AMERCO /NV/
Form 10-Q
August 09, 2007

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, 2007

or

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

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	I.R.S. Employer Identification No.
1-11255	**AMERCO** (A Nevada Corporation) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815
2-38498	**U-Haul International, Inc.** (A Nevada Corporation) 2727 N. Central Avenue Phoenix, Arizona 85004 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 £

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes R No £

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

5,385 shares of U-Haul International, Inc. Common Stock, $0.01 par value, were outstanding at August 1, 2007.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	March 31, 2007
	(Unaudited)	
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 161,629	$ 75,272
Reinsurance recoverables and trade receivables, net	190,885	184,617
Notes and mortgage receivables, net	2,068	1,669
Inventories, net	64,998	67,023
Prepaid expenses	47,423	52,080
Investments, fixed maturities and marketable equities	674,036	681,801
Investments, other	170,731	178,699
Deferred policy acquisition costs, net	40,645	44,514
Other assets	325,493	95,123
Related party assets	240,056	245,179
	1,917,964	1,625,977
Property, plant and equipment, at cost:		
Land	204,704	202,917
Buildings and improvements	817,433	802,289
Furniture and equipment	306,502	301,751
Rental trailers and other rental equipment	202,341	200,208
Rental trucks	1,725,380	1,604,123
SAC Holding II - property, plant and equipment	81,034	80,349
	3,337,394	3,191,637
Less: Accumulated depreciation	(1,301,975)	(1,294,566)
Total property, plant and equipment	2,035,419	1,897,071
Total assets	$ 3,953,383	$ 3,523,048
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 267,163	$ 251,197
AMERCO's notes and loans payable	1,582,793	1,181,165
SAC Holding II notes and loans payable, non-recourse to AMERCO	74,545	74,887
Policy benefits and losses, claims and loss expenses payable	767,246	768,751
Liabilities from investment contracts	373,632	386,640
Other policyholders' funds and liabilities	10,697	10,563
Deferred income	16,246	16,478
Deferred income taxes	113,101	113,170
Related party liabilities	2,474	2,099
Total liabilities	3,207,897	2,804,950
Commitments and contingencies (notes 3, 7 and 8)		

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, 2007		-		-
Series B preferred stock, with no par value, 100,000 shares authorized; none				
issued and outstanding as of June 30 and March 31, 2007		-		-
Series common stock, with or without par value, 150,000,000 shares authorized:				
Series A common stock of $0.25 par value, 10,000,000 shares authorized;				
none issued and outstanding as of June 30, 2007 and March 31, 2007		-		-
Common stock of $0.25 par value, 150,000,000 shares authorized; 41,985,700				
issued as of June 30, 2007 and March 31, 2007		10,497		10,497
Additional paid-in capital		376,090		375,412
Accumulated other comprehensive loss		(26,743)		(41,779)
Retained earnings		894,637		849,300
Cost of common shares in treasury, net (21,926,386 shares as of				
June 30, 2007 and 21,440,387 as of March 31, 2007)		(501,165)		(467,198)
Unearned employee stock ownership plan shares		(7,830)		(8,134)
Total stockholders' equity		745,486		718,098
Total liabilities and stockholders' equity	$	3,953,383	$	3,523,048

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

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AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended June 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$ 396,136	$ 407,234
Self-storage revenues	32,036	30,431
Self-moving and self-storage products and service sales	68,655	67,451
Property management fees	3,947	3,847
Life insurance premiums	29,187	30,919
Property and casualty insurance premiums	5,916	5,382
Net investment and interest income	14,369	13,475
Other revenue	7,912	7,933
Total revenues	558,158	566,672
Costs and expenses:		
Operating expenses	273,331	261,379
Commission expenses	47,923	49,536
Cost of sales	34,648	32,316
Benefits and losses	29,277	30,606
Amortization of deferred policy acquisition costs	3,917	5,626
Lease expense	32,738	37,372
Depreciation, net of (gains) losses on disposals	44,265	39,671
Total costs and expenses	466,099	456,506
Earnings from operations	92,059	110,166
Interest expense	(23,771)	(18,462)
Pretax earnings	68,288	91,704
Income tax expense	(26,536)	(36,283)
Net earnings	41,752	55,421
Less: Preferred stock dividends	(3,241)	(3,241)
Earnings available to common shareholders	$ 38,511	$ 52,180
Basic and diluted earnings per common share	$ 1.93	$ 2.50
Weighted average common shares outstanding: Basic and diluted	19,937,152	20,897,688

