

AMERCO /NV/  
Form 10-Q  
August 09, 2006

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

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2006**

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                                    |
| 2-38498                           | <b>U-Haul International, Inc.</b><br>(A Nevada Corporation)<br>2727 N. Central Avenue<br>Phoenix, Arizona 85004<br>Telephone (602) 263-6645 | 86-0663060                                    |

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

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

Larger accelerated filer £ Accelerated filer R Non-accelerated filer £

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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 ☐ £

21,284,604 shares of AMERCO Common Stock, \$0.25 par value, were outstanding at August 4, 2006.

5,385 shares of U-Haul International, Inc. Common Stock, \$0.01 par value, were outstanding at August 4, 2006.

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

|                                                                | June 30,<br>2006 | March 31,<br>2006 |
|----------------------------------------------------------------|------------------|-------------------|
|                                                                | (Unaudited)      |                   |
|                                                                | (In thousands)   |                   |
| ASSETS                                                         |                  |                   |
| Cash and cash equivalents                                      | \$ 241,858       | \$ 155,459        |
| Reinsurance recoverables and trade receivables, net            | 215,861          | 230,179           |
| Notes and mortgage receivables, net                            | 2,140            | 2,532             |
| Inventories, net                                               | 68,226           | 64,919            |
| Prepaid expenses                                               | 58,473           | 53,262            |
| Investments, fixed maturities and marketable equities          | 695,923          | 695,958           |
| Investments, other                                             | 184,566          | 209,361           |
| Deferred policy acquisition costs, net                         | 52,470           | 47,821            |
| Other assets                                                   | 99,978           | 102,094           |
| Related party assets                                           | 252,679          | 270,468           |
|                                                                | 1,872,174        | 1,832,053         |
| Property, plant and equipment, at cost:                        |                  |                   |
| Land                                                           | 186,252          | 175,785           |
| Buildings and improvements                                     | 760,659          | 739,603           |
| Furniture and equipment                                        | 285,178          | 281,371           |
| Rental trailers and other rental equipment                     | 201,129          | 201,273           |
| Rental trucks                                                  | 1,401,701        | 1,331,891         |
| SAC Holding II - property, plant and equipment                 | 79,542           | 79,217            |
|                                                                | 2,914,461        | 2,809,140         |
| Less: Accumulated depreciation                                 | (1,277,521)      | (1,273,975)       |
| Total property, plant and equipment                            | 1,636,940        | 1,535,165         |
| Total assets                                                   | \$ 3,509,114     | \$ 3,367,218      |
| LIABILITIES AND STOCKHOLDERS' EQUITY                           |                  |                   |
| Liabilities:                                                   |                  |                   |
| Accounts payable and accrued expenses                          | \$ 254,604       | \$ 235,878        |
| AMERCO's notes and loans payable                               | 1,045,638        | 965,634           |
| SAC Holding II notes and loans payable, non-recourse to AMERCO | 75,918           | 76,232            |
| Policy benefits and losses, claims and loss expenses payable   | 794,572          | 800,413           |
| Liabilities from investment contracts                          | 432,557          | 449,149           |
| Other policyholders' funds and liabilities                     | 6,580            | 7,705             |
| Deferred income                                                | 23,632           | 21,346            |
| Deferred income taxes                                          | 118,097          | 108,092           |
| Related party liabilities                                      | 3,400            | 7,165             |
| Total liabilities                                              | 2,754,998        | 2,671,614         |

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;

6,100,000 shares issued and outstanding as of June 30 and March 31, 2006

- -

Series B preferred stock, with no par value, 100,000 shares authorized; none

issued and outstanding as of June 30 and March 31, 2006

- -

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;

3,716,181 shares issued as of June 30 and March 31, 2006

929 929

Common stock of \$0.25 par value, 150,000,000 shares authorized;

38,269,518 issued as of June 30 and March 31, 2006

9,568 9,568

Additional paid-in capital

373,151 367,655

Accumulated other comprehensive loss

(28,351) (28,902)

Retained earnings

825,964 773,784

Cost of common shares in treasury, net (20,701,096 shares as of June 30 and March 31, 2006)

(418,092) (418,092)

Unearned employee stock ownership plan shares

(9,053) (9,338)

Total stockholders' equity

754,116 695,604

Total liabilities and stockholders' equity

\$ 3,509,114 \$ 3,367,218

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

**AMERCO AND CONSOLIDATED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                                         | <b>Quarter Ended June 30,</b>                             |                   |
|---------------------------------------------------------|-----------------------------------------------------------|-------------------|
|                                                         | <b>2006</b>                                               | <b>2005</b>       |
|                                                         | <b>(Unaudited)</b>                                        |                   |
|                                                         | <b>(In thousands, except share and per share amounts)</b> |                   |
| <b>Revenues:</b>                                        |                                                           |                   |
| Self-moving equipment rentals                           | \$ 407,234                                                | \$ 401,260        |
| Self-storage revenues                                   | 30,431                                                    | 28,768            |
| Self-moving and self-storage products and service sales | 67,451                                                    | 66,563            |
| Property management fees                                | 3,847                                                     | 4,440             |
| Life insurance premiums                                 | 30,919                                                    | 29,589            |
| Property and casualty insurance premiums                | 5,382                                                     | 4,824             |
| Net investment and interest income                      | 13,830                                                    | 13,714            |
| Other revenue                                           | 7,933                                                     | 10,300            |
| <b>Total revenues</b>                                   | <b>567,027</b>                                            | <b>559,458</b>    |
| <b>Costs and expenses:</b>                              |                                                           |                   |
| Operating expenses                                      | 261,379                                                   | 266,792           |
| Commission expenses                                     | 49,536                                                    | 48,018            |
| Cost of sales                                           | 32,316                                                    | 31,044            |
| Benefits and losses                                     | 30,606                                                    | 27,314            |
| Amortization of deferred policy acquisition costs       | 5,626                                                     | 6,198             |
| Lease expense                                           | 37,727                                                    | 33,295            |
| Depreciation, net of (gains) losses on disposals        | 39,671                                                    | 34,237            |
| <b>Total costs and expenses</b>                         | <b>456,861</b>                                            | <b>446,898</b>    |
| <b>Earnings from operations</b>                         | <b>110,166</b>                                            | <b>112,560</b>    |
| Interest expense                                        | (18,462)                                                  | (19,636)          |
| Fees on early extinguishment of debt                    | -                                                         | (35,627)          |
| <b>Pretax earnings</b>                                  | <b>91,704</b>                                             | <b>57,297</b>     |
| Income tax expense                                      | (36,283)                                                  | (22,235)          |
| <b>Net earnings</b>                                     | <b>55,421</b>                                             | <b>35,062</b>     |
| Less: Preferred stock dividends                         | (3,241)                                                   | (3,241)           |
| <b>Earnings available to common shareholders</b>        | <b>\$ 52,180</b>                                          | <b>\$ 31,821</b>  |
| <b>Basic and diluted earnings per common share</b>      | <b>\$ 2.50</b>                                            | <b>\$ 1.53</b>    |
| <b>Weighted average common shares outstanding:</b>      |                                                           |                   |
| <b>Basic and diluted</b>                                | <b>20,897,688</b>                                         | <b>20,836,458</b> |

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



**AMERCO AND CONSOLIDATED ENTITIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                                       | <b>Quarter Ended June 30,</b> |                  |
|-------------------------------------------------------|-------------------------------|------------------|
|                                                       | <b>2006</b>                   | <b>2005</b>      |
|                                                       | <b>(Unaudited)</b>            |                  |
|                                                       | <b>(In thousands)</b>         |                  |
| <b>Comprehensive income:</b>                          |                               |                  |
| Net earnings                                          | \$ 55,421                     | \$ 35,062        |
| <b>Other comprehensive income (loss), net of tax:</b> |                               |                  |
| Foreign currency translation                          | 1,922                         | (1,970)          |
| Unrealized loss on investments, net                   | (2,586)                       | (5,540)          |
| Fair market value of cash flow hedges                 | 1,215                         | (409)            |
| <b>Total comprehensive income</b>                     | <b>\$ 55,972</b>              | <b>\$ 27,143</b> |

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

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                              | Quarter Ended June 30, |           |
|--------------------------------------------------------------|------------------------|-----------|
|                                                              | 2006                   | 2005      |
|                                                              | (Unaudited)            |           |
|                                                              | (In thousands)         |           |
| Cash flow from operating activities:                         |                        |           |
| Net earnings                                                 | \$ 55,421              | \$ 35,062 |
| Depreciation                                                 | 40,666                 | 30,925    |
| Amortization of deferred policy acquisition costs            | 5,626                  | 6,677     |
| Change in provision for losses on trade receivables          | (32)                   | (601)     |
| Change in provision for losses on mortgage notes             | (10)                   | -         |
| Net (gain) loss on sale of real and personal property        | (995)                  | 3,312     |
| Net (gain) loss on sale of investments                       | 553                    | (1,453)   |
| Write-off of unamortized debt issuance costs                 | -                      | 13,629    |
| Deferred income taxes                                        | 14,253                 | 12,788    |
| Net change in other operating assets and liabilities:        |                        |           |
| Reinsurance recoverables and trade receivables               | 17,780                 | (2,287)   |
| Inventories                                                  | (3,201)                | (2,246)   |
| Prepaid expenses                                             | (3,079)                | (816)     |
| Capitalization of deferred policy acquisition costs          | (2,386)                | (2,508)   |
| Other assets                                                 | 2,132                  | (29,461)  |
| Related party assets                                         | 28,624                 | (13,813)  |
| Accounts payable and accrued expenses                        | 14,561                 | 10,510    |
| Policy benefits and losses, claims and loss expenses payable | (14,610)               | 2,907     |
| Other policyholders' funds and liabilities                   | (1,273)                | (13,528)  |
| Deferred income                                              | 2,257                  | 3,721     |
| Related party liabilities                                    | (6,083)                | (1,119)   |
| Net cash provided by operating activities                    | 150,204                | 51,699    |
| Cash flows from investing activities:                        |                        |           |
| Purchases of:                                                |                        |           |
| Property, plant and equipment                                | (166,999)              | (75,437)  |
| Short term investments                                       | (53,131)               | (55,390)  |
| Fixed maturities investments                                 | (32,272)               | (84,217)  |
| Mortgage loans                                               | (7,305)                | (1,250)   |
| Proceeds from sale of:                                       |                        |           |
| Property, plant and equipment                                | 28,692                 | 15,145    |
| Short term investments                                       | 82,228                 | 94,728    |
| Fixed maturities investments                                 | 21,852                 | 60,793    |
| Cash received in excess of purchase for company acquired     | 1,233                  | -         |
| Equity securities                                            | -                      | 5,759     |
| Preferred stock                                              | 125                    | 417       |
| Other asset investments, net                                 | -                      | 872       |
| Real estate                                                  | 877                    | 693       |
| Mortgage loans                                               | 2,086                  | 3,034     |
| Payments from notes and mortgage receivables                 | 403                    | 71        |

|                                                                |            |            |
|----------------------------------------------------------------|------------|------------|
| Net cash used by investing activities                          | (122,211)  | (34,782)   |
| Cash flows from financing activities:                          |            |            |
| Borrowings from credit facilities                              | 87,376     | 1,034,188  |
| Principal repayments on credit facilities                      | (8,136)    | (860,563)  |
| Debt issuance costs                                            | (1,437)    | -          |
| Leveraged Employee Stock Ownership Plan - repayments from loan | 285        | 438        |
| Preferred stock dividends paid                                 | (3,241)    | (3,241)    |
| Investment contract deposits                                   | 4,251      | 5,670      |
| Investment contract withdrawals                                | (20,843)   | (17,896)   |
| Net cash provided by financing activities                      | 58,255     | 158,596    |
| Effects of exchange rate on cash                               |            |            |
|                                                                | 151        | (1,970)    |
| Increase in cash equivalents                                   | 86,399     | 173,543    |
| Cash and cash equivalents at the beginning of period           | 155,459    | 55,955     |
| Cash and cash equivalents at the end of period                 | \$ 241,858 | \$ 229,498 |

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

**AMERCO AND CONSOLIDATED ENTITIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2006, June 30, 2005 (Unaudited) and March 31, 2006**

**1. Basis of Presentation**

The first fiscal quarter for AMERCO ends on the 30<sup>th</sup> of June for each year that is referenced. Our insurance company subsidiaries have a first quarter that ends on the 31<sup>st</sup> of March for each year that is referenced. They have been consolidated on that basis. Consequently, all references to our insurance subsidiaries' years 2006 and 2005 correspond to the Company's fiscal years 2007 and 2006, respectively.

Accounts denominated in non-U.S. currencies have been re-measured 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 first quarter of fiscal 2007 and fiscal 2006, and the balance sheet as of March 31, 2006 include the accounts of AMERCO, its wholly-owned subsidiaries and SAC Holding II Corporation and its subsidiaries ("SAC Holding II").

The condensed consolidated balance sheet as of June 30, 2006 and the related condensed consolidated statements of operations, comprehensive income, and cash flow for the first quarters of fiscal 2007 and 2006 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 2006 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

North American Fire & Casualty Insurance Company ("NAFCIC"),

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

North American Insurance Company ("NAI")

Christian Fidelity Life Insurance Company ("CFLIC")

Dallas General Life Insurance Company (“DGLIC”),

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

## AMERCO AND CONSOLIDATED ENTITIES

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

#### *Description of Operating Segments*

AMERCO has four reportable segments. They are Moving and Storage Operations, 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, group life, disability coverage 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 the purposes of computing earnings per common share are net earnings less preferred stock dividends. Preferred stock dividends include accrued dividends of AMERCO.

The shares used in the computation of the Company’s basic and diluted earnings per common share were as follows:

|                                                   |    | <b>Quarter Ended June 30,</b> |             |
|---------------------------------------------------|----|-------------------------------|-------------|
|                                                   |    | <b>2006</b>                   | <b>2005</b> |
|                                                   |    | (Unaudited)                   |             |
| Basic and diluted earnings per common share       | \$ | 2.50                          | \$ 1.53     |
| <b>Weighted average common share outstanding:</b> |    |                               |             |
| Basic and diluted                                 |    | 20,897,688                    | 20,836,458  |

The weighted average common shares outstanding listed above 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 380,658 and 444,092 as of June 30, 2006 and June 30, 2005, 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:

|                                      |               |            | June 30,<br>2006 | March 31,<br>2006 |
|--------------------------------------|---------------|------------|------------------|-------------------|
|                                      | 2006 Rate (a) | Maturities | (Unaudited)      |                   |
| (In thousands)                       |               |            |                  |                   |
| Real estate loan (floating)          | 7.17%         | 2010       | \$ 242,585       | \$ 242,585        |
| Senior mortgages                     | 5.47%-5.75%   | 2015       | 529,347          | 531,309           |
| Mezzanine loan (floating)            | 10.76%        | 2007       | 18,983           | 19,393            |
| Fleet loans (amortizing term)        | 6.92%         | 2012-2013  | 164,723          | 82,347            |
| Fleet loan (revolving credit)        | 6.92%         | 2010       | 90,000           | 90,000            |
| Construction loan (revolving credit) | -             | 2009       | -                | -                 |
| Total AMERCO notes and loans payable |               |            | \$ 1,045,638     | \$ 965,634        |

(a) Interest rate as of June 30, 2006

*Real Estate Backed 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. The original amount of the Real Estate Loan was \$465.0 million and is due June 10, 2010. The borrowers have the right to extend the maturity twice, for up to one year each time. U-Haul International, Inc. is a guarantor of this loan.

The Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Real Estate Loan is secured by various properties owned by the borrowers. The principal payments of \$222.4 million made in the second quarter of fiscal 2006 were sufficient to allow us to make interest only payments in the first quarter of fiscal 2007.

The interest rate, per the provisions of the Loan Agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At June 30, 2006 the applicable LIBOR was 5.17% and the applicable margin was 2.00%, the sum of which was 7.17%. The applicable margin ranges from 2.00% to 2.75% and is based on the ratio of the excess of the average daily amount of loans divided by a fixed percentage of the appraised value of the properties collateralizing the loan, compared with the most recently reported twelve months of Combined Net Operating Income ("NOI"), as that term is defined in the Loan Agreement.

