating activities were \$279.0 million and \$245.3 million in the first six months of fiscal 2008 and 2007, respectively. The increase was primarily due to the timing of federal income tax payments.

### ***Property and Casualty Insurance***

Cash flows used by operating activities were \$6.8 million and \$0.8 million for the first six months ended June 30, 2007 and 2006, respectively. The cash used by operating activities is the result of RepWest exiting its non U-Haul lines of business and the associated reduction of reserves in the lines exited.

RepWest's cash and cash equivalents and short-term investment portfolio were \$69.0 million and \$71.9 million at June 30, 2007 and December 31, 2006, respectively. This balance reflects funds in transition from maturity proceeds to long term investments. This level of liquid assets, combined with budgeted cash flow, is adequate to meet periodic needs. Capital and operating budgets allow RepWest to schedule cash needs in accordance with investment and underwriting proceeds.

### ***Life Insurance***

Cash flows provided by operating activities was \$5.9 million for each of the first six months ended June 30, 2007 and 2006, respectively.

In addition to cash flows from operating activities and financing activities, a substantial amount of liquid funds is available through Oxford's short-term portfolio. At June 30, 2007 and December 31, 2006, cash and cash equivalents and short-term investments amounted to \$35.3 million and \$41.4 million, respectively. Management believes that the overall sources of liquidity will continue to meet foreseeable cash needs.

### ***SAC Holding II***

Cash provided by operating activities were \$1.6 million and \$0.6 million in the first six months of fiscal 2008 and 2007, respectively.

## **Liquidity and Capital Resources-Summary**

We believe we have the financial resources needed to execute our business plans and to meet our business requirements including capital expenditures for the investment in and expansion of our rental fleet, rental equipment and storage space, working capital requirements, stock repurchase plans and our preferred stock dividend program.

Our borrowing strategy is primarily focused on asset-backed financing. As part of this strategy, we seek to ladder maturities and hedge floating rate loans through the use of interest rate swaps. While each of these loans typically contains provisions governing the amount that can be borrowed in relation to specific assets, the overall structure is flexible with no limits on overall Company borrowings. Management feels it has adequate liquidity between cash and cash equivalents and unused borrowing capacity in existing facilities to meet the current and expected needs of the Company over the next several years. At September 30, 2007, we had cash availability under existing credit facilities of \$353.3 million along with an additional \$94.1 million in purchase accounts under the fleet securitization available for the purchase of new box trucks, cargo vans and pick-ups. We believe that there are additional opportunities for leverage in our existing capital structure. For a more detailed discussion of our long-term debt and borrowing

capacity, please see Note 3 “Borrowings” to the “Notes to Condensed Consolidated Financial Statements.”

**Disclosures about Contractual Obligations and Commercial Commitments**

Our estimates as to future contractual obligations have not materially changed as to the disclosure included under the subheading “Contractual Obligations” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our Annual Report on Form 10-K for fiscal year ending March 31, 2007 except for the addition of the Rental Fleet Securitizations and draws taken on the Construction loan (see Note 3 “Borrowings” to the “Notes to Condensed Consolidated Financial Statements”).

## Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements where the economics and sound business principles warrant their use.

AMERCO utilizes operating leases for certain rental equipment and facilities with terms expiring substantially through 2012, with the exception of one land lease expiring in 2034. In the event of a shortfall in proceeds from the sales of the underlying rental equipment assets, AMERCO has guaranteed approximately \$170.1 million of residual values at September 30, 2007 for these assets at the end of their respective lease terms. AMERCO has been leasing rental equipment since 1987. To date, we have not experienced residual value shortfalls related to these leasing arrangements. Using the average cost of fleet related debt as the discount rate, the present value of AMERCO's minimum lease payments and residual value guarantees is \$546.2 million at September 30, 2007.

Historically, AMERCO used off-balance sheet arrangements in connection with the expansion of its self-storage business (see Note 8 "Related Party Transactions" of the "Notes to Condensed Consolidated Financial Statements"). These arrangements were primarily used when the Company's overall borrowing structure was more limited. The Company does not face similar limitations currently and off-balance sheet arrangements have not been utilized in our self-storage expansion in recent years. In the future, the Company will continue to identify and consider off-balance sheet opportunities to the extent such arrangements would be economically advantageous to the Company and its stockholders.

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury, 4 SAC, 5 SAC, 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 \$15.0 million, and \$9.2 million from the above mentioned entities during the first six months of fiscal 2008 and 2007, 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 \$1.3 million in the first six months of fiscal 2008 and 2007. 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, 2007, 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 on equipment rental revenues. During the first six months of fiscal 2008 and 2007, the Company paid the above mentioned entities \$20.8 million and \$21.2 million, respectively in commissions pursuant to such dealership contracts.