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended June 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands)	
Comprehensive income:		
Net earnings	$ 41,752	$ 55,421
Other comprehensive income (loss), net of tax:		
Foreign currency translation	5,627	1,922
Unrealized gain (loss) on investments, net	1,220	(2,586)
Fair market value of cash flow hedges	8,189	1,215
Total comprehensive income	$ 56,788	$ 55,972

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,	
	2007	**2006**
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$ 41,752	$ 55,421
Adjustments required to convert net earnings to the cash basis:		
Depreciation	55,233	40,666
Amortization of deferred policy acquisition costs	3,917	5,626
Change in provision for losses on trade receivables	166	(32)
Change in provision for losses on mortgage notes	10	(10)
Change in provision for inventory reserves	(190)	-
Net gain on sale of real and personal property	(10,968)	(995)
Net loss on sale of investments	83	553
Deferred income taxes	6,166	14,253
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	(6,075)	17,780
Inventories	2,067	(3,201)
Prepaid expenses	12,863	(3,079)
Capitalization of deferred policy acquisition costs	(1,315)	(2,386)
Other assets	(11,191)	2,132
Related party assets	5,909	28,624
Accounts payable and accrued expenses	11,110	14,561
Policy benefits and losses, claims and loss expenses payable	(1,411)	(14,610)
Other policyholders' funds and liabilities	133	(1,273)
Deferred income	(306)	2,257
Related party liabilities	(826)	(6,083)
Net cash provided by operating activities	107,127	150,204
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(224,680)	(166,999)
Short term investments	(62,247)	(53,131)
Fixed maturities investments	(12,586)	(32,272)
Real estate	(270)	-
Mortgage loans	(2,783)	(7,305)
Proceeds from sale of:		
Property, plant and equipment	54,128	28,692
Short term investments	70,238	82,228
Fixed maturities investments	20,475	21,852
Cash received in excess of purchase for company acquired	-	1,233
Equity securities	46	-
Preferred stock	2,625	125
Real estate	-	877
Mortgage loans	2,615	2,086

Payments from notes and mortgage receivables		48		403
Net cash used by investing activities		(152,391)		(122,211)
Cash flows from financing activities:				
Borrowings from credit facilities		445,294		87,376
Principal repayments on credit facilities		(44,800)		(8,136)
Debt issuance costs		(8,880)		(1,437)
Leveraged Employee Stock Ownership Plan - repayments from loan		304		285
Treasury stock repurchases		(33,966)		-
Securitization deposits		(210,308)		-
Preferred stock dividends paid		(3,241)		(3,241)
Investment contract deposits		4,027		4,251
Investment contract withdrawals		(17,035)		(20,843)
Net cash provided by financing activities		131,395		58,255
Effects of exchange rate on cash		226		151
Increase in cash equivalents		86,357		86,399
Cash and cash equivalents at the beginning of period		75,272		155,459
Cash and cash equivalents at the end of period	$	161,629	$	241,858

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The first fiscal quarter for AMERCO ends on the 30th of June for each year that is referenced. Our insurance company subsidiaries have a first quarter that ends on the 31st of March for each year that is referenced. They have been consolidated on that basis. Our insurance companies' financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2007 and 2006 correspond to fiscal 2008 and 2007 for AMERCO.

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

The consolidated financial statements for the first quarter of fiscal 2008 and fiscal 2007, and the balance sheet as of March 31, 2007 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, 2007 and the related condensed consolidated statements of operations, comprehensive income, and cash flow for the first quarter of fiscal 2008 and 2007 are unaudited.

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

Intercompany accounts and transactions have been eliminated.

Description of Legal Entities

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

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

Amerco Real Estate Company ("Real Estate"),

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

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") and its wholly-owned subsidiary

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 lega
subsidiaries.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Description of Operating Segments

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

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

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

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

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

2. Earnings per Share

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

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

	Quarter Ended June 30,	
	2007	**2006**
	(Unaudited)	
Basic and diluted earnings per common share	$ 1.93	$ 2.50
Weighted average common shares outstanding: Basic and diluted	19,937,152	20,897,688

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 331,802 and 380,658 as of June 30, 2007 and June 30, 2006, respectively.