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 the Senior Mortgages. The lenders for the Senior Mortgages are Merrill Lynch Mortgage Lending, Inc. and Morgan Stanley Mortgage Capital, Inc. The Senior Mortgages are in the aggregate amount of \$472.1 million and are due July 2015. The Senior Mortgages require average monthly principal and interest payments of \$3.0 million with the unpaid loan balance and accrued and unpaid interest due at maturity. The Senior Mortgages are secured by certain properties owned by the borrowers. The interest rates, per the provisions of the 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 the 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)**

U-Haul Company of Canada is the borrower under a mortgage backed loan. The loan was arranged by Merrill Lynch Canada and is in the amount of \$10.0 million (\$11.2 million Canadian currency). The loan is secured by certain properties owned by the borrower. The loan was entered into on June 29, 2005 at a rate of 5.75%. The loan requires monthly principal and interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. It has a twenty-five year amortization with a maturity of July 1, 2015. The default provisions of the 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.

A subsidiary of Amerco Real Estate Company is a borrower under a mortgage backed loan. The lender is Morgan Stanley Mortgage Capital, Inc. and the loan is in the amount of \$23.8 million. The loan was entered into on August 17, 2005 at a rate of 5.47%. The loan is secured by certain properties owned by the borrower. The loan requires monthly principal and interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. It has a twenty-five year amortization with a maturity of September 17, 2015. The default provisions of the 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.

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under a mortgage backed loan. The lender is Lehman Brothers Bank, FSB and the loan is in the amount of \$23.4 million. The loan was entered into on October 6, 2005 at a rate of 5.72%. The loan is secured by certain properties owned by the borrower. The loan requires monthly principal and interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. It has a twenty-five year amortization with a maturity of October 11, 2015. The default provisions of the 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.

*Mezzanine Loan*

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under the CMBS Mezzanine Loan. The lender is Morgan Stanley Mortgage Capital, Inc. and is in the amount of \$19.0 million. The loan was entered into on August 12, 2005. The interest rate per the provision of the loan agreement is the applicable LIBOR plus a margin of 5.65%. At June 30, 2006 the applicable LIBOR was 5.11%. The loan requires monthly principal and interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. It has a ten year amortization with a maturity of September 1, 2007. Amerco Real Estate Company 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. There are limited restrictions regarding our use of the funds. On June 2, 2006, we notified the lender of our intent to prepay the entire loan in full on August 30, 2006. There are no prepayment fees or penalties associated with the planned prepayment of this loan.

*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 maximum amount that can be borrowed is \$150.0 million and is due six years following the last draw down. As of June 30, 2006 the Company had drawn the maximum amount of the term loan. The Company's outstanding balance at June 30, 2006 was \$139.7 million.

The Merrill Lynch Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued unpaid interest due at maturity. The Merrill Lynch Rental Truck Amortizing Loan was used to purchase new trucks between the months of November 2005 through April 2006. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.50% and 1.75%. At June 30, 2006 the applicable LIBOR was 5.17% and the applicable margin was 1.75%. 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 BTMU Capital Corporation ("BTMU"). The maximum amount that can be borrowed is \$150.0 million and is due six years following the last draw down. As of June 30, 2006 the Company had drawn down \$25.0 million. The Company's outstanding balance at June 30, 2006 was \$25.0 million.

The BTMU Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued unpaid interest due at maturity. The BTMU Rental Truck Amortizing Loan can be used to purchase new trucks between the months of June 2006 through November 2006. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At June 30, 2006 the applicable LIBOR was 5.17% and the applicable margin was 1.75%. 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.

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 maximum amount that can be borrowed is \$50.0 million and is due seven years following the last draw down. As of June 30, 2006 the Company had not made any draw downs.

The HVB Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued unpaid interest due at maturity. The HVB Rental Truck Amortizing Loan can be used to purchase new trucks between the months of June 2006 through July 2006. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. 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.

*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 \$150.0 million and is due July 2010. As of June 30, 2006 the Company had \$60.0 million available under this revolving credit facility.

The Revolving Credit Agreement requires monthly interest payments, with the unpaid loan balance and accrued unpaid interest due at maturity. The Revolving Credit Agreement is secured by various older rental trucks. The maximum amount that we can draw down under the Revolving Credit Agreement reduces by \$50.0 million after the third year and another \$50.0 million after the fourth year. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.75%. At June 30, 2006 the applicable LIBOR was 5.17%. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

*Construction Loan*

Amerco Real Estate Company and a subsidiary of U-Haul International, Inc. entered into a revolving credit facility 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 June 30, 2006 the Company had not drawn on this line.

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 will be 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%. 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)****Annual Maturities of AMERCO Consolidated Notes and Loans Payable**

The annual maturity of AMERCO consolidated long-term debt as of June 30, 2006 for the next five years and thereafter is as follows:

|                        | <b>Year Ending June 30,</b> |             |             |             |             |                   |
|------------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------------|
|                        | <b>2007</b>                 | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>Thereafter</b> |
|                        | (Unaudited)                 |             |             |             |             |                   |
|                        | (In thousands)              |             |             |             |             |                   |
| Notes payable, secured | \$ 43,496                   | \$ 26,087   | \$ 27,762   | \$ 69,547   | \$ 395,775  | \$ 482,971        |

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

SAC Holding II notes and loans payable to third parties were as follows:

|                                                       | <b>June 30,<br/>2006</b> | <b>March 31,<br/>2006</b> |
|-------------------------------------------------------|--------------------------|---------------------------|
|                                                       | (Unaudited)              |                           |
|                                                       | (In thousands)           |                           |
| Notes payable, secured, 7.87% interest rate, due 2027 | \$ 75,918                | \$ 76,232                 |

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 are jointly and severally liable for these obligations. The proceeds from this issuance flowed exclusively to SAC Holding Corporation and as such SAC Holding II has recorded no liability for this. On August 30, 2004, SAC Holdings paid down \$43.2 million on this note.

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

The annual maturity of SAC Holding II long-term debt as of June 30, 2006 for the next five years and thereafter is as follows:

|                        | <b>Year Ending June 30,</b> |             |             |             |             |                   |
|------------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------------|
|                        | <b>2007</b>                 | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>Thereafter</b> |
|                        | (Unaudited)                 |             |             |             |             |                   |
|                        | (In thousands)              |             |             |             |             |                   |
| Notes payable, secured | \$ 1,339                    | \$ 1,467    | \$ 1,688    | \$ 1,826    | \$ 1,975    | \$ 67,623         |

**W.P. Carey Transactions**

In 1999, AMERCO, U-Haul and Real Estate entered into financing agreements for the purchase and construction of self-storage facilities with the Bank of Montreal and Citibank (the “leases” or the “synthetic leases”). Title to the real property subject to these leases was held by non-affiliated entities.

These leases were amended and restated on March 15, 2004. In connection with such amendment and restatement, we paid down approximately \$31.0 million of lease obligations and entered into leases with a three year term, with four one year renewal options. After such pay down, our lease obligation under the amended and restated synthetic leases was approximately \$218.5 million.

## AMERCO AND CONSOLIDATED ENTITIES

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

On April 30, 2004, the amended and restated leases were terminated and the properties underlying these leases were sold to UH Storage (DE) Limited Partnership, an affiliate of W. P. Carey. U-Haul entered into a ten year operating lease with W. P. Carey (UH Storage DE) for a portion of each property (the portion of the property that relates to U-Haul's truck and trailer rental and moving supply sales businesses). The remainder of each property (the portion of the property that relates to self-storage) was leased by W. P. Carey (UH Storage DE) to Mercury Partners, LP ("Mercury") pursuant to a twenty year lease. These events are referred to as the "W. P. Carey Transactions." As a result of the W. P. Carey Transactions, we no longer have a capital lease related to these properties.

The sales price for these transactions was \$298.4 million and cash proceeds were \$298.9 million. The Company realized a gain on the transaction of \$2.7 million, which is being amortized over the life of the lease term.

As part of the W. P. Carey Transactions, U-Haul entered into agreements to manage these properties (including the portion of the properties leased by Mercury). These management agreements allow us to continue to operate the properties as part of the U-Haul moving and self-storage system.

U-Haul's annual lease payments under the new lease are approximately \$10.0 million per year, with Consumer Price Index ("CPI") inflation adjustments beginning in the sixth year of the lease. The lease term is ten years, with a renewal option for an additional ten years. Upon closing of the W. P. Carey Transactions, we made a \$22.9 million earn-out deposit, providing us with the opportunity to be reimbursed for certain capital improvements we previously made to the properties, and a \$5.0 million security deposit. U-Haul met the requirements under the lease regarding the return of the earn-out deposit which was refunded in fiscal 2006.

The property management agreement we entered into with Mercury provides that Mercury will pay U-Haul a management fee based on gross self-storage rental revenues generated by the properties. During the first quarter of fiscal 2007, U-Haul received \$0.4 million in management fees from Mercury.

#### 4. Interest on Borrowings

##### *Interest Expense*

Expenses associated with loans outstanding were as follows:

|                                                                        | Quarter Ended June 30, |           |
|------------------------------------------------------------------------|------------------------|-----------|
|                                                                        | 2006                   | 2005      |
|                                                                        | (Unaudited)            |           |
|                                                                        | (In thousands)         |           |
| Interest expense                                                       | \$ 16,557              | \$ 18,101 |
| Capitalized interest                                                   | (42)                   | (44)      |
| Amortization of transaction costs                                      | 1,298                  | -         |
| Interest expense (income) resulting from derivatives                   | (863)                  | 42        |
| Write-off of transaction costs related to early extinguishment of debt | -                      | 14,384    |
| Fees on early extinguishment of debt                                   | -                      | 21,243    |
| Total AMERCO interest expense                                          | 16,950                 | 53,726    |
| SAC Holding II interest expense                                        | 3,394                  | 3,130     |
| Less: Intercompany transactions                                        | 1,882                  | 1,593     |
| Total SAC Holding II interest expense                                  | 1,512                  | 1,537     |

|       |    |        |    |        |
|-------|----|--------|----|--------|
| Total | \$ | 18,462 | \$ | 55,263 |
|-------|----|--------|----|--------|

Interest paid in cash by AMERCO (excluding any fees from the early extinguishment of debt) amounted to \$16.1 million and \$17.9 million for the first quarters of fiscal 2007 and 2006, respectively. Early extinguishment fees paid in cash by AMERCO were \$21.2 million in the first quarter of fiscal 2006.

## AMERCO AND CONSOLIDATED ENTITIES

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

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. 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. 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 these contracts were dedesignated as cash flow hedges effective July 11, 2005 when the Real Estate loan was paid down by \$222.4 million. 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 an 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 an interest rate swap contract for \$144.9 million of a variable rate debt over a six year term that will start on October 10, 2006. These interest rate swap agreements were designated cash flow hedges on their effective dates.

*Interest Rates*

Interest rates and Company borrowings were as follows:

|                                                   | Revolving Credit Activity             |            |
|---------------------------------------------------|---------------------------------------|------------|
|                                                   | Quarter Ended June 30,                |            |
|                                                   | 2006                                  | 2005       |
|                                                   | (Unaudited)                           |            |
|                                                   | (In thousands, except interest rates) |            |
| Weighted average interest rate during the quarter | 6.74%                                 | 6.64%      |
| Interest rate at the end of the quarter           | 6.92%                                 | N/A        |
| Maximum amount outstanding during the quarter     | \$ 90,000                             | \$ 158,012 |
| Average amount outstanding during the quarter (a) | \$ 90,000                             | \$ 124,186 |

(a) Amount for June 30, 2005 is prior to the June 8, 2005 refinancing

**5. Comprehensive Income (Loss)**

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

|                                  | Foreign<br>Currency<br>Translation | Unrealized<br>Gain (Loss) on<br>Investments | Fair Market<br>Value of Cash<br>Flow Hedge | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|----------------------------------|------------------------------------|---------------------------------------------|--------------------------------------------|--------------------------------------------------------|
|                                  | (Unaudited)                        |                                             |                                            |                                                        |
|                                  | (In thousands)                     |                                             |                                            |                                                        |
| <b>Balance at March 31, 2006</b> | \$ (34,247)                        | \$ 717                                      | \$ 4,628                                   | \$ (28,902)                                            |
| Foreign currency translation     | 1,922                              | -                                           | -                                          | 1,922                                                  |

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|                                                |                    |                   |                 |                    |
|------------------------------------------------|--------------------|-------------------|-----------------|--------------------|
| Unrealized loss on investments                 | -                  | (2,586)           | -               | (2,586)            |
| Change in fair market value of cash flow hedge | -                  | -                 | 1,215           | 1,215              |
| <b>Balance at June 30, 2006</b>                | <b>\$ (32,325)</b> | <b>\$ (1,869)</b> | <b>\$ 5,843</b> | <b>\$ (28,351)</b> |

**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 2010, with the exception of one land lease expiring in 2034. At June 30, 2006, AMERCO has guaranteed \$195.7 million of residual values for these rental equipment assets at the end of the respective lease terms. Certain leases contain renewal and fair market value purchase options as well as mileage and other restrictions. At the expiration of the lease, the Company has the option to renew the lease, purchase the asset for fair market value, or sell the asset to a third party on behalf of the lessor. AMERCO has been leasing equipment since 1987 and has experienced no material losses related to these types of residual rate guarantee.

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

|                     | <b>Property,<br/>Plant and<br/>Equipment</b> | <b>Rental<br/>Equipment</b> | <b>Total</b> |
|---------------------|----------------------------------------------|-----------------------------|--------------|
|                     |                                              | (Unaudited)                 |              |
|                     |                                              | (In thousands)              |              |
| Year-ended June 30: |                                              |                             |              |
| 2007                | \$ 11,727                                    | \$ 122,646                  | \$ 134,373   |
| 2008                | 11,433                                       | 91,144                      | 102,577      |
| 2009                | 11,188                                       | 75,847                      | 87,035       |
| 2010                | 10,750                                       | 61,439                      | 72,189       |
| 2011                | 10,596                                       | 41,795                      | 52,391       |
| Thereafter          | 32,726                                       | 36,723                      | 69,449       |
| Total               | \$ 88,420                                    | \$ 429,594                  | \$ 518,014   |

**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 over the last several years. 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 September 12, 2005 the Nevada Supreme Court heard oral arguments. On July 13, 2006, the Nevada Supreme Court reviewed and remanded the claim to the trial court for proceedings consistent with its ruling.

## AMERCO AND CONSOLIDATED ENTITIES

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

#### Securities Litigation

AMERCO is a defendant in a consolidated putative class action lawsuit entitled “In Re AMERCO Securities Litigation”, United States District Court, Case No. CV-N-03-0050-ECR (RAM). The action alleges claims for violation of Section 10(b) of the Securities Exchange Act and Rule 10b-5 there under, section 20(a) of the Securities Exchange Act of 1934 and sections 11, 12, and 15 of the Securities Act of 1933. The action alleges, among other things, that AMERCO engaged in transactions with the SAC entities that falsely improved AMERCO’s financial statements and that AMERCO failed to disclose the transactions properly. The action has been transferred to the United States District Court, District of Arizona and assigned to Judge Bryan. Motions to Dismiss are fully briefed and are before the court. Prior to the ruling on the Motions to Dismiss, the parties have agreed to a settlement in principle, subject to final documentation and approval by the Court. The settlement in the amount of \$5.0 million will be covered by AMERCO’s D&O insurance carrier.

#### Securities and Exchange Commission

In early 2003, the Securities and Exchange Commission (“SEC”) issued a formal order of investigation to determine whether the Company had violated federal securities laws. During the course of the investigation the Company produced and delivered all requested documents and information and provided testimony from all requested witnesses to the SEC. On July 10, 2006, the SEC terminated their investigation, with no action taken against the Company.

#### 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 \$6.3 million through 2011 to remediate these properties.

#### Other

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



**AMERCO AND CONSOLIDATED ENTITIES**

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

**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.

During the first quarter of fiscal 2007 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, except for minority investments made by RepWest and Oxford in a SAC Holdings-controlled limited partnership which holds Canadian self-storage properties. The Company recorded interest income of \$5.3 million and \$5.4 million, and received cash interest payments of \$34.2 million and \$4.9 million, from SAC Holdings during the first quarter of fiscal 2007 and 2006, respectively. The \$34.2 million payment in the first quarter of fiscal 2007 reduced the outstanding interest receivable from SAC Holdings to \$21.5 million. The largest aggregate amount of notes receivable outstanding during the first quarter of fiscal 2007 and the aggregate notes receivable balance at June 30, 2006 was \$203.7 million, of which \$75.1 million is with SAC Holding II and has been eliminated in the consolidating financial statements.