During the first six months of fiscal 2008, subsidiaries of the Company held various junior unsecured notes of SAC Holdings. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of \$9.4 million and \$9.8 million, and received cash interest payments of \$10.2 million and \$37.2 million, from SAC Holdings during the first six months of fiscal 2008 and 2007, respectively. The cash interest payments for the first six months of fiscal 2007 included a payment to significantly reduce the outstanding interest receivable from SAC Holdings. The largest aggregate amount of notes receivable outstanding during the first six months of fiscal 2008

was \$203.7 million and the aggregate notes receivable balance at September 30, 2007 was \$198.4 million, of which \$75.1 million is with SAC Holding II and has been eliminated in the consolidating financial statements. In accordance with the terms of these notes, SAC Holdings may repay the notes without penalty or premium.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of \$20.4 million, expenses of \$1.3 million and cash flows of \$49.4 million during the first six months of fiscal 2008. Revenues and commission expenses related to the Dealer Agreements were \$97.3 million and \$20.8 million, respectively.

## **Fiscal 2008 Outlook**

In fiscal 2008, we are working towards increasing transaction volume and improving pricing, product mix and utilization for self-moving equipment rentals. Investing in our truck fleet is a key initiative to reach this goal. During the first six months of fiscal 2008, we have added over 15,000 new trucks. Our plans include manufacturing additional boxed trucks and adding to our pickup and cargo van fleet. This investment is expected to increase the number of rentable equipment days available to meet our customer demands and to reduce future spending on repair costs and equipment downtime. Revenue growth in the U-Move program could continue to be adversely impacted should we fail to execute in any of these areas.

In fiscal 2008, we are also working towards increasing our storage occupancy at existing sites, adding new eMove Storage Affiliates and building new locations. We believe that additional occupancy gains in our current portfolio of locations can be realized in fiscal 2008. The Company continues to evaluate new moving and storage opportunities in the market place.

RepWest will continue to provide loss adjusting and claims handling for U-Haul and underwrite components of the Safemove, Safetow and Safestor protection packages to U-Haul customers.

Oxford is pursuing its goals of expanding its presence in the senior market through the sales of its Medicare supplement, life and annuity policies. As part of this strategy, Oxford is attempting to grow its agency force and develop new product offerings.

## **Cautionary Statements Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q, contains “forward-looking statements” regarding future events and our future results. 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 of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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; 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 set forth in the section entitled “Item 1A. Risk Factors” contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007, 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 Condensed 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.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to financial market risks, including changes in interest rates and currency exchange rates. To mitigate these risks, we may utilize derivative financial instruments, among other strategies. We do not use derivative financial instruments for speculative purposes.

**Interest rate risk**

The exposure to market risk for changes in interest rates relates primarily to our variable rate debt obligations. We have used interest rate swap agreements, interest rate cap agreements and forward swaps to reduce our exposure to changes in interest rates.

| Notional Amount                  |             | Fair Value  | Effective Date | Expiration Date | Fixed Rate | Floating Rate |
|----------------------------------|-------------|-------------|----------------|-----------------|------------|---------------|
| \$106,698,977                    | (a),<br>(b) | (931,326)   | 5/10/2006      | 4/10/2012       | 5.06%      | 1 Month LIBOR |
| 117,289,327                      | (a),<br>(b) | (2,573,061) | 10/10/2006     | 10/10/2012      | 5.57%      | 1 Month LIBOR |
| 38,729,819                       | (a)         | (1,012,204) | 7/10/2006      | 7/10/2013       | 5.67%      | 1 Month LIBOR |
| 289,166,667                      | (a)         | (7,873,389) | 8/18/2006      | 8/10/2018       | 5.43%      | 1 Month LIBOR |
| 26,500,000                       | (a)         | (390,249)   | 2/12/2007      | 2/10/2014       | 5.24%      | 1 Month LIBOR |
| 19,000,000                       | (a)         | (113,106)   | 3/12/2007      | 3/10/2014       | 4.99%      | 1 Month LIBOR |
| 18,000,000                       | (a)         | (99,536)    | 3/12/2007      | 3/10/2014       | 4.99%      | 1 Month LIBOR |
| (a) interest rate swap agreement |             |             |                |                 |            |               |
| (b) forward swap                 |             |             |                |                 |            |               |

As of September 30, 2007, the Company had approximately \$633.8 million of variable rate debt obligations. If LIBOR were to increase 100 basis points, the increase in interest expense on the variable rate debt would decrease future earnings and cash flows by approximately \$0.2 million annually (after consideration of the effect of the above derivative contracts).