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

3. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2008 Rate (a)	Maturities	June 30, 2007	March 31, 2007
			(Unaudited)	
			(In thousands)	
Real estate loan (amortizing term)	6.93%	2018	$ 292,500	$ 295,000
Real estate loan (revolving credit)	-	2018	-	-
Senior mortgages	5.47%-5.75%	2015	519,555	521,332
Construction loan (revolving credit)	6.82%	2009	21,700	-
Working capital loan (revolving credit)	-	2008	-	-
Fleet loans (amortizing term)	6.11%-7.42%	2012-2014	345,444	364,833
Fleet loans (securitization)	5.40%-5.56%	2010-2014	303,594	-
Fleet loan (revolving credit)	6.69%	2011	100,000	-
Total AMERCO notes and loans payable			$ 1,582,793	$ 1,181,165

(a) Interest rate as of June 30, 2007, including the effect of applicable hedging instruments

Real Estate Backed Loans

Real Estate Loan

Amerco Real Estate Company and certain of its subsidiaries and U-Haul Company of Florida are borrowers under a Real Estate Loan. The lender is Merrill Lynch Commercial Finance Corp. The original amount of the Real Estate Loan was $465.0 million with an original maturity date of June 10, 2010. On August 18, 2006, the loan was amended to increase the availability to $500.0 million and extend the final maturity date to August 2018. The loan is comprised of a term loan facility with initial availability of $300.0 million and a revolving credit facility with an availability of $200.0 million. As of June 30, 2007 the outstanding balance on the Real Estate Loan was $292.5 million, with no portion of the revolver drawn down. U-Haul International, Inc. is a guarantor of this loan.

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

The interest rate, per the provisions of the amended Loan Agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At June 30, 2007 the applicable LIBOR was 5.32% and the applicable margin was 1.50%, the sum of which was 6.82%. The applicable margin ranges from 1.50% to 2.00%. The rate on the term facility portion of the loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin.

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. The lenders for these senior mortgages are Merrill Lynch Mortgage Lending, Inc. and Morgan Stanley Mortgage Capital, Inc. These senior mortgages loan balances as of June 30, 2007 were in the aggregate amount of $462.9 million and are due July 2015. The senior mortgages require average monthly principal and interest payments of $3.0 million with the unpaid loan balance and accrued and unpaid interest due at maturity. The senior mortgages are secured by certain properties owned by the borrowers. The interest rates, per the provisions of these senior mortgages, are 5.68% per annum for the Merrill Lynch Mortgage Lending Agreement and 5.52% per annum for the Morgan Stanley Mortgage Capital Agreement. The default provisions of these senior mortgages include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

U-Haul Company of Canada is the borrower under a mortgage backed loan, which we also classify as a senior mortgage. The loan was arranged by Merrill Lynch Canada and the loan balance as of June 30, 2007 was $10.3 million ($11.0 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, which we also classify as a senior mortgage. The lender is Morgan Stanley Mortgage Capital, Inc. and the loan balance as of June 30, 2007 was $23.3 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.

Finally, 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 balance as of June 30, 2007 was $23.0 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.

Construction / Working Capital Loans

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, 2007 the outstanding balance was $21.7 million.

The Construction Loan requires monthly interest only payments with the principal and any accrued and unpaid interest due at maturity. The loan can be used to develop new or existing storage properties. The loan is secured by the properties being constructed. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. At June 30, 2007 the applicable LIBOR was 5.32% and the applicable margin was 1.50%, the sum of which was 6.82%. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Amerco Real Estate Company is a borrower under an asset backed facility. The lender is JP Morgan Chase Bank, and the facility is in the amount of $20.0 million. The loan was entered into on November 27, 2006 and is secured by certain properties owned by the borrower. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin of 1.50%. The loan agreement provides for revolving loans, subject to the terms of the loan agreement with final maturity in November 2008, subject to a one year extension. The loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. At June 30, 2007 the facility was fully available.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is Merrill Lynch Commercial Finance Corp. The Company's outstanding balance at June 30, 2007 was $112.3 million and the final maturity is April 2012.