Interest accrues on the outstanding principal balance of junior notes of SAC Holdings that the Company holds at a stated rate of basic interest. A fixed portion of that basic interest is paid on a monthly basis.

Additional interest is paid on the same payment date based on the amount of remaining basic interest and of 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 90% of the appreciation realized upon, among other things, the sale of such property by SAC Holdings.

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury, 4 SAC, 5 SAC, Galaxy, and Private Mini Storage Realty ("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 expenses, of \$4.4 million, and \$4.0 million from the above mentioned entities during the first quarter of fiscal 2007 and 2006, 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.

RepWest and Oxford currently hold a 46% limited partnership interest in Securespace Limited Partnership ("Securespace"), a Nevada limited partnership. A SAC Holdings subsidiary serves as the general partner of Securespace

and owns a 1% interest. Another SAC Holdings subsidiary owns the remaining 53% limited partnership interest in Securespace. Securespace was formed by SAC Holdings to be the owner of various Canadian self-storage properties. RepWest's and Oxford's investment in Securespace is included in Related Party Assets and is accounted for using the equity method. We do not believe that the carrying amount of their investments in Securespace is in excess of fair value.

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 \$0.7 million and \$0.7 million in first quarter of fiscal 2007 and 2006, respectively. 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.

**AMERCO AND CONSOLIDATED ENTITIES**

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

At June 30, 2006, 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. During the first quarter of fiscal 2007 and 2006, the Company paid the above mentioned entities \$10.1 million and \$9.3 million, respectively in commissions pursuant to such dealership contracts.

These agreements with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding dealer agreements, provided revenue of \$9.3 million, expenses of \$0.7 million and cash flows of \$37.5 million during the first quarter of fiscal 2007. Revenues and commission expenses related to the Dealer Agreements were \$46.5 million and \$10.1 million, respectively.

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 and the Company's outstanding loans to SAC Holdings entitle the Company to participate in SAC Holdings' excess cash flows (after senior debt service).

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 revenue from the SAC Holdings self-storage properties that the Company manages and to participate in SAC Holdings' excess cash flows as described above.

During 1997, Private Mini secured a \$225.0 million line of credit with a financing institution, which was subsequently reduced in accordance with its terms to \$125.0 million in December 2001. Under the terms of this credit facility, AMERCO entered into a support party agreement with Private Mini whereby upon default or noncompliance with certain debt covenants by Private Mini, AMERCO assumes responsibility in fulfilling all obligations related to this credit facility. In 2003, the support party obligation was bifurcated into two separate support party obligations; one consisting of a \$55.0 million support party obligation and one consisting of a \$70.0 million support party obligation. At March 31, 2003, \$55.0 million of AMERCO's support party obligation had been triggered. AMERCO satisfied the \$55.0 million obligation by issuing notes to the Private Mini creditor, and we correspondingly increased our receivable from Private Mini by \$55.0 million. Interest from Private Mini on this receivable is being recorded by AMERCO on a regular basis. The Company expects to fully recover this amount. Under the terms of FIN 45, the remaining \$70.0 million support party obligation was recognized by the Company as a liability at March 31, 2004 and March 31, 2003. This resulted in AMERCO increasing Other Liabilities by \$70.0 million and increasing our receivable from Private Mini by an additional \$70.0 million. At March 31, 2005, the Company revalued the FIN 45 liability to \$2.9 million. Effective July 15, 2005 the \$70.0 million support party obligation was terminated and AMERCO is no longer obligated on behalf of Private Mini. The \$2.9 million liability recorded in the Company's books was eliminated at the time the support party obligation was terminated. Private Mini is now a wholly-owned subsidiary of 4 SAC and 5 SAC.

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 Holding Corporation.



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

Independent fleet owners own approximately 2.2% of all U-Haul rental trailers. There are approximately 561 independent fleet owners, including certain officers, directors, employees and stockholders of AMERCO. Such AMERCO officers, directors, employees and stockholders owned less than 1.0% of all U-Haul rental trailers during the first quarter of fiscal 2007 and 2006, respectively. Payments to these individuals under this program are de minimis (less than one thousand dollars per quarter, per person). All rental equipment is operated under contract with U-Haul whereby U-Haul administers the operations and marketing of such equipment and in return receives a percentage of rental fees paid by customers. Based on the terms of various contracts, rental fees are distributed to U-Haul (for services as operators), to the fleet owners (including certain subsidiaries and related parties of U-Haul) and to rental dealers (including Company-operated U-Haul Centers).

**Related Party Assets**

|                                                         | <b>June 30,<br/>2006</b> | <b>March 31,<br/>2006</b> |
|---------------------------------------------------------|--------------------------|---------------------------|
|                                                         | (Unaudited)              |                           |
|                                                         | (In thousands)           |                           |
| Private Mini notes, receivables and interest            | \$ 72,696                | \$ 74,427                 |
| Oxford note receivable from SAC Holding Corporation     | 5,040                    | 5,040                     |
| U-Haul notes receivable from SAC Holding Corporation    | 123,578                  | 123,578                   |
| U-Haul interest receivable from SAC Holding Corporation | 20,944                   | 42,189                    |
| U-Haul receivable from SAC Holding Corporation          | 14,137                   | 5,688                     |
| SAC Holding II receivable from parent                   | -                        | 2,900                     |
| U-Haul receivable from Mercury                          | 2,888                    | 2,342                     |
| Oxford and RepWest investment in Securespace            | 11,634                   | 11,585                    |
| Other                                                   | 1,762                    | 2,719                     |
|                                                         | \$ 252,679               | \$ 270,468                |

**Related Party Liabilities**

|                                     | <b>June 30,<br/>2006</b> | <b>March 31,<br/>2006</b> |
|-------------------------------------|--------------------------|---------------------------|
|                                     | (Unaudited)              |                           |
|                                     | (In thousands)           |                           |
| SAC Holding II payable to affiliate | \$ 3,400                 | \$ 7,165                  |

**AMERCO AND CONSOLIDATED ENTITIES**

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

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

AMERCO has four reportable segments. They are Moving and Storage Operations, 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 consolidating statements.

This section includes condensed consolidating financial information which presents the condensed consolidating balance sheets as of June 30, 2006 and March 31, 2006 and the related condensed consolidating statements of operations and condensed consolidating cash flow statements for the first quarter of fiscal 2007 and 2006 for:

- (a) Moving and Storage Operations, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate
- (b) RepWest and its wholly-owned subsidiary
- (c) 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 June 30, 2006 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<br>Consolidated |
| AMERCO                                                | U-Haul    | Real<br>Estate | Eliminations |                 |                                     |                                               |                          |              |                        |
| (Unaudited)                                           |           |                |              |                 |                                     |                                               |                          |              |                        |
| (In thousands)                                        |           |                |              |                 |                                     |                                               |                          |              |                        |
| Assets:                                               |           |                |              |                 |                                     |                                               |                          |              |                        |
| Cash and cash equivalents                             | \$ 9      | \$ 228,493     | \$ 757       | \$ -            | \$ 229,259                          | \$ 4,711                                      | \$ 7,888                 | \$ -         | \$ 231,747             |
| Reinsurance recoverables and trade receivables, net   | -         | 18,440         | 24           | -               | 18,464                              | 181,014                                       | 16,383                   | -            | 205,861                |
| Notes and mortgage receivables, net                   | -         | 1,389          | 751          | -               | 2,140                               | -                                             | -                        | -            | 3,979                  |
| Inventories, net                                      | -         | 66,933         | -            | -               | 66,933                              | -                                             | -                        | -            | 133,866                |
| Prepaid expenses                                      | 1,082     | 57,378         | -            | -               | 58,460                              | -                                             | -                        | -            | 119,918                |
| Investments, fixed maturities and marketable equities | -         | -              | -            | -               | -                                   | 122,239                                       | 573,684                  | -            | 695,923                |
| Investments, other                                    | -         | 1,314          | 6,976        | -               | 8,290                               | 101,680                                       | 74,596                   | -            | 186,866                |
| Deferred policy acquisition costs, net                | -         | -              | -            | -               | -                                   | 1,182                                         | 51,288                   | -            | 52,470                 |
| Other assets                                          | 5         | 55,156         | 38,352       | -               | 93,513                              | 1,732                                         | 480                      | -            | 150,281                |
| Related party assets                                  | 1,250,081 | 243,066        | 12,611       | (1,178,220) (d) | 327,538                             | 19,924                                        | 10,916                   | (26,636) (d) | 3,006,200              |
|                                                       | 1,251,177 | 672,169        | 59,471       | (1,178,220)     | 804,597                             | 432,482                                       | 735,235                  | (26,636)     | 1,939,603              |

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|                                                                                                                                |              |              |            |              |     |              |            |            |              |        |
|--------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|------------|--------------|-----|--------------|------------|------------|--------------|--------|
| Investment in subsidiaries                                                                                                     | (218,301)    | -            | -          | 482,768      | (c) | 264,467      | -          | -          | (264,467)    | (c)    |
| Investment in SAC Holding II                                                                                                   | (9,346)      | -            | -          | -            |     | (9,346)      | -          | -          | -            |        |
| Total investment in subsidiaries and SAC Holding II                                                                            | (227,647)    | -            | -          | 482,768      |     | 255,121      | -          | -          | (264,467)    |        |
| Property, plant and equipment, at cost:                                                                                        |              |              |            |              |     |              |            |            |              |        |
| Land                                                                                                                           | -            | 29,655       | 156,597    | -            |     | 186,252      | -          | -          | -            | 1      |
| Buildings and improvements                                                                                                     | -            | 85,262       | 675,397    | -            |     | 760,659      | -          | -          | -            | 7      |
| Furniture and equipment                                                                                                        | 2,591        | 264,687      | 17,900     | -            |     | 285,178      | -          | -          | -            | 2      |
| Rental trailers and other rental equipment                                                                                     | -            | 201,129      | -          | -            |     | 201,129      | -          | -          | -            | 2      |
| Rental trucks                                                                                                                  | -            | 1,401,701    | -          | -            |     | 1,401,701    | -          | -          | -            | 1,4    |
| SAC Holding II - property, plant and equipment (b)                                                                             | -            | -            | -          | -            |     | -            | -          | -          | -            |        |
|                                                                                                                                | 2,591        | 1,982,434    | 849,894    | -            |     | 2,834,919    | -          | -          | -            | 2,8    |
| Less:                                                                                                                          |              |              |            |              |     |              |            |            |              |        |
| Accumulated depreciation                                                                                                       | (395)        | (987,953)    | (288,324)  | -            |     | (1,276,672)  | -          | -          | -            | (1,2   |
| Total property, plant and equipment                                                                                            | 2,196        | 994,481      | 561,570    | -            |     | 1,558,247    | -          | -          | -            | 1,5    |
| Total assets                                                                                                                   | \$ 1,025,726 | \$ 1,666,650 | \$ 621,041 | \$ (695,452) |     | \$ 2,617,965 | \$ 432,482 | \$ 735,235 | \$ (291,103) | \$ 3,4 |
| (a) Balances as of March 31, 2006                                                                                              |              |              |            |              |     |              |            |            |              |        |
| (b) Included in this caption is land of \$57,169, buildings and improvements of \$96,173, and furniture and equipment of \$412 |              |              |            |              |     |              |            |            |              |        |
| (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 June 30, 2006 are as follows:

| Moving & Storage                                               |                |                  |                |                               | AMERCO Legal Group                |                    |                |                 |            | AMERCO |
|----------------------------------------------------------------|----------------|------------------|----------------|-------------------------------|-----------------------------------|--------------------|----------------|-----------------|------------|--------|
| AMERCO                                                         | U-Haul         | Real Estate      | Eliminations   | Moving & Storage Consolidated | Property & Casualty Insurance (a) | Life Insurance (a) | Eliminations   |                 |            |        |
| (Unaudited)                                                    |                |                  |                |                               |                                   |                    |                |                 |            |        |
| (In thousands)                                                 |                |                  |                |                               |                                   |                    |                |                 |            |        |
| <b>Liabilities:</b>                                            |                |                  |                |                               |                                   |                    |                |                 |            |        |
| Accounts payable and accrued expenses                          | \$ 30,010      | \$ 214,630       | \$ 3,889       | \$ -                          | \$ 248,529                        | \$ -               | \$ 4,601       | \$ -            | \$ 2       |        |
| AMERCO's notes and loans payable                               | -              | 294,826          | 750,812        | -                             | 1,045,638                         | -                  | -              | -               | 1,0        |        |
| SAC Holding II notes and loans payable, non-recourse to AMERCO | -              | -                | -              | -                             | -                                 | -                  | -              | -               | -          |        |
| Policy benefits and losses, claims and loss expenses payable   | -              | 308,264          | -              | -                             | 308,264                           | 328,955            | 157,353        | -               | 7          |        |
| Liabilities from investment contracts                          | -              | -                | -              | -                             | -                                 | -                  | 432,557        | -               | 4          |        |
| Other policyholders' funds and liabilities                     | -              | -                | -              | -                             | -                                 | 4,165              | 2,415          | -               |            |        |
| Deferred income                                                | -              | 16,661           | -              | -                             | 16,661                            | 6,136              | -              | -               |            |        |
| Deferred income taxes                                          | 194,893        | -                | -              | -                             | 194,893                           | (46,364)           | (817)          | -               | 1          |        |
| Related party liabilities                                      | 177            | 1,142,755        | 47,675         | (1,178,220)                   | (c) 12,387                        | 2,003              | 12,246         | (26,636)        | (c) 2,7    |        |
| <b>Total liabilities</b>                                       | <b>225,080</b> | <b>1,977,136</b> | <b>802,376</b> | <b>(1,178,220)</b>            | <b>1,826,372</b>                  | <b>294,895</b>     | <b>608,355</b> | <b>(26,636)</b> | <b>2,7</b> |        |
| <b>Stockholders' equity:</b>                                   |                |                  |                |                               |                                   |                    |                |                 |            |        |

|                                               |              |              |            |               |              |            |            |               |        |  |
|-----------------------------------------------|--------------|--------------|------------|---------------|--------------|------------|------------|---------------|--------|--|
| Series preferred stock:                       |              |              |            |               |              |            |            |               |        |  |
| Series A preferred stock                      | -            | -            | -          | -             | -            | -          | -          | -             | -      |  |
| Series B preferred stock                      | -            | -            | -          | -             | -            | -          | -          | -             | -      |  |
| Series A common stock                         | 929          | -            | -          | -             | 929          | -          | -          | -             | -      |  |
| Common stock                                  | 9,568        | 540          | 1          | (541) (b)     | 9,568        | 3,300      | 2,500      | (5,800) (b)   |        |  |
| Additional paid-in capital                    | 419,222      | 121,230      | 147,481    | (268,711) (b) | 419,222      | 80,369     | 26,271     | (106,640) (b) | 4      |  |
| Additional paid-in capital - SAC Holding II   | -            | -            | -          | -             | -            | -          | -          | -             |        |  |
| Accumulated other comprehensive loss          | (28,351)     | (26,482)     | -          | 26,482 (b)    | (28,351)     | (505)      | (1,364)    | 1,869 (b)     | (      |  |
| Retained earnings (deficit)                   | 817,370      | (396,721)    | (328,817)  | 725,538 b)    | 817,370      | 54,423     | 99,473     | (153,896) (b) | 8      |  |
| Cost of common shares in treasury, net        | (418,092)    | -            | -          | -             | (418,092)    | -          | -          | -             | (4     |  |
| Unearned employee stock ownership plan shares | -            | (9,053)      | -          | -             | (9,053)      | -          | -          | -             |        |  |
| Total stockholders' equity (deficit)          | 800,646      | (310,486)    | (181,335)  | 482,768       | 791,593      | 137,587    | 126,880    | (264,467)     | 7      |  |
| Total liabilities and stockholders' equity    | \$ 1,025,726 | \$ 1,666,650 | \$ 621,041 | \$ (695,452)  | \$ 2,617,965 | \$ 432,482 | \$ 735,235 | \$ (291,103)  | \$ 3,4 |  |