Additionally, our insurance subsidiaries' fixed income investment portfolio's expose the Company to interest rate risk. This interest rate risk is the price sensitivity of a fixed income security to change in interest rates. As part of our insurance companies' asset and liability management, actuaries estimate the cash flow patterns of our existing liabilities to determine their duration. These outcomes are compared to the characteristics of the assets that are currently supporting these liabilities assisting management in determining an asset allocation strategy for future investments that management believes will mitigate the overall effect of interest rates.

**Foreign Currency Exchange Rate Risk**

The exposure to market risk for changes in foreign currency exchange rates relates primarily to our Canadian business. Approximately 5.5% and 4.8% of our revenue in the first six months of fiscal 2008 and 2007, respectively, were generated in Canada. The result of a 10.0% change in the value of the U.S. dollar relative to the Canadian dollar would not be material. We typically do not hedge any foreign currency risk since the exposure is not considered material.

***Item 4. Controls and Procedures***

Attached as exhibits to this Form 10-Q are certifications of the registrants' Chief Executive Officer (CEO) and Chief Accounting Officer (CAO), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented in Evaluation of Disclosure Controls and Procedures.

## **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the CEO and CAO, conducted an evaluation of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as such term is defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) ("Disclosure Controls") as of the end of the period covered by this Form 10-Q. Our Disclosure Controls are designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CAO, as appropriate to allow timely decisions regarding required disclosure. Based upon the controls evaluation, our CEO and CAO have concluded that as of the end of the period covered by this Form 10-Q, our Disclosure Controls were effective.

## **Inherent Limitations on the Effectiveness of Controls**

The Company's management, including the CEO and CAO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## **Changes in Internal Control over Financial Reporting**

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Information regarding our legal proceedings can be found under Note 7 "Contingencies" to the "Notes to Condensed Consolidated Financial Statements".

### **Item 1A. Risk Factors**

We are not aware of any material updates to the risk factors described in the Company's previously filed Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On September 13, 2006, we announced that our Board had authorized us to repurchase up to \$50.0 million of our common stock. The stock may be repurchased by the Company from time to time on the open market between September 13, 2006 and October 31, 2007. On March 9, 2007, the Board authorized an increase in the Company's common stock repurchase program to a total aggregate amount, net of brokerage commissions, of \$115.0 million (which amount is inclusive of the \$50.0 million common stock repurchase program approved by the Board in 2006). The Company repurchased stock from time to time on the open market pursuant to this program. These purchases were funded from available working capital. During the course of the program the Company repurchased 1,225,290 shares at a cost of \$83.1 million. During the second quarter of fiscal 2008, we purchased no additional shares. As of November 1, 2007 the Board has not renewed the repurchase program or established a new program.

**Item 3. Defaults upon Senior Securities**

Not applicable.

**Item 4. Submission of Matters to a Vote of Security Holders**

The 2007 Annual Meeting of Stockholders of AMERCO was held on August 20, 2007. At such meeting, John P. Brogan and Daniel R. Mullen were elected as Class I Directors to serve until the 2011 Annual Meeting of Stockholders of AMERCO and Michael L. Gallagher was elected as a Class IV Director to serve until the 2010 Annual Meeting of Stockholders of AMERCO. Edward J. Shoen and M. Frank Lyons continue as directors with terms that expire at the 2008 Annual Meeting of Stockholders; John M. Dodds and James P. Shoen continue as directors with terms that expire at the 2009 Annual Meeting of Stockholders; and Charles J. Bayer will continue as a director with a term that expires at the 2010 Annual Meeting of Stockholders.

In addition, our stockholders voted upon and approved: (i) the ratification of the appointment of BDO Seidman LLP as the Company's independent auditors for fiscal 2008; and (ii) voted upon and approved a stockholder proposal to approve and affirm the actions taken by AMERCO and its subsidiaries' Boards of Directors, officers and employees in entering into all resulting contracts with SAC and ratify all SAC transactions amended or entered into by AMERCO and any of its subsidiaries between 1992 and March 31, 2007.