The Merrill Lynch Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The Merrill Lynch Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.50% and 1.75%. At June 30, 2007, the applicable LIBOR was 5.32% and the applicable margin was 1.75%, the sum of which was 7.07%. The interest rate is hedged with an interest rate swap fixing the rate at 6.81% based on the current margin. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is BTMU Capital Corporation ("BTMU"). The Company's outstanding balance at June 30, 2007 was $126.3 million, and the final maturity is October 2012.

The BTMU Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The BTMU Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At June 30, 2007 the applicable LIBOR was 5.32% and the applicable margin was 1.75%, the sum of which was 7.07%. The interest rate is hedged with an interest rate swap fixing the rate at 7.32% based on the current margin. AMERCO and U-Haul International, Inc. are guarantors of the loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is Bayerische Hypo-und Vereinsbank AG ("HVB"). The Company's outstanding balance at June 30, 2007 was $40.8 million and its final maturity is July 2013.

The HVB Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The HVB Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 1.25% and 1.75%. At June 30, 2007 the applicable LIBOR was 5.32% and the applicable margin was 1.75%, the sum of which was 7.07%. The interest rate is hedged with an interest rate swap fixing the rate at 7.42% based on the current margin. U-Haul International, Inc. is a guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

U-Haul International, Inc. and several of its subsidiaries are borrowers under an amortizing term loan. The lender is U.S. Bancorp Equipment Finance, Inc. ("U.S. Bank"). The Company's outstanding balance at June 30, 2007 was $28.0 million and its final maturity is February 2014.

The U.S. Bank Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The U.S. Bank Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 0.900% and 1.125%. At June 30, 2007 the applicable LIBOR was 5.32% and the applicable margin was 1.13%, the sum of which was 6.45%. The interest rate is hedged with an interest rate swap fixing the rate at 6.37% based on the current margin. AMERCO and U-Haul International, Inc. are guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

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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 lenders are HSBC Bank US, NA and KBC Bank, NV ("HSBC/KBC"). The Company's outstanding balance at June 30, 2007 was $38.0 million and its final maturity is March 2014.

The HSBC/KBC Rental Truck Amortizing Loan requires monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The HSBC/KBC Rental Truck Amortizing Loan was used to purchase new trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin between 0.900% and 1.125%. At June 30, 2007 the applicable LIBOR was 5.32% and the applicable margin was 1.13%, the sum of which was 6.45%. The interest rate is hedged with an interest rate swap fixing the rate at 6.11% based on the current margin. AMERCO 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.

Rental Truck Securitizations

U-Haul S Fleet and its subsidiaries (collectively, "USF") issued a $217.0 million asset-backed note ("Boxed-Truck Note") and a $86.6 million asset-backed note ("Cargo Van/Pickup Note") on June 1, 2007. USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from these securitized transactions will be used to finance new box truck, cargo van and pickup truck purchases throughout fiscal 2008. The assets of these special purpose entities will not be available to satisfy the claims of AMERCO's general creditors. U.S. Bank, NA acts as the trustee for this securitization.

The Boxed Truck Note has a fixed interest rate of 5.56% with an estimated final maturity of February 2014. At June 30, 2007 the outstanding balance was $217.0 million of which $72.5 million has already been used to acquire new box trucks. The note is securitized by the box trucks being purchased and operating cash flows associated with their operation. The unused portion of this facility has been recorded as "Other assets" on our balance sheet.

The Cargo Van/Pickup Note has a fixed interest rate of 5.40% with an estimated final maturity of May 2010. At June 30, 2007 the outstanding balance was $86.6 million of which $34.8 million has already been used to acquire new cargo vans and pickup trucks. The note is securitized by the cargo vans and pickup trucks being purchased and the operating cash flows associated with their operation. The unused portion of this facility has been recorded as "Other assets" on our balance sheet.

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

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

Revolving Credit Agreement

U-Haul International, Inc. and several of its subsidiaries are borrowers under a revolving credit facility. The lender is Merrill Lynch Commercial Finance Corp. The original amount that could be drawn was $150.0 million with an original maturity date of July 2010. On March 12, 2007, the revolving credit agreement was amended to limit the maximum amount that can be drawn to $100.0 million and extended the final maturity to March 2011. As of June 30, 2007, the outstanding balance was $100.0 million.