(a) Balances as of March 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 balance sheets by industry segment as of March 31, 2006 are as follows:

| Moving & Storage                                      |           |            |                |              | AMERCO Legal Group |                                      |                       |                   |              |               |
|-------------------------------------------------------|-----------|------------|----------------|--------------|--------------------|--------------------------------------|-----------------------|-------------------|--------------|---------------|
|                                                       |           |            |                |              |                    | Property<br>&<br>Moving &<br>Storage | Casualty<br>Insurance | Life<br>Insurance |              | AM            |
|                                                       | AMERCO    | U-Haul     | Real<br>Estate | Eliminations |                    | Consolidated                         | (a)                   | (a)               | Eliminations | Consolidated  |
| (In thousands)                                        |           |            |                |              |                    |                                      |                       |                   |              |               |
| Assets:                                               |           |            |                |              |                    |                                      |                       |                   |              |               |
| Cash and cash equivalents                             | \$ 7      | \$ 140,499 | \$ 856         | \$ -         |                    | \$ 141,362                           | \$ 9,815              | \$ 4,027          | \$ -         | \$ 145,654    |
| Reinsurance recoverables and trade receivables, net   | -         | 17,325     | 25             | -            |                    | 17,350                               | 199,908               | 12,921            | -            | 217,204       |
| Notes and mortgage receivables, net                   | -         | 1,333      | 1,199          | -            |                    | 2,532                                | -                     | -                 | -            | 4,064         |
| Inventories, net                                      | -         | 63,585     | -              | -            |                    | 63,585                               | -                     | -                 | -            | 63,585        |
| Prepaid expenses                                      | 2,051     | 51,166     | -              | -            |                    | 53,217                               | -                     | -                 | -            | 55,213        |
| Investments, fixed maturities and marketable equities | -         | -          | -              | -            |                    | -                                    | 108,563               | 587,395           | -            | 695,958       |
| Investments, other                                    | -         | 1,314      | 7,853          | -            |                    | 9,167                                | 113,456               | 86,738            | -            | 207,214       |
| Deferred policy acquisition costs, net                | -         | -          | -              | -            |                    | -                                    | 1,160                 | 46,661            | -            | 47,821        |
| Other assets                                          | 2         | 54,390     | 40,866         | -            |                    | 95,258                               | 2,027                 | 438               | -            | 142,873       |
| Related party assets                                  | 1,219,703 | 262,330    | 12,671         | (1,147,881)  | (d)                | 346,823                              | 24,293                | 10,915            | (30,156)     | (d) 3,025,705 |
|                                                       | 1,221,763 | 591,942    | 63,470         | (1,147,881)  |                    | 729,294                              | 459,222               | 749,095           | (30,156)     | 1,995,583     |
| Investment in subsidiaries                            | (262,277) | -          | -              | 526,979      | (c)                | 264,702                              | -                     | -                 | (264,702)    | (c) 525,602   |
|                                                       | (14,275)  | -          | -              | -            |                    | (14,275)                             | -                     | -                 | -            | 0             |

Investment in  
SAC Holding  
IITotal  
investment in  
subsidiaries  
and SAC

|            |           |   |   |         |         |   |   |           |
|------------|-----------|---|---|---------|---------|---|---|-----------|
| Holding II | (276,552) | - | - | 526,979 | 250,427 | - | - | (264,702) |
|------------|-----------|---|---|---------|---------|---|---|-----------|

Property, plant  
and  
equipment, at  
cost:

|      |   |        |         |   |         |   |   |   |
|------|---|--------|---------|---|---------|---|---|---|
| Land | - | 29,159 | 146,626 | - | 175,785 | - | - | - |
|------|---|--------|---------|---|---------|---|---|---|

|                            |   |        |         |   |         |   |   |   |
|----------------------------|---|--------|---------|---|---------|---|---|---|
| Buildings and improvements | - | 78,244 | 661,359 | - | 739,603 | - | - | - |
|----------------------------|---|--------|---------|---|---------|---|---|---|

|                         |       |         |        |   |         |   |   |   |
|-------------------------|-------|---------|--------|---|---------|---|---|---|
| Furniture and equipment | 2,590 | 260,902 | 17,879 | - | 281,371 | - | - | - |
|-------------------------|-------|---------|--------|---|---------|---|---|---|

|                                            |   |         |   |   |         |   |   |   |
|--------------------------------------------|---|---------|---|---|---------|---|---|---|
| Rental trailers and other rental equipment | - | 201,273 | - | - | 201,273 | - | - | - |
|--------------------------------------------|---|---------|---|---|---------|---|---|---|

|               |   |           |   |   |           |   |   |   |
|---------------|---|-----------|---|---|-----------|---|---|---|
| Rental trucks | - | 1,331,891 | - | - | 1,331,891 | - | - | - |
|---------------|---|-----------|---|---|-----------|---|---|---|

|                                                    |   |   |   |   |   |   |   |   |
|----------------------------------------------------|---|---|---|---|---|---|---|---|
| SAC Holding II - property, plant and equipment (b) | - | - | - | - | - | - | - | - |
|----------------------------------------------------|---|---|---|---|---|---|---|---|

|  |       |           |         |   |           |   |   |   |
|--|-------|-----------|---------|---|-----------|---|---|---|
|  | 2,590 | 1,901,469 | 825,864 | - | 2,729,923 | - | - | - |
|--|-------|-----------|---------|---|-----------|---|---|---|

## Less:

|                          |       |           |           |   |             |   |   |   |
|--------------------------|-------|-----------|-----------|---|-------------|---|---|---|
| Accumulated depreciation | (334) | (987,598) | (285,687) | - | (1,273,619) | - | - | - |
|--------------------------|-------|-----------|-----------|---|-------------|---|---|---|

|                                     |       |         |         |   |           |   |   |   |
|-------------------------------------|-------|---------|---------|---|-----------|---|---|---|
| Total property, plant and equipment | 2,256 | 913,871 | 540,177 | - | 1,456,304 | - | - | - |
|-------------------------------------|-------|---------|---------|---|-----------|---|---|---|

|              |            |              |            |              |              |            |            |              |
|--------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------|
| Total assets | \$ 947,467 | \$ 1,505,813 | \$ 603,647 | \$ (620,902) | \$ 2,436,025 | \$ 459,222 | \$ 749,095 | \$ (294,858) |
|--------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------|

(a) Balances as  
of December  
31, 2005

(b) Included in this caption is land of \$57,169, buildings and improvements of \$95,876, and furniture and equipment of \$384

(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, 2006 are as follows:

| Moving & Storage                                               |           |                |              |                 | AMERCO Legal Group                                   |                              |                          |              |               |
|----------------------------------------------------------------|-----------|----------------|--------------|-----------------|------------------------------------------------------|------------------------------|--------------------------|--------------|---------------|
|                                                                |           |                |              |                 | Property<br>&<br>Moving &<br>Storage<br>Consolidated | Casualty<br>Insurance<br>(a) | Life<br>Insurance<br>(a) | Eliminations | AME<br>Consol |
| AMERCO                                                         | U-Haul    | Real<br>Estate | Eliminations |                 |                                                      |                              |                          |              |               |
| (In thousands)                                                 |           |                |              |                 |                                                      |                              |                          |              |               |
| <b>Liabilities:</b>                                            |           |                |              |                 |                                                      |                              |                          |              |               |
| Accounts payable and accrued expenses                          | \$ 23,405 | \$ 203,243     | \$ 4,988     | \$ -            | \$ 231,636                                           | \$ -                         | \$ 3,188                 | \$ -         | \$ 23         |
| AMERCO's notes and loans payable                               | -         | 212,133        | 753,501      | -               | 965,634                                              | -                            | -                        | -            | 96            |
| SAC Holding II notes and loans payable, non-recourse to AMERCO | -         | -              | -            | -               | -                                                    | -                            | -                        | -            | -             |
| Policy benefits and losses, claims and loss expenses payable   | -         | 295,567        | -            | -               | 295,567                                              | 352,960                      | 151,886                  | -            | 80            |
| Liabilities from investment contracts                          | -         | -              | -            | -               | -                                                    | -                            | 449,149                  | -            | 44            |
| Other policyholders' funds and liabilities                     | -         | -              | -            | -               | -                                                    | 5,222                        | 2,483                    | -            | -             |
| Deferred income                                                | -         | 14,412         | -            | -               | 14,412                                               | 6,136                        | -                        | -            | 2             |
| Deferred income taxes                                          | 181,355   | -              | -            | -               | 181,355                                              | (46,219)                     | 2,907                    | -            | 13            |
| Related party liabilities                                      | 201       | 1,134,939      | 26,994       | (1,147,881) (c) | 14,253                                               | 3,728                        | 12,175                   | (30,156) (c) |               |
| Total liabilities                                              | 204,961   | 1,860,294      | 785,483      | (1,147,881)     | 1,702,857                                            | 321,827                      | 621,788                  | (30,156)     | 2,61          |
| <b>Stockholders' equity:</b>                                   |           |                |              |                 |                                                      |                              |                          |              |               |

|                                                                      |            |              |            |               |              |            |            |               |         |  |
|----------------------------------------------------------------------|------------|--------------|------------|---------------|--------------|------------|------------|---------------|---------|--|
| Series preferred stock:                                              |            |              |            |               |              |            |            |               |         |  |
| Series A preferred stock                                             | -          | -            | -          | -             | -            | -          | -          | -             | -       |  |
| Series B preferred stock                                             | -          | -            | -          | -             | -            | -          | -          | -             | -       |  |
| Series A common stock                                                | 929        | -            | -          | -             | 929          | -          | -          | -             | -       |  |
| Common stock                                                         | 9,568      | 540          | 1          | (541) (b)     | 9,568        | 3,300      | 2,500      | (5,800) (b)   |         |  |
| Additional paid-in capital                                           | 413,726    | 121,230      | 147,481    | (268,711) (b) | 413,726      | 80,369     | 26,271     | (106,640) (b) | 41      |  |
| Accumulated other comprehensive income (loss)                        | (28,902)   | (29,996)     | -          | 29,996 (b)    | (28,902)     | 386        | 331        | (717) (b)     | (2)     |  |
| Retained earnings (deficit)                                          | 765,277    | (436,917)    | (329,318)  | 766,235 (b)   | 765,277      | 53,340     | 98,205     | (151,545) (b) | 76      |  |
| Cost of common shares in treasury, net                               | (418,092)  | -            | -          | -             | (418,092)    | -          | -          | -             | (41)    |  |
| Unearned employee stock ownership plan shares                        | -          | (9,338)      | -          | -             | (9,338)      | -          | -          | -             | (       |  |
| Total stockholders' equity (deficit)                                 | 742,506    | (354,481)    | (181,836)  | 526,979       | 733,168      | 137,395    | 127,307    | (264,702)     | 73      |  |
| Total liabilities and stockholders' equity                           | \$ 947,467 | \$ 1,505,813 | \$ 603,647 | \$ (620,902)  | \$ 2,436,025 | \$ 459,222 | \$ 749,095 | \$ (294,858)  | \$ 3,34 |  |
| (a) Balances as of December 31, 2005                                 |            |              |            |               |              |            |            |               |         |  |
| (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 ending June 30, 2006 are as follows:

| Moving & Storage                                    |        |             |              |              | AMERCO Legal Group          |         |              |              |            | AMERCO as      |         |        |
|-----------------------------------------------------|--------|-------------|--------------|--------------|-----------------------------|---------|--------------|--------------|------------|----------------|---------|--------|
|                                                     |        |             |              |              | Property                    |         |              |              |            |                |         |        |
|                                                     |        |             |              |              | Moving & Casualty Life      |         |              |              |            | SAC            |         |        |
|                                                     |        |             |              |              | Storage Insurance Insurance |         |              |              |            | AMERCO Holding |         |        |
| AMERCO                                              | U-Haul | Real Estate | Eliminations | Consolidated | (a)                         | (a)     | Eliminations | Consolidated | II         | Eliminations   |         |        |
| (Unaudited)                                         |        |             |              |              |                             |         |              |              |            |                |         |        |
| (In thousands)                                      |        |             |              |              |                             |         |              |              |            |                |         |        |
| Revenues:                                           |        |             |              |              |                             |         |              |              |            |                |         |        |
| Self-moving equipment rentals                       | \$ -   | \$ 407,234  | \$ -         | \$ -         | \$ 407,234                  | \$ -    | \$ -         | \$ -         | \$ 407,234 | \$ 2,556       | \$ -    | \$ -   |
| Self-storage revenues                               | -      | 25,179      | 410          | -            | 25,589                      | -       | -            | -            | 25,589     | 4,842          | -       | -      |
| Self-moving & self-storage products & service sales | -      | 62,699      | -            | -            | 62,699                      | -       | -            | -            | 62,699     | 4,752          | -       | -      |
| Property management fees                            | -      | 4,596       | -            | -            | 4,596                       | -       | -            | -            | 4,596      | -              | -       | -      |
| Life insurance premiums                             | -      | -           | -            | -            | -                           | -       | 31,317       | (398)        | (c)        | 30,919         | -       | -      |
| Property and casualty insurance premiums            | -      | -           | -            | -            | -                           | 5,382   | -            | -            | -          | 5,382          | -       | -      |
| Net investment and interest income                  | 1,220  | 6,568       | -            | -            | 7,788                       | 2,686   | 5,506        | (268)        | (d)        | 15,712         | -       | -      |
| Other revenue                                       | 30     | 8,127       | 16,823       | (18,248)     | (b)                         | 6,732   | -            | 1,314        | (265)      | (b)            | 7,781   | 329    |
| Total revenues                                      | 1,250  | 514,403     | 17,233       | (18,248)     |                             | 514,638 | 8,068        | 38,137       | (931)      |                | 559,912 | 12,479 |
| Costs and expenses:                                 |        |             |              |              |                             |         |              |              |            |                |         |        |
| Operating expenses                                  | 4,565  | 262,807     | 2,013        | (18,248)     | (b)                         | 251,137 | 1,563        | 6,749        | (2,922)    | (b,c)          | 256,527 | 5,601  |
| Commission expenses                                 | -      | 52,092      | -            | -            |                             | 52,092  | -            | -            | -          |                | 52,092  | -      |
| Cost of sales                                       | -      | 30,229      | -            | -            |                             | 30,229  | -            | -            | -          |                | 30,229  | 2,087  |
|                                                     | -      | -           | -            | -            |                             | -       | 4,182        | 24,433       | 1,991      | (c)            | 30,606  | -      |

|                                                               |           |           |          |              |           |          |          |             |           |         |  |
|---------------------------------------------------------------|-----------|-----------|----------|--------------|-----------|----------|----------|-------------|-----------|---------|--|
| Benefits and losses                                           |           |           |          |              |           |          |          |             |           |         |  |
| Amortization of deferred policy acquisition costs             | -         | -         | -        | -            | -         | 622      | 5,004    | -           | 5,626     | -       |  |
| Lease expense                                                 | 19        | 37,868    | 17       | -            | 37,904    | -        | -        | -           | 37,904    | -       |  |
| Depreciation, net of (gains) losses on disposals              | 62        | 37,273    | 1,808    | -            | 39,143    | -        | -        | -           | 39,143    | 668     |  |
| Total costs and expenses                                      | 4,646     | 420,269   | 3,838    | (18,248)     | 410,505   | 6,367    | 36,186   | (931)       | 452,127   | 8,356   |  |
| Equity in earnings of subsidiaries                            | 43,048    | -         | -        | (40,697) (f) | 2,351     | -        | -        | (2,351) (f) | -         | -       |  |
| Equity in earnings of SAC Holding II                          | 437       | -         | -        | -            | 437       | -        | -        | -           | 437       | -       |  |
| Total - equity in earnings of subsidiaries and SAC Holding II | 43,485    | -         | -        | (40,697)     | 2,788     | -        | -        | (2,351)     | 437       | -       |  |
| Earnings from operations                                      | 40,089    | 94,134    | 13,395   | (40,697)     | 106,921   | 1,701    | 1,951    | (2,351)     | 108,222   | 4,123   |  |
| Interest income (expense)                                     | 22,121    | (26,841)  | (12,230) | -            | (16,950)  | -        | -        | -           | (16,950)  | (3,394) |  |
| Pretax earnings                                               | 62,210    | 67,293    | 1,165    | (40,697)     | 89,971    | 1,701    | 1,951    | (2,351)     | 91,272    | 729     |  |
| Income tax expense                                            | (6,876)   | (27,097)  | (664)    | -            | (34,637)  | (618)    | (683)    | -           | (35,938)  | (292)   |  |
| Net earnings                                                  | 55,334    | 40,196    | 501      | (40,697)     | 55,334    | 1,083    | 1,268    | (2,351)     | 55,334    | 437     |  |
| Less: Preferred stock dividends                               | (3,241)   | -         | -        | -            | (3,241)   | -        | -        | -           | (3,241)   | -       |  |
| Earnings available to common shareholders                     | \$ 52,093 | \$ 40,196 | \$ 501   | \$ (40,697)  | \$ 52,093 | \$ 1,083 | \$ 1,268 | \$ (2,351)  | \$ 52,093 | \$ 437  |  |
| (a) Balances for the quarter ended March 31, 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 quarter ended June 30, 2005 are as follows:

| Moving & Storage                                    |              | AMERCO Legal Group |               |                               |                                   |                    |               |                     | AMERCO Holding II |               |
|-----------------------------------------------------|--------------|--------------------|---------------|-------------------------------|-----------------------------------|--------------------|---------------|---------------------|-------------------|---------------|
| AMERCO                                              | U-Haul       | Real Estate        | Eliminations  | Moving & Storage Consolidated | Property & Casualty Insurance (a) | Life Insurance (a) | Eliminations  | AMERCO Consolidated | Holding II        | Eliminations  |
| (Unaudited)                                         |              |                    |               |                               |                                   |                    |               |                     |                   |               |
| (In thousands)                                      |              |                    |               |                               |                                   |                    |               |                     |                   |               |
| <b>Revenues:</b>                                    |              |                    |               |                               |                                   |                    |               |                     |                   |               |
| Self-moving equipment rentals                       | \$ -         | \$ 401,260         | \$ -          | \$ -                          | \$ 401,260                        | \$ -               | \$ -          | \$ -                | \$ 401,260        | \$ 2,488      |
| Self-storage revenues                               | -            | 23,793             | 455           | -                             | 24,248                            | -                  | -             | -                   | 24,248            | 4,520         |
| Self-moving & self-storage products & service sales | -            | 61,798             | -             | -                             | 61,798                            | -                  | -             | -                   | 61,798            | 4,765         |
| Property management fees                            | -            | 5,168              | -             | -                             | 5,168                             | -                  | -             | -                   | 5,168             | -             |
| Life insurance premiums                             | -            | -                  | -             | -                             | -                                 | -                  | 29,966        | (377)               | (c) 29,589        | -             |
| Property and casualty insurance premiums            | -            | -                  | -             | -                             | -                                 | 4,824              | -             | -                   | 4,824             | -             |
| Net investment and interest income                  | 1,412        | 4,738              | 4             | -                             | 6,154                             | 3,485              | 6,666         | (998)               | (d) 15,307        | -             |
| Other revenue                                       | 9            | 10,016             | 14,463        | (15,553)                      | (b) 8,935                         | -                  | 1,441         | (185)               | (b) 10,191        | 286           |
| <b>Total revenues</b>                               | <b>1,421</b> | <b>506,773</b>     | <b>14,922</b> | <b>(15,553)</b>               | <b>507,563</b>                    | <b>8,309</b>       | <b>38,073</b> | <b>(1,560)</b>      | <b>552,385</b>    | <b>12,059</b> |
| <b>Costs and expenses:</b>                          |              |                    |               |                               |                                   |                    |               |                     |                   |               |
| Operating expenses                                  | 3,397        | 266,275            | 1,591         | (15,553)                      | (b) 255,710                       | 2,400              | 7,388         | (3,500)             | (b,c) 261,998     | 5,522         |
| Commission expenses                                 | -            | 50,506             | -             | -                             | 50,506                            | -                  | -             | -                   | 50,506            | -             |
| Cost of sales                                       | -            | 29,287             | -             | -                             | 29,287                            | -                  | -             | -                   | 29,287            | 1,757         |
| Benefits and losses                                 | -            | -                  | -             | -                             | -                                 | 3,473              | 21,901        | 1,940               | (c) 27,314        | -             |
| Amortization of deferred policy                     | -            | -                  | -             | -                             | -                                 | 854                | 5,344         | -                   | 6,198             | -             |

|                                                                   |           |           |          |             |           |          |          |            |           |         |
|-------------------------------------------------------------------|-----------|-----------|----------|-------------|-----------|----------|----------|------------|-----------|---------|
| acquisition costs                                                 |           |           |          |             |           |          |          |            |           |         |
| Lease expense                                                     | 19        | 33,436    | 17       | -           | 33,472    | -        | -        | -          | 33,472    | -       |
| Depreciation, net of (gains) losses on disposals                  | 7         | 31,517    | 2,124    | -           | 33,648    | -        | -        | -          | 33,648    | 729     |
| Total costs and expenses                                          | 3,423     | 411,021   | 3,732    | (15,553)    | 402,623   | 6,727    | 34,633   | (1,560)    | 442,423   | 8,008   |
| Equity in earnings of subsidiaries                                | 65,282    | -         | -        | (61,817)    | (f) 3,465 | -        | -        | (3,465)    | (f) -     | -       |
| Equity in earnings of SAC Holding II                              | 560       | -         | -        | -           | 560       | -        | -        | -          | 560       | -       |
| Total - equity in earnings of subsidiaries and SAC Holding II     | 65,842    | -         | -        | (61,817)    | 4,025     | -        | -        | (3,465)    | 560       | -       |
| Earnings from operations                                          | 63,840    | 95,752    | 11,190   | (61,817)    | 108,965   | 1,582    | 3,440    | (3,465)    | 110,522   | 4,051   |
| Interest expense                                                  | (11,148)  | (678)     | (6,273)  | -           | (18,099)  | -        | -        | -          | (18,099)  | (3,130) |
| Fees on early extinguishment of debt                              | (35,627)  | -         | -        | -           | (35,627)  | -        | -        | -          | (35,627)  | -       |
| Pretax earnings                                                   | 17,065    | 95,074    | 4,917    | (61,817)    | 55,239    | 1,582    | 3,440    | (3,465)    | 56,796    | 921     |
| Income tax expense                                                | 17,910    | (36,073)  | (2,101)  | -           | (20,264)  | (554)    | (1,003)  | -          | (21,821)  | (361)   |
| Net earnings                                                      | 34,975    | 59,001    | 2,816    | (61,817)    | 34,975    | 1,028    | 2,437    | (3,465)    | 34,975    | 560     |
| Less: Preferred stock dividends                                   | (3,241)   | -         | -        | -           | (3,241)   | -        | -        | -          | (3,241)   | -       |
| Earnings available to common shareholders                         | \$ 31,734 | \$ 59,001 | \$ 2,816 | \$ (61,817) | \$ 31,734 | \$ 1,028 | \$ 2,437 | \$ (3,465) | \$ 31,734 | \$ 560  |
| (a) Balances for the quarter ended March 31, 2005                 |           |           |          |             |           |          |          |            |           |         |
| (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 quarter ended June 30, 2006 are as follows:

|                                                       | Moving & Storage |           |             |             | AMERCO Legal Group                          |          |          |             | AMERCO as Consolidated |        |             |  |
|-------------------------------------------------------|------------------|-----------|-------------|-------------|---------------------------------------------|----------|----------|-------------|------------------------|--------|-------------|--|
|                                                       |                  |           |             |             | Property & Moving & Casualty Life Insurance |          |          |             | SAC Holding            |        |             |  |
|                                                       | AMERCO           | U-Haul    | Real Estate | Elimination | Consolidated                                | (a)      | (a)      | Elimination | Consolidated           | II     | Elimination |  |
|                                                       | (Unaudited)      |           |             |             |                                             |          |          |             |                        |        |             |  |
| Cash flows from operating activities:                 | (In thousands)   |           |             |             |                                             |          |          |             |                        |        |             |  |
| Net earnings (loss)                                   | \$ 55,334        | \$ 40,196 | \$ 501      | \$ (40,697) | \$ 55,334                                   | \$ 1,083 | \$ 1,268 | \$ (2,351)  | \$ 55,334              | \$ 437 | \$ (35)     |  |
| Earnings from consolidated entities                   | (43,485)         | -         | -           | 40,697      | (2,788)                                     | -        | -        | 2,351       | (437)                  | -      | 43          |  |
| Depreciation                                          | 62               | 37,439    | 2,637       | -           | 40,138                                      | -        | -        | -           | 40,138                 | 668    | (14)        |  |
| Amortization of deferred policy acquisition costs     | -                | -         | -           | -           | -                                           | 622      | 5,004    | -           | 5,626                  | -      |             |  |
| Change in provision for losses on trade receivables   | -                | (51)      | -           | -           | (51)                                        | -        | 19       | -           | (32)                   | -      |             |  |
| Change in provision for losses on mortgage notes      | -                | (10)      | -           | -           | (10)                                        | -        | -        | -           | (10)                   | -      |             |  |
| Net (gain) loss on sale of real and personal property | -                | (166)     | (829)       | -           | (995)                                       | -        | -        | -           | (995)                  | -      |             |  |
| Net (gain) loss on sale of investments                | -                | -         | -           | -           | -                                           | 319      | 234      | -           | 553                    | -      |             |  |
| Deferred income taxes                                 | 13,538           | 214       | -           | -           | 13,752                                      | 336      | (170)    | -           | 13,918                 | 282    | 5           |  |
| Net change in other                                   |                  |           |             |             |                                             |          |          |             |                        |        |             |  |

operating  
assets and  
liabilities:

Reinsurance  
recoverables  
and trade

|                                                              |        |           |          |   |           |          |          |   |           |         |
|--------------------------------------------------------------|--------|-----------|----------|---|-----------|----------|----------|---|-----------|---------|
| receivables                                                  | -      | (1,016)   | 1        | - | (1,015)   | 18,894   | (99)     | - | 17,780    | -       |
| Inventories                                                  | -      | (3,242)   | -        | - | (3,242)   | -        | -        | - | (3,242)   | 41      |
| Prepaid expenses                                             | 592    | (3,703)   | -        | - | (3,111)   | -        | -        | - | (3,111)   | 32      |
| Capitalization of deferred policy acquisition costs          | -      | -         | -        | - | -         | (644)    | (1,742)  | - | (2,386)   | -       |
| Other assets                                                 | (3)    | (750)     | 2,514    | - | 1,761     | 295      | (42)     | - | 2,014     | 118     |
| Related party assets                                         | 2,931  | 18,378    | 60       | - | 21,369    | 4,369    | (14)     | - | 25,724    | 2,900   |
| Accounts payable and accrued expenses                        | 7,610  | 6,718     | (1,100)  | - | 13,228    | -        | 947      | - | 14,175    | 386     |
| Policy benefits and losses, claims and loss expenses payable | -      | 12,697    | -        | - | 12,697    | (24,004) | (3,303)  | - | (14,610)  | -       |
| Other policyholders' funds and liabilities                   | -      | -         | -        | - | -         | (1,057)  | (216)    | - | (1,273)   | -       |
| Deferred income                                              | -      | 2,220     | -        | - | 2,220     | -        | -        | - | 2,220     | 37      |
| Related party liabilities                                    | (25)   | 2,867     | (2,842)  | - | -         | (1,725)  | 159      | - | (1,566)   | (4,517) |
| Net cash provided (used) by operating activities             | 36,554 | 111,791   | 942      | - | 149,287   | (1,512)  | 2,045    | - | 149,820   | 384     |
| Cash flows from investing activities:                        |        |           |          |   |           |          |          |   |           |         |
| Purchases of:                                                |        |           |          |   |           |          |          |   |           |         |
| Property, plant and equipment                                | (2)    | (142,643) | (24,029) | - | (166,674) | -        | -        | - | (166,674) | (325)   |
| Short term investments                                       | -      | -         | -        | - | -         | (17,304) | (35,827) | - | (53,131)  | -       |
| Fixed maturities                                             | -      | -         | -        | - | -         | (21,054) | (11,218) | - | (32,272)  | -       |

|                 |     |           |          |   |           |         |         |   |           |       |
|-----------------|-----|-----------|----------|---|-----------|---------|---------|---|-----------|-------|
| investments     |     |           |          |   |           |         |         |   |           |       |
| Mortgage        |     |           |          |   |           |         |         |   |           |       |
| loans           | -   | -         | -        | - | -         | -       | (7,305) | - | (7,305)   | -     |
| Proceeds from   |     |           |          |   |           |         |         |   |           |       |
| sales of:       |     |           |          |   |           |         |         |   |           |       |
| Property, plant |     |           |          |   |           |         |         |   |           |       |
| and equipment   | -   | 27,863    | 829      | - | 28,692    | -       | -       | - | 28,692    | -     |
| Short term      |     |           |          |   |           |         |         |   |           |       |
| investments     | -   | -         | -        | - | -         | 29,044  | 53,184  | - | 82,228    | -     |
| Fixed           |     |           |          |   |           |         |         |   |           |       |
| maturities      |     |           |          |   |           |         |         |   |           |       |
| investments     | -   | -         | -        | - | -         | 5,722   | 16,130  | - | 21,852    | -     |
| Cash received   |     |           |          |   |           |         |         |   |           |       |
| in excess of    |     |           |          |   |           |         |         |   |           |       |
| purchase of     |     |           |          |   |           |         |         |   |           |       |
| company         |     |           |          |   |           |         |         |   |           |       |
| acquired        | -   | -         | -        | - | -         | -       | 1,233   | - | 1,233     | -     |
| Preferred       |     |           |          |   |           |         |         |   |           |       |
| stock           | -   | -         | -        | - | -         | -       | 125     | - | 125       | -     |
| Real estate     | -   | -         | 877      | - | 877       | -       | -       | - | 877       | -     |
| Mortgage        |     |           |          |   |           |         |         |   |           |       |
| loans           | -   | -         | -        | - | -         | -       | 2,086   | - | 2,086     | -     |
| Payments        |     |           |          |   |           |         |         |   |           |       |
| from notes      |     |           |          |   |           |         |         |   |           |       |
| and mortgage    |     |           |          |   |           |         |         |   |           |       |
| receivables     | -   | (45)      | 448      | - | 403       | -       | -       | - | 403       | -     |
| Net cash        |     |           |          |   |           |         |         |   |           |       |
| provided        |     |           |          |   |           |         |         |   |           |       |
| (used) by       |     |           |          |   |           |         |         |   |           |       |
| investing       |     |           |          |   |           |         |         |   |           |       |
| activities      | (2) | (114,825) | (21,875) | - | (136,702) | (3,592) | 18,408  | - | (121,886) | (325) |

(page 1 of 2)