The following table sets forth the votes cast for, against or withheld, as well as the number of abstentions and broker non-votes with respect to each matter voted on at the 2007 Annual Meeting of Stockholders of AMERCO.

|                                                                        | <b>Votes Cast<br/>For</b> | <b>Votes Cast<br/>Against</b> | <b>Withheld</b> | <b>Abstentions</b> | <b>Non-Votes</b> |
|------------------------------------------------------------------------|---------------------------|-------------------------------|-----------------|--------------------|------------------|
| <b>Election of Directors:</b>                                          |                           |                               |                 |                    |                  |
| John P. Brogan                                                         | 18,282,729                | -                             | 1,236,866       | -                  | -                |
| Daniel R. Mullen                                                       | 18,280,718                | -                             | 1,238,877       | -                  | -                |
| Michael L. Gallagher                                                   | 18,282,267                | -                             | 1,237,328       | -                  | -                |
| Ratification of Appointment of<br>Auditors:                            | 19,499,098                | 19,253                        | -               | 1,244              | -                |
| Stockholder Proposal Regarding<br>Ratification of SAC<br>Transactions: | 14,404,454                | 2,944,200                     | -               | 2,167,075          | 3,866            |

**Item 5. Other Information**

Not applicable.



## Item 6. Exhibits

The following documents are filed as part of this report:

| Exhibit | Number | Description                                                                                                                                | Page or Method of Filing                                                                                                       |
|---------|--------|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
|         | 2.1    | Joint Plan of Reorganization of AMERCO and AMERCO Real Estate Company                                                                      | Incorporated by reference to AMERCO's Current Report on Form 8-K filed October 20, 2003, file no. 1-11255                      |
|         | 2.2    | Disclosure Statement Concerning the Debtors' Joint Plan of Reorganization                                                                  | Incorporated by reference to AMERCO's Current Report on Form 8-K filed October 20, 2003, file no. 1-11255                      |
|         | 2.3    | Amended Joint Plan of Reorganization of AMERCO and AMERCO Real Estate Company                                                              | Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended December 31, 2003, file No. 1-11255  |
|         | 2.4    | Disclosure Statement Concerning the Debtor's First Amended Joint Plan of Reorganization                                                    | Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended December 31, 2003, file No. 1-11255  |
|         | 3.1    | Restated Articles of Incorporation of AMERCO                                                                                               | Incorporated by reference to AMERCO's Registration Statement on form S-4 filed March 30, 2004, file number 1-11255             |
|         | 3.2    | Restated By-Laws of AMERCO                                                                                                                 | Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, file No. 1-11255 |
|         | 10.1   | Amended and restated Property Management Agreement among Six-A SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc. | Filed herewith                                                                                                                 |
|         | 10.2   | Amended and restated Property Management Agreement among Six-B SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc. | Filed herewith                                                                                                                 |
|         | 10.3   | Amended and restated Property Management Agreement among Six-C SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc. | Filed herewith                                                                                                                 |
|         | 10.4   | Amended and restated Property Management Agreement among Eight SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc. | Filed herewith                                                                                                                 |
|         | 10.5   | Amended and restated Property Management Agreement among Nine SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.  | Filed herewith                                                                                                                 |
|         | 10.6   | Amended and restated Property Management Agreement among Ten SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.   | Filed herewith                                                                                                                 |

- 10.7 Amended and restated Property Management Agreement Filed herewith among Eleven SAC Self-Storage Corporation and Eleven SAC Self-Storage Odenton, Inc. and subsidiaries of U-Haul International, Inc.
- 10.8 Amended and restated Property Management Agreement Filed herewith among Twelve SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.
- 10.9 Amended and restated Property Management Agreement Filed herewith among Thirteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.
- 10.10 Amended and restated Property Management Agreement Filed herewith among Fourteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.
- 10.11 Amended and restated Property Management Agreement Filed herewith among Fifteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.
- 10.12 Amended and restated Property Management Agreement Filed herewith among Sixteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.
- 10.13 Amended and restated Property Management Agreement Filed herewith among Seventeen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.

**Exhibit**

| <b>Number</b> | <b>Description</b>                                                                                                                      | <b>Page or Method of Filing</b> |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| 10.14         | Promissory Note. SAC Holding Corporation, a Nevada corporation ("Borrower"), pay to U-Haul International, Inc., a Nevada corporation    | Filed herewith                  |
| 31.1          | Rule 13a-14(a)/15d-14(a) Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO                                  | Filed herewith                  |
| 31.2          | Rule 13a-14(a)/15d-14(a) Certificate of Jason A. Berg, Chief Accounting Officer of AMERCO                                               | Filed herewith                  |
| 32.1          | Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith              |
| 32.2          | Certificate of Jason A. Berg, Chief Accounting Officer of AMERCO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002              | Furnished herewith              |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERCO

Date: November 7, 2007

/s/ Edward J. Shoen

Edward J. Shoen  
President and Chairman of the Board  
(Duly Authorized Officer)

Date: November 7, 2007

/s/ Jason A. Berg

Jason A. Berg  
Chief Accounting Officer  
(Principal Financial Officer)