The revolving credit agreement requires monthly interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. The revolving credit agreement is secured by various older rental trucks. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus a margin. At June 30, 2007, the applicable LIBOR was 5.32% and the applicable margin was 1.37%, the sum of which was 6.69%. 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 maturities of AMERCO consolidated long-term debt as of June 30, 2007 for the next five years and thereafter is as follows:

	Year Ending June 30,					
	2008	**2009**	**2010**	**2011**	**2012**	**Thereafter**
			(Unaudited)			
			(In thousands)			
Notes payable, secured	$ 111,268	$ 129,791	$ 165,294	$ 165,155	$ 118,732	$ 892,553

SAC Holding II Notes and Loans Payable to Third Parties

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

	June 30, 2007	March 31, 2007
	(Unaudited)	
	(In thousands)	
Notes payable, secured, 7.87% interest rate, due 2027	$ 74,545	$ 74,887

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

On March 15, 2004, the SAC entities issued $200.0 million aggregate principal amount of 8.5% senior notes due 2014 (the “new SAC notes”). SAC Holding Corporation and SAC Holding II Corporation 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 had recorded no liability for this. On August 30, 2004, SAC Holdings paid down $43.2 million on this note. On June 22, 2007, SAC Holdings repaid the balance of the new SAC notes and terminated the related indenture. No funds from SAC Holding II were used as part of this transaction.

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

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

	Year Ending June 30,					
	2008	**2009**	**2010**	**2011**	**2012**	**Thereafter**
			(Unaudited)			
			(In thousands)			

Notes payable, secured	$	1,469	$	1,608	$	1,740	$	1,884	$	2,037	$	65,807

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AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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.

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 $5.0 million security deposit.

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 2008 and 2007, U-Haul received cash payments of $2.3 million and $0.4 million, respectively in management fees from Mercury.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

4. Interest on Borrowings

Interest Expense

Expenses associated with loans outstanding were as follows:

	Quarter Ended June 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands)	
Interest expense	$ 22,123	$ 16,557
Capitalized interest	(283)	(42)
Amortization of transaction costs	881	1,298
Interest income resulting from derivatives	(453)	(863)
Total AMERCO interest expense	22,268	16,950
SAC Holding II interest expense	3,231	3,394
Less: Intercompany transactions	1,728	1,882
Total SAC Holding II interest expense	1,503	1,512
Total	$ 23,771	$ 18,462

Interest paid in cash by AMERCO amounted to $20.1 million and $16.1 million for the first quarter of fiscal 2008 and 2007, respectively.

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. As of June 30, 2007, the Company had approximately $759.6 million of variable rate debt obligations. On June 8, 2005, the Company entered into separate interest rate swap contracts for $100.0 million of our variable rate debt over a three year term and for $100.0 million of our variable rate debt over a five year term, which were designated as cash flow hedges effective July 1, 2005. These swap contracts were cancelled on August 16, 2006 in conjunction with our amendment of the Real Estate Loan and we entered into a new interest rate swap contract for $300.0 million of our variable rate debt over a twelve year term effective on August 18, 2006. On May 13, 2004, the Company entered into separate interest rate cap contracts for $200.0 million of our variable rate debt over a two year term and for $50.0 million of our variable rate debt over a three year term; however, these contracts were dedesignated as cash flow hedges effective July 11, 2005 when the Real Estate Loan was paid down by $222.4 million. The $200.0 million interest rate cap contract expired on May 17, 2006 and the $50.0 million interest rate cap contract expired on May 17, 2007. On November 15, 2005, the Company entered into a forward starting interest rate swap contract for $142.3 million of a variable rate debt over a six year term that started on May 10, 2006. On June 21, 2006, the Company entered into a forward starting interest rate swap contract for $50.0 million of our variable rate debt over a seven year term that started on July 10, 2006. On June 9, 2006, the Company entered into a forward starting interest rate swap contract for $144.9 million of a variable rate debt over a six year term that started on October 10, 2006. On February 9, 2007, the Company entered into an interest rate swap contract for $30.0 million of our variable rate debt over a seven year term that started on February 12, 2007. On March 8, 2007, the Company entered into two separate interest rate swap contracts each for $20.0 million of our variable rate debt over a seven year term that started on March 10, 2007. These interest rate swap agreements were designated cash flow hedges on their effective dates.