(a) Balance  
for the period  
ended March  
31, 2006

## AMERCO AND CONSOLIDATED ENTITIES

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

Continuation of consolidating cash flow statement by industry segment for the quarter ended June 30, 2006, are as follows:

|                                                                |          | AMERCO Legal Group                 |              |                               |         | AMERCO as Consolidated |              |                     |              |              |          |
|----------------------------------------------------------------|----------|------------------------------------|--------------|-------------------------------|---------|------------------------|--------------|---------------------|--------------|--------------|----------|
| Moving & Storage                                               |          | Property & Casualty Life Insurance |              |                               |         | SAC Holding            |              |                     |              | Total        |          |
| AMERCO                                                         | U-Haul   | Real Estate                        | Eliminations | Moving & Storage Consolidated | (a)     | (a)                    | Eliminations | AMERCO Consolidated | Eliminations | Consolidated |          |
| (Unaudited)                                                    |          |                                    |              |                               |         |                        |              |                     |              |              |          |
| Cash flows from financing activities:                          |          |                                    |              |                               |         |                        |              |                     |              |              |          |
| (In thousands)                                                 |          |                                    |              |                               |         |                        |              |                     |              |              |          |
| Borrowings from credit facilities                              | -        | 87,376                             | -            | -                             | 87,376  | -                      | -            | -                   | 87,376       | -            | 87,376   |
| Principal repayments on credit facilities                      | -        | (5,133)                            | (2,689)      | -                             | (7,822) | -                      | -            | -                   | (7,822)      | (314)        | (8,136)  |
| Debt issuance costs                                            | -        | (1,437)                            | -            | -                             | (1,437) | -                      | -            | -                   | (1,437)      | -            | (1,437)  |
| Leveraged Employee Stock Ownership Plan - repayments from loan | -        | 285                                | -            | -                             | 285     | -                      | -            | -                   | 285          | -            | 285      |
| Proceeds from (repayment of) intercompany loans                | (33,309) | 9,786                              | 23,523       | -                             | -       | -                      | -            | -                   | -            | -            | -        |
| Preferred stock dividends paid                                 | (3,241)  | -                                  | -            | -                             | (3,241) | -                      | -            | -                   | (3,241)      | -            | (3,241)  |
| Investment contract deposits                                   | -        | -                                  | -            | -                             | -       | -                      | 4,251        | -                   | 4,251        | -            | 4,251    |
| Investment contract withdrawals                                | -        | -                                  | -            | -                             | -       | -                      | (20,843)     | -                   | (20,843)     | -            | (20,843) |
| Net cash provided                                              | (36,550) | 90,877                             | 20,834       | -                             | 75,161  | -                      | (16,592)     | -                   | 58,569       | (314)        | 58,255   |

(used) by  
financing  
activities

Effects of  
exchange rate  
on cash

- 151 - - 151 - - - 151 - - 151

Increase  
(decrease) in  
cash and cash  
equivalents

2 87,994 (99) - 87,897 (5,104) 3,861 - 86,654 (255) - 86,399

Cash and cash  
equivalents at  
beginning of  
period

7 140,499 856 - 141,362 9,815 4,027 - 155,204 255 - 155,459

Cash and cash  
equivalents at  
end of period

\$ 9 \$ 228,493 \$ 757 \$ - \$ 229,259 \$ 4,711 \$ 7,888 \$ - \$ 241,858 \$ - \$ - \$ 241,858

(page 2 of 2)

(a) Balance for  
the period  
ended March  
31, 2006

## AMERCO AND CONSOLIDATED ENTITIES

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

Consolidating cash flow statements by industry segment for the quarter ended June 30, 2005 are as follows:

|                                                       | Moving & Storage |           |             |             | AMERCO Legal Group            |                                   |                    |             | AMERCO as Consolidated |                |             |              |
|-------------------------------------------------------|------------------|-----------|-------------|-------------|-------------------------------|-----------------------------------|--------------------|-------------|------------------------|----------------|-------------|--------------|
|                                                       |                  |           |             |             |                               |                                   |                    |             |                        |                |             |              |
|                                                       | AMERCO           | U-Haul    | Real Estate | Elimination | Moving & Storage Consolidated | Property & Casualty Insurance (a) | Life Insurance (a) | Elimination | AMERCO Consolidated    | SAC Holding II | Elimination | Consolidated |
|                                                       | (Unaudited)      |           |             |             |                               |                                   |                    |             |                        |                |             |              |
| Cash flows from operating activities:                 | (In thousands)   |           |             |             |                               |                                   |                    |             |                        |                |             |              |
| Net earnings (loss)                                   | \$ 34,975        | \$ 59,001 | \$ 2,816    | \$ (61,817) | \$ 34,975                     | \$ 1,028                          | \$ 2,437           | \$ (3,465)  | \$ 34,975              | \$ 560         | \$ (473)    | \$ 34,975    |
| Earnings from consolidated entities                   | (58,332)         | -         | -           | 59,847      | 1,515                         | -                                 | -                  | (2,075)     | (560)                  | -              | 560         | -            |
| Depreciation                                          | 7                | 28,205    | 2,124       | -           | 30,336                        | -                                 | -                  | -           | 30,336                 | 729            | (140)       | 30,336       |
| Amortization of deferred policy acquisition costs     | -                | -         | -           | -           | -                             | 854                               | 5,823              | -           | 6,677                  | -              | -           | -            |
| Change in provision for losses on trade receivables   | -                | (601)     | -           | -           | (601)                         | -                                 | -                  | -           | (601)                  | -              | -           | -            |
| Change in provision for losses on mortgage notes      | -                | -         | -           | -           | -                             | -                                 | -                  | -           | -                      | -              | -           | -            |
| Net (gain) loss on sale of real and personal property | -                | 3,312     | -           | -           | 3,312                         | -                                 | -                  | -           | 3,312                  | -              | -           | -            |
| Net (gain) loss on sale of investments                | -                | -         | -           | -           | -                             | (192)                             | (1,261)            | -           | (1,453)                | -              | -           | -            |
| Write-off of unamortized debt issuance costs          | 13,629           | -         | -           | -           | 13,629                        | -                                 | -                  | -           | 13,629                 | -              | -           | -            |

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|                                                              |          |          |          |          |          |          |          |       |          |       |       |     |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|-------|----------|-------|-------|-----|
| Deferred income taxes                                        | 10,843   | -        | -        | -        | 10,843   | 74       | 1,461    | -     | 12,378   | 357   | 53    | 1   |
| Net change in other operating assets and liabilities:        |          |          |          |          |          |          |          |       |          |       |       |     |
| Reinsurance recoverables and trade receivables               | -        | (8,009)  | (1)      | -        | (8,010)  | 6,423    | (700)    | -     | (2,287)  | -     | -     | 0   |
| Inventories                                                  | -        | (2,001)  | -        | -        | (2,001)  | -        | -        | -     | (2,001)  | (245) | -     | 0   |
| Prepaid expenses                                             | 2,804    | (3,698)  | -        | -        | (894)    | -        | -        | -     | (894)    | 78    | -     | 0   |
| Capitalization of deferred policy acquisition costs          | -        | -        | -        | -        | -        | (831)    | (1,677)  | -     | (2,508)  | -     | -     | 0   |
| Other assets                                                 | 13,969   | (11,191) | (35,152) | -        | (32,374) | 434      | 2,886    | -     | (29,054) | (407) | -     | (2) |
| Related party assets                                         | (28,369) | (4,998)  | (8)      | 19,013   | (14,362) | 1,664    | -        | (720) | (13,418) | -     | (395) | (1) |
| Accounts payable and accrued expenses                        | (18,200) | 21,460   | 1,301    | -        | 4,561    | -        | -        | 5,540 | 10,101   | 409   | -     | 1   |
| Policy benefits and losses, claims and loss expenses payable | -        | 18,674   | -        | -        | 18,674   | (11,728) | (4,039)  | -     | 2,907    | -     | -     | 0   |
| Other policyholders' funds and liabilities                   | -        | -        | -        | -        | -        | (3,476)  | (10,052) | -     | (13,528) | -     | -     | (1) |
| Deferred income                                              | -        | 3,583    | -        | -        | 3,583    | -        | -        | -     | 3,583    | 138   | -     | 0   |
| Related party liabilities                                    | -        | 18,513   | -        | (19,013) | (500)    | (98)     | (858)    | 636   | (820)    | (694) | 395   | 0   |
| Net cash provided (used) by operating activities             | (28,674) | 122,250  | (28,920) | (1,970)  | 62,686   | (5,848)  | (5,980)  | (84)  | 50,774   | 925   | -     | 5   |
| Cash flows from investing activities:                        |          |          |          |          |          |          |          |       |          |       |       |     |
| Purchases of:                                                |          |          |          |          |          |          |          |       |          |       |       |     |
| Property, plant and equipment                                | -        | (74,231) | (999)    | -        | (75,230) | -        | -        | -     | (75,230) | (207) | -     | (7) |

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|                                                  |   |          |       |   |          |          |          |   |          |       |   |    |
|--------------------------------------------------|---|----------|-------|---|----------|----------|----------|---|----------|-------|---|----|
| Short term investments                           | - | -        | -     | - | -        | (55,390) | -        | - | (55,390) | -     | - | (5 |
| Fixed maturities investments                     | - | -        | -     | - | -        | (1,985)  | (82,232) | - | (84,217) | -     | - | (8 |
| Mortgage loans                                   | - | -        | -     | - | -        | -        | (1,250)  | - | (1,250)  | -     | - | 0  |
| Proceeds from sales of:                          |   |          |       |   |          |          |          |   |          |       |   |    |
| Property, plant and equipment                    | - | 15,140   | 5     | - | 15,145   | -        | -        | - | 15,145   | -     | - | 1  |
| Short term investments                           | - | -        | -     | - | -        | 43,775   | 50,953   | - | 94,728   | -     | - | 9  |
| Fixed maturities investments                     | - | -        | -     | - | -        | 15,590   | 45,203   | - | 60,793   | -     | - | 6  |
| Equity securities                                | - | -        | -     | - | -        | -        | 5,759    | - | 5,759    | -     | - |    |
| Preferred stock                                  | - | -        | -     | - | -        | -        | 417      | - | 417      | -     | - |    |
| Other asset investments, net                     | - | 872      | -     | - | 872      | -        | -        | - | 872      | -     | - |    |
| Real estate                                      | - | -        | -     | - | -        | 179      | 514      | - | 693      | -     | - |    |
| Mortgage loans                                   | - | -        | -     | - | -        | -        | 3,034    | - | 3,034    | -     | - |    |
| Payments from notes and mortgage receivables     | - | 53       | 18    | - | 71       | -        | -        | - | 71       | -     | - |    |
| Net cash provided (used) by investing activities | - | (58,166) | (976) | - | (59,142) | 2,169    | 22,398   | - | (34,575) | (207) | - | (3 |

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(a) Balance for the period ended March 31, 2005

## AMERCO AND CONSOLIDATED ENTITIES

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

Continuation of consolidating cash flow statement by industry segment for the quarter ended June 30, 2005, are as follows:

|                                                                | AMERCO         | U-Haul | Real Estate | Elimination | Moving & Storage Consolidated | Property & Casualty Insurance (a) | Life Insurance (a) | Elimination | AMERCO Consolidated | SAC Holding Elimination | Total Consolidated |
|----------------------------------------------------------------|----------------|--------|-------------|-------------|-------------------------------|-----------------------------------|--------------------|-------------|---------------------|-------------------------|--------------------|
|                                                                | (Unaudited)    |        |             |             |                               |                                   |                    |             |                     |                         |                    |
| Cash flows from financing activities:                          | (In thousands) |        |             |             |                               |                                   |                    |             |                     |                         |                    |
| Borrowings from credit facilities                              | 80,266         | 49,557 | 904,365     | -           | 1,034,188                     | -                                 | -                  | -           | 1,034,188           | -                       | 1,034,188          |
| Principal repayments on credit facilities                      | (860,274)      | -      | -           | -           | (860,274)                     | -                                 | -                  | -           | (860,274)           | (289)                   | (860,274)          |
| Debt issuance costs                                            | -              | -      | -           | -           | -                             | -                                 | -                  | -           | -                   | -                       | -                  |
| Leveraged Employee Stock Ownership Plan - repayments from loan | -              | 438    | -           | -           | 438                           | -                                 | -                  | -           | 438                 | -                       | -                  |
| Proceeds from (repayment of) intercompany notes payable        | -              | (84)   | -           | -           | (84)                          | -                                 | -                  | 84          | -                   | -                       | -                  |
| Proceeds from (repayment of) intercompany loans                | 813,882        | 64,466 | (878,348)   | -           | -                             | -                                 | -                  | -           | -                   | -                       | -                  |
| Preferred stock dividends paid                                 | (3,241)        | -      | -           | -           | (3,241)                       | -                                 | -                  | -           | (3,241)             | -                       | (3,241)            |
| Investment contract                                            | -              | -      | -           | -           | -                             | -                                 | 5,670              | -           | 5,670               | -                       | 5,670              |

|                                                  |         |            |         |       |            |          |          |      |            |        |      |            |  |
|--------------------------------------------------|---------|------------|---------|-------|------------|----------|----------|------|------------|--------|------|------------|--|
| deposits                                         |         |            |         |       |            |          |          |      |            |        |      |            |  |
| Investment contract withdrawals                  | -       | -          | -       | -     | -          | -        | (17,896) | -    | (17,896)   | -      | -    | (17,896)   |  |
| Net cash provided (used) by financing activities | 30,633  | 114,377    | 26,017  | -     | 171,027    | -        | (12,226) | 84   | 158,885    | (289)  | -    | 158,885    |  |
| Effects of exchange rate on cash                 | (1,970) | (1,970)    | -       | 1,970 | (1,970)    | -        | -        | -    | (1,970)    | -      | -    | (1,970)    |  |
| Increase (decrease) in cash and cash equivalents | (11)    | 176,491    | (3,879) | -     | 172,601    | (3,679)  | 4,192    | -    | 173,114    | 429    | -    | 173,114    |  |
| Cash and cash equivalents at beginning of period | 14      | 37,626     | 4,327   | -     | 41,967     | 10,638   | 2,992    | -    | 55,597     | 358    | -    | 55,597     |  |
| Cash and cash equivalents at end of period       | \$ 3    | \$ 214,117 | \$ 448  | \$ -  | \$ 214,568 | \$ 6,959 | \$ 7,184 | \$ - | \$ 228,711 | \$ 787 | \$ - | \$ 229,498 |  |

(page 2 of 2)

(a) Balance for the period ended March 31, 2005

## 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 June 30, 2006                                       |                                             |             |              |
| Total revenues                                                    | \$ 552,736                                  | \$ 14,291   | \$ 567,027   |
| Depreciation and amortization, net of (gains) losses on disposals | 43,575                                      | 1,722       | 45,297       |
| Interest expense                                                  | 18,301                                      | 161         | 18,462       |
| Pretax earnings                                                   | 89,633                                      | 2,071       | 91,704       |
| Income tax expense                                                | 35,579                                      | 704         | 36,283       |
| Identifiable assets                                               | 3,430,400                                   | 78,714      | 3,509,114    |
| Quarter ended June 30, 2005                                       |                                             |             |              |
| Total revenues                                                    | \$ 545,077                                  | \$ 14,381   | \$ 559,458   |
| Depreciation and amortization, net of (gains) losses on disposals | 38,804                                      | 1,631       | 40,435       |
| Interest expense (income)                                         | 19,640                                      | (4)         | 19,636       |
| Pretax earnings                                                   | 54,428                                      | 2,869       | 57,297       |
| Income tax expense                                                | 22,235                                      | -           | 22,235       |
| Identifiable assets                                               | 3,239,636                                   | 78,452      | 3,318,088    |

## ***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 first quarter of fiscal 2007, compared with the first quarter of fiscal 2006 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 2007.

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 and particularly under Part II Item 1A. "Risk Factors." Our actual results may differ materially from these forward-looking statements.

The first fiscal quarter for AMERCO ends on the 30<sup>th</sup> of June for each year that is referenced. Our insurance company subsidiaries have a first quarter that ends on the 31<sup>st</sup> of March for each year that is referenced. They have been consolidated on that basis. Consequently, all references to our insurance subsidiaries' years 2006 and 2005 correspond to the Company's fiscal years 2007 and 2006, 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. By exiting its non U-Haul lines of business, we believe that RepWest will be able to focus its core competencies and financial resources to better support our overall strategy.

Oxford is focused on long-term capital growth through direct writing and reinsuring of annuity, life and Medicare supplement products primarily in the senior marketplace. Oxford is pursuing increased direct writing via acquisitions of insurance companies, expanded distribution channels and product development. In 2005, Oxford determined that it

would no longer pursue growth in the credit life and disability market. We believe this will enable Oxford to focus more on its core senior population demographic.

### **Description of Operating Segments**

AMERCO has four reportable segments. They are Moving and Storage Operations, 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.

With respect to our retail sales, U-Haul has developed a number of specialty packing boxes, Mover's Wrap and Smart Move tape. Mover's Wrap is a sticks-to-itself plastic stretch wrap used to bind, bundle, and fasten items when moving or storing. Additionally, U-Haul has added a full line of Smart Move tape products. Smart Move tape is a color coded packing tape that has the room printed right on it allowing customers to tape and label their belongings in one quick step.

eMove is an online marketplace that connects consumers to over 3,300 independent sellers of Moving Helpers™ as well as 2,800 providers of Self-Storage services. 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. Approximately 2,800 independent self-storage facilities are now registered on the eMove network.