The interest rate cap agreement is no longer designated as a hedge as it was replaced with an interest rate swap agreement when the associated debt was replaced in fiscal 2007. Therefore all changes in the interest rate caps fair value (including changes in the option’s time value), are recorded to earnings. Previously the change in each caplets’ respective allocated fair value amount was reclassified out of accumulated other comprehensive income into earnings when each of the hedged forecasted transactions (the quarterly interest payments) impact earnings and when interest payments are either made or received. For the quarters ended June 30, 2007 and June 30, 2006, the Company recorded interest income related to these cap agreements of $0.1 million and $0.3 million, respectively. The interest income amounts consisted of $0.2 million and $0.8 million of interest expense representing the portion of the caps in excess of the balance of related debt that impacted earnings during the quarters ended June 30, 2007 and 2006, respectively, net of cash received of $0.3 million and $1.1 million, respectively.

The hedging relationship of the interest rate swap agreements is not considered to be perfectly effective. Therefore, for each reporting period an effectiveness test is performed. For the portion of the change in the interest rate swaps fair value deemed effective, this is charged to accumulated other comprehensive income. The remaining ineffective portion is charged to interest expense for the period. For the quarters ended June 30, 2007 and June 30, 2006, the Company recorded interest income related to these swap agreements of $0.5 million, all of which represented the ineffective component of the swaps that impacted earnings during the period.

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended June 30,	
	2007	**2006**
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	6.72%	6.74%
Interest rate at the end of the quarter	6.71%	6.92%
Maximum amount outstanding during the quarter	$ 138,700	$ 90,000
Average amount outstanding during the quarter	$ 101,269	$ 90,000
Facility fees	$ 69	$ 57

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

5. Stockholders Equity

On September 13, 2006, we announced that our Board of Directors (the "Board") had authorized us to repurchase up to $50.0 million of our common stock. The stock may be repurchased by the Company from time to time on the open market between September 13, 2006 and October 31, 2007. On March 9, 2007, the Board authorized an increase in the Company's common stock repurchase program to a total aggregate amount, net of brokerage commissions, of $115.0 million (which amount is inclusive of the $50.0 million common stock repurchase program approved by the Board in 2006). As with the original program, the Company may repurchase stock from time to time on the open market until October 31, 2007. The extent to which the Company repurchases its shares and the timing of such purchases will depend upon market conditions and other corporate considerations. The purchases will be funded from available working capital. During the first quarter of fiscal 2008, we repurchased 485,999 shares.

The repurchases made by the Company were as follows:

Period	Total # of Shares Repurchased	Average Price Paid per Share (1)	Total # of Shares Repurchased as Part of Publicly Announced Plan	Total $ of Shares Repurchased as Part of Publicly Announced Plan	Maximum $ of Shares That May Yet be Repurchased Under the Plan
April 1 - 30, 2007	196,232	$ 69.94	196,232	$ 13,723,504	$ 52,170,394
May 1 - 31, 2007	218,090	69.85	218,090	15,234,536	36,935,858
June 1 - 30, 2007	71,677	69.87	71,677	5,008,018	31,927,840
First Quarter Total	485,999	$ 69.89	485,999	$ 33,966,058	
Cumulative Plan Total	1,225,290	$ 67.80	1,225,290	$ 83,072,160	

6. Comprehensive Income (Loss)

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

	Foreign Currency Translation	Unrealized Gain (Loss) on Investments	Fair Market Value of Cash Flow Hedge	Adjustment to initially apply FASB Statement No. 158	Accumulated Other Comprehensive Income (Loss)

					(Unaudited)					
					(In thousands)					
Balance at March 31, 2007	$	(36,166)	$	(355)	$	(5,105)	$	(153)	$	(41,779)
Foreign currency translation		5,627		-		-		-		5,627
Unrealized gain on investments		-		1,220		-		-		1,220
Change in fair market value of cash flow hedge		-		-		8,189		-		8,189
Balance at June 30, 2007	$	(30,539)	$	865	$	3,084	$	(153)	$	(26,743)

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AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. Contingent Liabilities and Commitments

The Company leases a portion of its rental equipment and certain of its facilities under operating leases with terms that expire at various dates substantially through 2012, with the exception of one land lease expiring in 2034. At June 30, 2007, AMERCO has guaranteed $172.3 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:

	Property, Plant and Equipment	Rental Equipment	Total
		(Unaudited)	
		(In thousands)	
Year-ended June 30:			
2008	$ 12,453	$ 112,435	$ 124,888
2009	12,212	97,109	109,321
2010	11,786	82,733	94,519
2011	11,641	63,595	75,236
2012	11,159	47,658	58,817
Thereafter	25,236	47,757	72,993
Total	$ 84,487	$ 451,287	$ 535,774

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

8. Contingencies

Shoen

On September 24, 2002, Paul F. Shoen filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Paul F. Shoen vs. SAC Holding Corporation et al., CV02-05602, seeking damages and equitable relief on behalf of AMERCO from SAC Holdings and certain current and former members of the AMERCO Board of Directors, including Edward J. Shoen, Mark V. Shoen and James P. Shoen as defendants. AMERCO is named a nominal defendant for purposes of the derivative action. The complaint alleges breach of fiduciary duty, self-dealing, usurpation of corporate opportunities, wrongful interference with prospective economic advantage and unjust enrichment and seeks the unwinding of sales of self-storage properties by subsidiaries of AMERCO to SAC Holdings prior to the filing of the complaint. The complaint seeks a declaration that such transfers are void as well as unspecified damages. On October 28, 2002, AMERCO, the Shoen directors, the non-Shoen directors and SAC Holdings filed Motions to Dismiss the complaint. In addition, on October 28, 2002, Ron Belec filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned Ron Belec vs. William E. Carty, et al., CV 02-06331 and on January 16, 2003, M.S. Management Company, Inc. filed a derivative action in the Second Judicial District Court of the State of Nevada, Washoe County, captioned M.S. Management Company, Inc. vs. William E. Carty, et al., CV 03-00386. Two additional derivative suits were also filed against these parties. These additional suits are substantially similar to the Paul F. Shoen derivative action. The five suits assert virtually identical claims. In fact, three of the five plaintiffs are parties who are working closely together and chose to file the same claims multiple times. These lawsuits alleged that the AMERCO Board lacked independence. In reaching its decision to dismiss these claims, the court determined that the AMERCO Board of Directors had the requisite level of independence required in order to have these claims resolved by the Board. The court consolidated all five complaints before dismissing them on May 28, 2003. Plaintiffs appealed and, on July 13, 2006, the Nevada Supreme Court reviewed and remanded the claim to the trial court for proceedings consistent with its ruling, allowing the plaintiffs to file an amended complaint and plead in addition to substantive claims, demand futility. On November 8, 2006, the nominal plaintiffs filed an Amended Complaint. On December 22, 2006, the defendants filed Motions to Dismiss. Briefing was concluded on February 21, 2007. On March 29, 2007, the Court denied AMERCO's motion to dismiss regarding the issue of demand futility. On March 30, 2007, the Court heard oral argument on the remainder of the Defendants' Motions to Dismiss and requested supplemental briefing. The supplemental briefs were filed on May 14, 2007.

Environmental

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

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

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to have a material adverse effect on AMERCO's financial position or operating results. Real Estate expects to spend approximately $7.7 million in total through 2011 to remediate these properties.

Other

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. Related Party Transactions

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

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

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

During the first quarter of fiscal 2008 subsidiaries of the Company held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. ("Blackwater"), wholly-owned by Mark V. Shoen, a significant shareholder and executive officer of AMERCO. The Company does not have an equity ownership interest in SAC Holdings. The Company recorded interest income of $4.6 million and $5.3 million, and received cash interest payments of $4.6 million and $34.2 million, from SAC Holdings during the first quarter of fiscal 2008 and 2007, respectively. The cash interest payments for the first quarter of fiscal 2007 included a payment to significantly reduce the outstanding interest receivable from SAC Holdings. The largest aggregate amount of notes receivable outstanding during the first quarter of fiscal 2008 and the aggregate notes receivable balance at June 30, 2007 was $203.7 million, of which $75.1 million is with SAC Holding II and has been eliminated in the consolidating financial statements. In accordance with the terms of these notes, SAC Holdings, may repay the notes without penalty or premium.