With over 78,000 unedited reviews of independent vendors, the marketplace has facilitated 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 annuities, life insurance, and Medicare supplement policies. Additionally, Oxford administers the self-insured employee health and dental plans for Arizona employees of the Company and provides insurance for the employee group life and disability coverage.

### **SAC Holdings 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 United States generally accepted accounting principles. 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 the need to make estimates of 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 the company does not hold a majority of the voting or similar interests or a variable interest entity (VIE). The company is required to consolidate a VIE if it is determined it is the primary beneficiary. ARB 51 addresses the policy when the 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 by 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 first quarters of fiscal 2007 and fiscal 2006 and the balance sheet as of March 31, 2006, include the accounts of AMERCO and its wholly-owned subsidiaries and SAC Holding II Corporation and its subsidiaries.

In fiscal 2003 and fiscal 2002, SAC Holding Corporation and SAC Holding II (together, "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 variable interest entities (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 cost 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. Major overhauls to rental equipment are capitalized and are amortized over the estimated period benefited. 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 assets 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.

Fiscal 2006 marked the first time in ten years that the Company has acquired a significant number of new 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% at the end of its first year, 70% by the end of its seventh year, and 80% at the end of year fifteen.

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 calling 1-866-404-0355. Although we attempt to sell our used vehicles for prices approximating book value, the extent to which we are able to realize a gain 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 margins 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, excluding surrender charges.

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. Also, the severity of the commercial transportation and the commercial multiple peril programs can fluctuate unexpectedly.

### **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. Other-than-temporary impairment in value is recognized in the current period operating results.

### **Income Taxes**

The Company records deferred tax assets and liabilities based upon the differences between the tax basis of assets and liabilities and the financial statement carrying amounts. Management reviews any deferred tax assets for realization and establishes a valuation allowance in relation to such assets should we believe they may not be ultimately realized. As part of this assessment, management makes certain assumptions regarding future taxable income, timing of the reversals of timing differences, and implementation of tax planning strategies. A change in any of these assumptions can alter our valuation allowance and cause an increase or decrease in our effective tax rate that could materially impact our financial results.

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 in our valuation allowance should we not prevail. These changes could materially impact our financial results. Our current tax rate is approximately 39.6%.

AMERCO files a consolidated tax return with all of its legal subsidiaries, except for CFLIC and 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.

## Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued a standard that addresses accounting for income taxes: FIN 48, *Accounting for Uncertainty in Income Taxes*. Among other things, FIN 48 requires applying an audit sustainability standard of “more likely than not” related to the recognition and de-recognition of tax positions. The new guidance will be effective for us in fiscal 2008. We are currently evaluating the requirements of FIN 48 and the impact this interpretation may have on our consolidated financial statements.

## Results of Operations

### AMERCO and Consolidated Entities

#### *Quarter Ended June 30, 2006 compared with the Quarter Ended June 30, 2005*

Listed below on a consolidated basis are revenues for our major product lines for the first quarter of fiscal 2007 and the first quarter of fiscal 2006:

|                                                         | Quarter Ended June 30, |            |
|---------------------------------------------------------|------------------------|------------|
|                                                         | 2006                   | 2005       |
|                                                         | (Unaudited)            |            |
|                                                         | (In thousands)         |            |
| Self-moving equipment rentals                           | \$ 407,234             | \$ 401,260 |
| Self-storage revenues                                   | 30,431                 | 28,768     |
| Self-moving and self-storage products and service sales | 67,451                 | 66,563     |
| Property management fees                                | 3,847                  | 4,440      |
| Life insurance premiums                                 | 30,919                 | 29,589     |
| Property and casualty insurance premiums                | 5,382                  | 4,824      |
| Net investment and interest income                      | 13,830                 | 13,714     |
| Other revenue                                           | 7,933                  | 10,300     |
| Consolidated revenue                                    | \$ 567,027             | \$ 559,458 |

During the first quarter of fiscal 2007, self-moving equipment rentals increased \$6.0 million, compared with the first quarter of fiscal 2006, primarily due to increases in trailer rentals.

Self-storage revenues increased \$1.7 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006 due to increases in occupancy levels. During the first quarter of fiscal 2007, the Company has increased rooms available through build-outs at existing facilities.

Sales of self-moving and self-storage products and service sales increased \$0.9 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. Towing accessories and propane sales experienced first quarter increases.

Premiums at RepWest increased \$0.6 million due to increases in U-Haul related business.

Oxford's premium revenues increased approximately \$1.3 million primarily as a result of additional life insurance premiums and the acquisition of DGLIC.

As a result of the items mentioned above, revenues for AMERCO and its consolidated entities were \$567.0 million for the first quarter of fiscal 2007, compared with \$559.5 million for the first quarter of fiscal 2006.



Listed below are revenues and earnings from operations at each of our four operating segments for the first quarter of fiscal 2007 and the first quarter of fiscal 2006; for the insurance companies the first quarter ended March 31, 2006 and 2005.

|                                 | Quarter Ended June 30, |            |
|---------------------------------|------------------------|------------|
|                                 | 2006                   | 2005       |
|                                 | (Unaudited)            |            |
|                                 | (In thousands)         |            |
| Moving and storage              |                        |            |
| Revenues                        | \$ 514,638             | \$ 507,563 |
| Earnings from operations        | 106,921                | 108,965    |
| Property and casualty insurance |                        |            |
| Revenues                        | 8,068                  | 8,309      |
| Earnings from operations        | 1,701                  | 1,582      |
| Life insurance                  |                        |            |
| Revenues                        | 38,137                 | 38,073     |
| Earnings from operations        | 1,951                  | 3,440      |
| SAC Holding II                  |                        |            |
| Revenues                        | 12,479                 | 12,059     |
| Earnings from operations        | 4,123                  | 4,051      |
| Eliminations                    |                        |            |
| Revenues                        | (6,295)                | (6,546)    |
| Earnings from operations        | (4,530)                | (5,478)    |
| Consolidated results            |                        |            |
| Revenues                        | 567,027                | 559,458    |
| Earnings from operations        | 110,166                | 112,560    |

Total costs and expenses increased \$10.0 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. This is due primarily to increases in lease and depreciation expense associated with the fleet rotation. Reductions in maintenance and repair costs and insurance expenses were partially offset by increases in other fleet related expenses.

As a result of the above mentioned changes in revenues and expenses, earnings from operations decreased to \$110.2 million in the first quarter of fiscal 2007, compared with \$112.6 million for the first quarter of fiscal 2006.

Interest expense for the first quarter of fiscal 2007 was \$18.5 million, compared with \$55.3 million in the first quarter of fiscal 2006. The first quarter of fiscal 2006 results included a one-time, non-recurring charge of \$35.6 million before taxes which includes fees for early extinguishment of debt of \$21.2 million and the write-off of \$14.4 million of debt issuance costs. The refinancing costs had the effect of decreasing, on a non-recurring basis, earnings for the quarter ended June 30, 2005 by \$1.71 per share before taxes, in which the tax effect was approximately \$0.63 per share.

Income tax expense was \$36.3 million in the first quarter of fiscal 2007, compared with \$22.2 million in first quarter of fiscal 2006 and reflects higher pretax earnings for the first quarter of fiscal 2006.

Dividends accrued on our Series A preferred stock were \$3.2 million in first quarter of fiscal 2007, unchanged from the first quarter of fiscal 2006.

As a result of the above mentioned items, earnings available to common shareholders were \$52.2 million in the first quarter of fiscal 2007, compared with \$31.8 million in the first quarter of fiscal 2006.

The weighted average common shares outstanding basic and diluted were 20,897,688 in first quarter of fiscal 2007 and were 20,836,458 in the first quarter of fiscal 2006.

Basic and diluted earnings per share in the first quarter of fiscal 2007 were \$2.50, compared with \$1.53 for the first quarter of fiscal 2006.

**Moving and Storage*****Quarter Ended June 30, 2006 compared with the Quarter Ended June 30, 2005***

Listed below are revenues for the major product lines at our Moving and Storage operating segment for the first quarter of fiscal 2007 and the first quarter of fiscal 2006:

|                                                         | <b>Quarter Ended June 30,</b> |             |
|---------------------------------------------------------|-------------------------------|-------------|
|                                                         | <b>2006</b>                   | <b>2005</b> |
|                                                         | (Unaudited)                   |             |
|                                                         | (In thousands)                |             |
| Self-moving equipment rentals                           | \$ 407,234                    | \$ 401,260  |
| Self-storage revenues                                   | 25,589                        | 24,248      |
| Self-moving and self-storage products and service sales | 62,699                        | 61,798      |
| Property management fees                                | 4,596                         | 5,168       |
| Net investment and interest income                      | 7,788                         | 6,154       |
| Other revenue                                           | 6,732                         | 8,935       |
| Moving and Storage revenue                              | \$ 514,638                    | \$ 507,563  |

During the first quarter of fiscal 2007, self-moving equipment rentals increased \$6.0 million, compared with the first quarter of fiscal 2006, primarily due to increases in trailer rentals.

Self-storage revenues increased \$1.3 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. The Company has increased the number of room's available period over period through the expansion of existing facilities and maintained its occupancy rates.

Sales of self-moving and self-storage products and service increased \$0.9 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. Propane and towing accessories have increased period over period. U-Haul is the largest single retail provider of propane and towing accessories in the United States through our Company owned and managed locations. The Company continues to improve its visibility as a provider of propane, moving supplies and towing accessories.

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>Quarter Ended June 30,</b>         |             |
|--------------------------------------------|---------------------------------------|-------------|
|                                            | <b>2006</b>                           | <b>2005</b> |
|                                            | (Unaudited)                           |             |
|                                            | (In thousands, except occupancy rate) |             |
| Room count as of June 30                   | 124                                   | 122         |
| Square footage as of June 30               | 9,734                                 | 9,492       |
| Average number of rooms occupied           | 109                                   | 108         |
| Average occupancy rate based on room count | 87.8%                                 | 88.5%       |
| Average square footage occupied            | 8,643                                 | 8,528       |

Total costs and expenses increased \$7.9 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. Variable expenses including rental commissions and cost of goods sold increased in proportion to their related revenues. Additionally, increases in fleet rotation-related expenses including depreciation, lease, licensing and freight costs were partially offset by reductions in maintenance and repair. The first quarter of fiscal 2007 included costs associated with re-imaging portions of the existing rental truck fleet.

As a result of the above mentioned changes in revenues and expenses, earnings from operations decreased to \$106.9 million in first quarter of fiscal 2007, compared with \$109.0 million for first quarter of fiscal 2006.

### **U-Haul International, Inc.**

#### ***Quarter Ended June 30, 2006 compared with the Quarter Ended June 30, 2005***

Listed below are revenues for the major product lines at U-Haul International, Inc. for the first quarter of fiscal 2007 and the first quarter of fiscal 2006:

|                                                         | <b>Quarter Ended June 30,</b> |             |
|---------------------------------------------------------|-------------------------------|-------------|
|                                                         | <b>2006</b>                   | <b>2005</b> |
|                                                         | <b>(Unaudited)</b>            |             |
|                                                         | <b>(In thousands)</b>         |             |
| Self-moving equipment rentals                           | \$ 407,234                    | \$ 401,260  |
| Self-storage revenues                                   | 25,179                        | 23,793      |
| Self-moving and self-storage products and service sales | 62,699                        | 61,798      |
| Property management fees                                | 4,596                         | 5,168       |
| Net investment and interest income                      | 6,568                         | 4,738       |
| Other revenue                                           | 8,127                         | 10,016      |
| U-Haul International, Inc. revenue                      | \$ 514,403                    | \$ 506,773  |

During the first quarter of fiscal 2007, self-moving equipment rentals increased \$6.0 million, compared with the first quarter of fiscal 2006, primarily due to increases in trailer rentals. New truck additions over the past fifteen months have been largely offset by sales of older trucks.

Self-storage revenues increased \$1.4 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. The Company has increased the number of room's available period over period through the expansion of existing facilities and maintained its occupancy rates.

Sales of self-moving and self-storage products and services increased \$0.9 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. Propane and towing accessories have increased period over period. U-Haul is the largest single retail provider of propane and towing accessories in the United States through our Company owned and managed locations. The Company continues to improve its visibility as a provider of propane, moving supplies and towing accessories.

Total costs and expenses increased \$9.2 million for the first quarter of fiscal 2007, compared with the first quarter of fiscal 2006. This is primarily due to increases in variable expenses related to revenue increases as well as lease and depreciation expenses related to the rotation of the rental fleet. Reductions in maintenance and repair expense were partially offset by the cost of re-imaging portions of the fleet. As a result of the above mentioned changes in revenues and expenses, earnings from operations decreased to \$94.1 million in the first quarter of fiscal 2007, compared with \$95.8 million in the first quarter of fiscal 2006.



**Republic Western Insurance Company**

***Quarter Ended March 31, 2006 compared with the Quarter Ended March 31, 2005***

Premium revenues were \$5.4 million and \$4.8 million for the quarters ended March 31, 2006 and 2005, respectively. U-Haul related premiums were \$4.5 million and \$3.9 million for the quarters ended March 31, 2005 and 2004, respectively.

Net investment income was \$2.7 million and \$3.5 million for the quarters ended March 31, 2006 and 2005, respectively. The reduction is due primarily to a decrease in our invested asset base combined with lower rates on reinvested assets.

Benefits and losses incurred were \$4.2 million and \$3.5 million for the quarters ended March 31, 2006 and 2005, respectively. The increase is due to an increase in U-Haul related premiums resulting in additional liabilities from reserves added to the discontinued lines.

Amortization of deferred acquisition costs were \$0.6 million and \$0.9 million for the quarters ended March 31, 2006 and 2005, respectively. The decrease is due to decreased premium writings.

Operating expenses were \$1.6 million and \$2.4 million for the quarters ended March 31, 2006 and 2005, respectively. The decrease is primarily due to decreased commissions and administrative expenses.

Pretax earnings from operations were \$1.7 million and \$1.6 million for the quarters ended March 31, 2006 and 2005, respectively.

**Oxford Life Insurance Company**

***Quarter Ended March 31, 2006 compared with the Quarter Ended March 31, 2005***

Net premiums were \$31.3 million and \$30.0 million for the quarters ended March 31, 2006 and 2005, respectively. Increases in annuity and life premiums of \$1.6 million and \$0.6 million, respectively were largely offset by a decrease of \$1.1 million in credit premiums. Annuity premiums increased as a result of additional annuitizations during the period. The increase in life premiums is primarily due to increased sales relating to a newly introduced final expense product. The Company is no longer pursuing credit insurance and further attrition is expected over the next several years. Other income of \$1.3 million declined slightly in the current quarter.

Net investment income was \$5.5 million and \$6.7 million for the first quarters of 2006 and 2005, respectively. The decrease was primarily due to a negative variance of \$1.5 million in capital gains and losses offset by a slightly higher return on invested assets.

Benefits incurred were \$24.4 million and \$21.9 million for the first quarters of 2006 and 2005, respectively. Annuities, life, Medicare supplement and other health all had increased benefits in the current quarter as compared to the prior year quarter. These increases were partially offset by a decrease of \$0.8 million in credit insurance benefits that was due to the net result of decreased exposure and an increased loss ratio. The increase in annuity benefits of \$1.6 million resulted from the increase in annuitizations as discussed above. The \$0.7 million increase in life benefits resulted from increased sales. The increases in Medicare supplement and other health resulted from higher loss ratios in the current period compared to the prior year period.

Amortization of deferred acquisition costs (DAC) and the value of business acquired (VOBA) was \$5.0 million and \$5.3 million for the first quarters of 2006 and 2005, respectively. These costs are amortized for life and health policies as the premium is earned over the term of the policy; and for deferred annuities in relation to interest spreads. Annuity amortization decreased \$0.4 million from 2005 primarily due to reduced surrender activity. Increases in Medicare supplement and life amortization were offset by a decrease in credit amortization.

Operating expenses were \$6.7 million and \$7.4 million for the first quarters of 2006 and 2005, respectively. Non-deferrable commissions decreased \$0.7 million from 2005 primarily due to decreases in the credit line of business.

Earnings from operations were \$2.0 million and \$3.4 million for the first quarters of 2006 and 2005, respectively. Excluding the capital gains and losses, earnings from operations were consistent for the first quarters of 2006 and 2005.

**SAC Holding II*****Quarter Ended June 30, 2006 compared with the Quarter Ended June 30, 2005***

Listed below are revenues for the major product lines at SAC Holding II for the first quarter of fiscal 2007 and the first quarter of fiscal 2006:

|                                                         | <b>Quarter Ended June 30,</b> |             |
|---------------------------------------------------------|-------------------------------|-------------|
|                                                         | <b>2006</b>                   | <b>2005</b> |
|                                                         | (Unaudited)                   |             |
|                                                         | (In thousands)                |             |
| Self-moving equipment rentals                           | \$ 2,556                      | \$ 2,488    |
| Self-storage revenues                                   | 4,842                         | 4,520       |
| Self-moving and self-storage products and service sales | 4,752                         | 4,765       |
| Other revenue                                           | 329                           | 286         |
| Segment revenue                                         | \$ 12,479                     | \$ 12,059   |

Revenues for the first quarter of fiscal 2007 grew \$0.4 million, primarily as a result of improved occupancy and pricing.

Total costs and expenses were \$8.4 million in the first quarter of fiscal 2007, compared with \$8.0 million in the first quarter of fiscal 2006.

Earnings from operations were \$4.1 million in the first quarter of fiscal 2007, compared with \$4.1 million in the first quarter of fiscal 2006.

## **Liquidity and Capital Resources**

We believe our current capital structure will allow us to achieve our operational plans and goals, and provide us with sufficient liquidity for the next three to five years. The majority of the debt obligations currently in place mature either at the end of fiscal 2010 or 2015. This allows us to focus on our operations and business to further improve liquidity in the long term. We believe these improvements will enhance our access to capital markets. However, there is no assurance that future cash flows will be sufficient to meet our outstanding obligations or our future capital needs.

Our financial condition remains strong. At June 30, 2006, cash and cash equivalents totaled \$241.9 million, compared with \$155.5 million on March 31, 2006. Total short-term and long-term debts were \$1,045.6 million at June 30, 2006, compared with \$965.6 million at March 31, 2006, and represented 1.4 times stockholders' equity for both periods. At June 30, 2006 our cash availability under existing credit facilities was \$467.0 million.

Cash provided by operating activities improved \$98.5 million in the first quarter of fiscal 2007, compared with fiscal 2006. Operating cash flows for the Moving and Storage segment included a \$34.2 million interest repayment from SAC Holdings in fiscal 2007, while fiscal 2006 included payments related to the refinancing of debt. The insurance company operating cash flows increased due to fiscal 2006 including Oxford's \$12.8 million lawsuit settlement.

Net cash used in investing activities increased \$87.4 million in the first quarter of fiscal 2007, compared with fiscal 2006 due primarily to higher capital expenditures in the Moving and Storage segment. Net capital expenditures increased \$78.0 million in fiscal 2007 due to planned manufacturing of rental vehicles to rotate our rental fleet. Insurance company investing cash flows decreased \$9.8 million as business volume declined.

Cash provided by financing activities decreased \$100.3 million in the first quarter of fiscal 2007, compared with fiscal 2006. Fiscal 2006 included the Company's refinancing while fiscal 2007 contained routine financing.

## **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 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 the next three fiscal years, at least \$340.0 million each year will be reinvested in the truck and trailer rental fleet. This investment will be funded through external lease financing, debt financing and internally from operations and sales of used equipment. 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 net operating loss carry forwards, there will be more of a focus on financing the fleet through asset-backed debt. Net capital expenditures were \$138.0 million and \$60.1 million for the first quarter of fiscal 2007 and 2006, respectively.

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. U-Haul's growth plan in self-storage is focused on eMove, which does not require significant capital, and in developing several existing locations for use as storage centers. The Company is funding these development projects through construction loans and internally generated funds.

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

At March 31, 2006, RepWest had no notes and loans due in less than one year and its accounts payable and accrued expenses were \$4.2 million. RepWest financial assets (cash, receivables, short-term investments, other investments, fixed maturities and related party assets) at March 31, 2005, were \$429.6 million. 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 \$137.6 million and \$137.4 million at March 31, 2006 and December 31, 2005, respectively. RepWest does not use debt or equity issues to increase capital and therefore has no exposure to capital market conditions.

### ***Life Insurance***

As of July 1, 2006, Oxford was due to make \$2.0 million of principal payments to AMERCO on an intercompany surplus note issued in 1998, as well as \$2.4 million in interest; Oxford had no other notes and loans payable. Oxford's accounts payable and accrued expenses total approximately \$4.6 million. Oxford manages its financial assets to meet policyholder and other obligations including investment contract withdrawals. Oxford's net withdrawals for the first quarter of fiscal 2007 were \$16.6 million. Oxford's financial assets (cash, receivables, short-term investments, other investments, fixed maturities and related party assets) at March 31, 2006 were approximately \$683.5 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 \$126.9 million and \$127.3 million as of March 31, 2006, and December 31, 2005, respectively. Increases from earnings were offset by decreases in other comprehensive income.

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

SAC Holding II operations are funded by various mortgage loans 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 restrictive covenants and restrictions on incurring additional subsidiary indebtedness.

### **Cash Provided from Operating Activities by Operating Segments**

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

Cash provided from operating activities were \$149.3 million and \$62.7 million in the first quarter of fiscal 2007 and 2006, respectively. Fiscal 2007 includes the receipt of \$34.2 million in interest due from SAC Holdings. Fiscal 2006 included outflows of \$44.0 million related to the refinancing.

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

Cash flows used by operating activities were \$1.5 million and \$5.8 million for the quarters ended March 31, 2006 and 2005, respectively.

RepWest's cash and cash equivalents and short-term investment portfolio were \$89.3 million and \$106.2 million at March 31, 2006 and December 31, 2005, respectively. This balance includes 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 (used) by operating activities were \$2.0 million and (\$6.0) million, for the first quarter of 2006 and 2005, respectively. Included in the operating cash out-flow for the first quarter of 2005 was a \$12.8 million litigation settlement, net of a \$2.2 million recovery from Oxford's E&O insurance carrier.

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 March 31, 2006 and December 31, 2005, short-term investments amounted to \$15.8 million and \$33.0 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 at SAC Holding II was \$0.4 million and \$0.9 million for the first quarter of fiscal 2007 and 2006, respectively.

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

We believe we have the financial resources needed 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 and our preferred stock dividend program.

For a more detailed discussion of our long-term debt and borrowing capacity, please see Note 3 “Borrowings” to the “Notes to the 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, 2006, except for the BTMU Rental Truck Amortizing Loan (see Note 3 “Borrowings” to the “Notes to the 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 equipment and facilities with terms expiring substantially through 2010, 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 \$195.7 million of residual values at June 30, 2006 for these assets at the end of their respective lease terms. AMERCO has been leasing rental equipment since 1987. Thus far, we have experienced no residual value shortfalls.

AMERCO has used off-balance sheet arrangements in connection with the expansion of our self-storage business. The Company currently manages the self-storage properties of SAC Holdings (see Note 8 “Related Party Transactions” to the “Notes to the Condensed Consolidated Financial Statements”).

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 expenses, of \$4.4 million, and \$4.0 million from the above mentioned entities during the first quarter of fiscal 2007 and 2006, 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.

At June 30, 2006, 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. During the first quarter of fiscal 2007 and 2006, the Company paid the above mentioned entities \$10.1 million and \$9.3 million, respectively in commissions pursuant to such dealership contracts.

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 \$0.7 million and

\$0.7 million in the first quarter of fiscal 2007 and 2006, respectively. 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.

During the first quarter of fiscal 2007 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, 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, except for minority investments made by RepWest and Oxford in a SAC Holdings-controlled limited partnership which holds Canadian self-storage properties. The Company recorded interest income of \$5.3 million and \$5.4 million, and received cash interest payments of \$34.2 million and \$4.9 million, from SAC Holdings during the first quarter of fiscal 2007 and 2006, respectively. The \$34.2 million payment in the first quarter of fiscal 2007 reduced the outstanding interest receivable from SAC Holdings to \$21.5 million. The largest aggregate amount of notes receivable outstanding during the first quarter of fiscal 2007 and the aggregate notes receivable balance at June 30, 2006 was \$203.7 million, of which \$75.1 million is with SAC Holding II and has been eliminated in the consolidating financial statements.

These agreements with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding dealer agreements, provided revenue of \$9.3 million, expenses of \$0.7 million and cash flows of \$37.5 million during the first quarter of fiscal 2007. Revenues and commission expenses related to the Dealer Agreements were \$46.5 million and \$10.1 million, respectively.

#### **Fiscal 2007 Outlook**

We have many developments which we believe should positively affect performance in fiscal 2007. We believe the momentum in our Moving and Storage Operations will continue.

In fiscal 2007 we are working towards increasing transaction volume, product mix and utilization for self-moving equipment rentals. Investing in our truck fleet is a key initiative to reach this goal. Over the past fifteen months we have placed over 17,400 of our large and mid-size rental trucks in service, along with approximately 4,700 new trailers. We continue to manufacture our mid-size rental trucks and expect to produce approximately 12,000 additional vehicles and 2,500 additional trailers during the next nine months. 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. In fiscal 2007 we are 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 2007.

At RepWest, our plans to exit non U-Haul related lines of business are progressing well. Additionally, 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.

At Oxford, the recent acquisition of DGLIC is expected to increase Medicare supplement premium revenues and expand Oxford's presence in key markets. Additional direct marketing programs for life and annuity products are underway.

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

This Quarterly Report on Form 10-Q, including the documents incorporated by reference herein, 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 Securities and Exchange Commission (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 risks set forth in Item 1A. “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ending March 31, 2006, 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 our Condensed Consolidated Financial Statements, could contribute to or cause such differences, 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 disclaims any intent or 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. We do not believe that inflation has or will have a unique impact on our operations.

**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 and cap agreements to reduce our exposure to changes in interest rates.

| Notional Amount                  | Effective Date | Expiration Date | Fixed Rate | Floating Rate |
|----------------------------------|----------------|-----------------|------------|---------------|
| \$ 100,000,000(a)                | 6/8/2005       | 6/8/2008        | 3.97%      | 3 Month LIBOR |
| 100,000,000(a)                   | 6/8/2005       | 6/8/2010        | 4.09%      | 3 Month LIBOR |
| 142,264,071(a), (c)              | 5/10/2006      | 4/10/2012       | 5.06%      | 1 Month LIBOR |
| 144,871,327(a), (c)              | 10/10/2006     | 10/10/2012      | 5.57%      | 1 Month LIBOR |
| 49,973,960(a), (c)               | 7/10/2006      | 7/10/2013       | 5.67%      | 1 Month LIBOR |
| 50,000,000(b)                    | 5/17/2004      | 5/17/2007       | 3.00%      | 3 Month LIBOR |
| (a) interest rate swap agreement |                |                 |            |               |
| (b) interest rate cap agreement  |                |                 |            |               |
| (c) forward swap                 |                |                 |            |               |

As of June 30, 2006, the Company had approximately \$516.3 million of variable rate debt obligations. If LIBOR were to increase or decrease 100 basis points, the increase or decrease in interest expense on the variable rate debt would increase or decrease future earnings and cash flows by approximately \$5.2 million annually (before 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 2.5% and 2.6% of our revenue in the first quarter of fiscal 2007 and 2006, respectively, is 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), Chief Accounting Officer (CAO) and Chief Financial Officer (CFO), 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, CAO, and CFO, 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, CAO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based upon the controls evaluation, our CEO, CAO and CFO 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, CAO and CFO, 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 the Condensed Consolidated Financial Statements”.

### Item 1A. Risk Factors

We refer you to documents filed by us with the SEC, specifically “Item 1A. Risk Factors” of our most recent annual report on Form 10-K for the year ending March 31, 2006, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled “Cautionary Statements Regarding Forward-Looking Statements” in Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) of this quarterly report on Form 10-Q. MD&A and the consolidated financial statements and related notes should be read in conjunction with such risks and other factors for a full understanding of our operations and financial conditions. The risks described in our Form 10-K and herein are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Below we set forth material updates to the risk factors contained in “Item 1A. Risk Factors” of our most recent Form 10-K:

#### *We are controlled by a small contingent of stockholders.*

As of June 30, 2006, Edward J. Shoen, Chairman of the Board of Directors and President of AMERCO, James P. Shoen, a director of AMERCO, and Mark V. Shoen, an executive officer of AMERCO, collectively are beneficial owners of 8,967,665 shares (approximately 42.1%) of the outstanding common shares of AMERCO. In addition, on June 30, 2006, Edward J. Shoen, James P. Shoen, Mark V. Shoen, Rosemarie T. Donovan (Trustee of the Shoen Irrevocable Trusts) and Southwest Fiduciary, Inc. (Trustee of the Irrevocable “C” Trusts) (collectively, Reporting Persons) entered into a Stockholder Agreement in which the Reporting Persons agreed to vote as one block in a manner consistent with the Stockholder Agreement and in furtherance of their interests. Pursuant to the Stockholder Agreement, the Reporting Persons appointed James P. Shoen as proxy to vote their collective 10,642,388 shares (approximately 50.0004%) of the Company’s common stock as provided for in the agreement. For additional information, see the Schedule 13D filed on July 13, 2006 with the SEC.

As a result of their stock ownership and the Stockholder Agreement, Edward J. Shoen, Mark V. Shoen and James P. Shoen will be in a position to significantly influence the business affairs and policies of the Company, including the approval of significant transactions, the election of the members of the Board of Directors and other matters submitted to our stockholders. There can be no assurance that the interests of the Reporting Persons will not conflict with the interest of our other stockholders. Furthermore, as a result of the Reporting Persons’ voting power, the Company is a “controlled company” as defined in the Nasdaq listing rules and, therefore, may avail itself of certain exemptions under Nasdaq Marketplace Rules, including rules that require the Company to have (i) a majority of independent directors on the Board; (ii) a compensation committee composed solely of independent directors; (iii) a nominating committee composed solely of independent directors; (iv) compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and (v) director nominees selected, or recommended for the Board’s selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

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

Not applicable.

**Item 3. Defaults upon Senior Securities**

Not applicable.

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

No matter was submitted to a vote of the security holders of AMERCO or U-Haul during the first quarter of the fiscal year covered by this report, through the solicitation or proxies or otherwise.

## 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 |
| 3.3    | Restated Articles of Incorporation of U-Haul International, Inc.                                                                                                              | Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2003, file no. 1-11255           |
| 3.4    | Bylaws of U-Haul International, Inc.                                                                                                                                          | Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2003, file no. 1-11255           |
| 10.1   | Stockholder Agreement dated June 30, 2006 between Edward J. Shoen, James P. Shoen, Mark V. Shoen, Rosemarie T. Donovan, as Trustee, and Southwest Fiduciary, Inc., as Trustee | Incorporated by reference to Exhibit 99.2 filed with the Schedule 13-D filed on July 13, 2006, file number 5-39669             |
| 31.1   | Rule 13a-14(a)/15d-14(a) Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO and U-Haul                                                             | Filed herewith                                                                                                                 |

International, Inc.

31.2 Rule 13a-14(a)/15d-14(a) Certificate of Jason A. Berg, Chief Accounting Officer of AMERCO Filed herewith

31.3 Rule 13a-14(a)/15d-14(a) Certificate of Robert T. Peterson, Chief Financial Officer of U-Haul International, Inc. Filed herewith

32.1 Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO and U-Haul International, Inc. 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

32.3 Certificate of Robert T. Peterson, Chief Financial Officer of U-Haul International, Inc. 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 registrants have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERCO

Date: August 8, 2006      /s/ Edward J. Shoen  
Edward J. Shoen  
President and Chairman of the Board  
(Duly Authorized Officer)

Date: August 8, 2006      /s/ Jason A. Berg  
Jason A. Berg  
Chief Accounting Officer  
(Principal Accounting Officer)

U-HAUL INTERNATIONAL, INC.

Date: August 8, 2006      /s/ Edward J. Shoen  
Edward J. Shoen  
President and Chairman of the Board  
(Duly Authorized Officer)

Date: August 8, 2006      /s/ Robert T. Peterson  
Robert T. Peterson  
Chief Financial Officer  
(Principal Financial Officer)