Interest accrues on the outstanding principal balance of junior notes of SAC Holdings that the Company holds at a 9.0% rate per annum. A fixed portion of that basic interest is paid on a monthly basis. Additional interest can be earned on notes totaling $142.3 million of principal depending upon the amount of remaining basic interest and the cash flow generated by the underlying property. This amount is referred to as the "cash flow-based calculation."

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

During the first quarter of fiscal 2008, AMERCO and U-Haul held various junior notes with Private Mini Storage Realty ("Private Mini"). The equity interests of Private Mini are ultimately controlled by Blackwater. The Company recorded interest income of $1.2 million during the first quarter of both fiscal 2008 and 2007, and received cash interest payments of $1.3 million and $1.2 million, from Private Mini during the first quarter of fiscal 2008 and 2007, respectively. The balance of notes receivable from Private Mini at June 30, 2007 was $69.8 million. The largest aggregate amount outstanding during fiscal 2008 was $70.1 million.

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Company currently manages the self-storage properties owned or leased by SAC Holdings, Mercury, 4 SAC, 5 SAC, Galaxy, and Private Mini pursuant to a standard form of management agreement, under which the Company receives a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. The Company received management fees, exclusive of reimbursed expenses, of $10.1 million and $4.4 million from the above mentioned entities during the first quarter of fiscal 2008 and 2007, respectively. This management fee is consistent with the fee received for other properties the Company previously managed for third parties. SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini are substantially controlled by Blackwater. Mercury is substantially controlled by Mark V. Shoen. James P. Shoen, a significant shareholder and director of AMERCO, has an interest in Mercury.

The Company leases space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. Total lease payments pursuant to such leases were $0.6 million and $0.7 million in first quarter of fiscal 2008 and 2007, 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.

At June 30, 2007, subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini acted as U-Haul independent dealers. The financial and other terms of the dealership contracts with the aforementioned companies and their subsidiaries are substantially identical to the terms of those with the Company's other independent dealers whereby commissions are paid by the Company based upon equipment rental revenues. During the first quarter of fiscal 2008 and 2007, the Company paid the above mentioned entities $9.8 million and $10.1 million, respectively in commissions pursuant to such dealership contracts.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of $10.0 million, expenses of $0.6 million and cash flows of $13.4 million during the first quarter of fiscal 2008. Revenues and commission expenses related to the Dealer Agreements were $46.2 million and $9.8 million, respectively.

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

Independent fleet owners own approximately 1.7% of all U-Haul rental trailers. There are approximately 280 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 2008 and 2007, 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).

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Related Party Assets

	June 30, 2007	March 31, 2007
	(Unaudited)	
	(In thousands)	
Private Mini notes, receivables and interest	$ 71,670	$ 71,785
Oxford note receivable from SAC Holding Corporation (a)	5,040	5,040
U-Haul notes receivable from SAC Holding Coporation	123,578	123,578
U-Haul interest receivable from SAC Holding Corporation	23,803	23,361
U-Haul receivable from SAC Holding Corporation	12,969	16,596
U-Haul receivable from Mercury	2,253	4,278
Other	743	541
	$ 240,056	$ 245,179

(a) SAC Holding Corporation repaid this note in full April 13, 2007.

Related Party Liabilities

	June 30, 2007	March 31, 2007
	(Unaudited)	
	(In thousands)	
SAC Holding II payable to affiliate	$ 2,474	$ 2,099

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

10. Consolidating Financial Information by Industry Segment

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

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

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

(b) Property and Casualty Insurance, comprised of RepWest and its wholly-owned subsidiary

(c) Life Insurance, comprised of Oxford and its wholly-owned subsidiaries

(d) SAC Holding II and its subsidiaries

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

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

AMERCO AND CONSOLIDATED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

10. Financial Information by Consolidating Industry Segment:

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

	Moving & Storage					AMERCO Legal Group					A
	AMERCO	U-Haul	Real Estate	Eliminations		Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidate
						(Unaudited) (In thousands)					
Assets:											
Cash and cash equivalents	$ 31	$ 153,619	$ 23	$ -		$ 153,673	$ 1,298	$ 6,658	$ -		$ 161,629
Reinsurance recoverables and trade receivables, net	-	24,355	31	-		24,386	154,308	12,191	-		190,885
Notes and mortgage receivables, net	-	1,202	866	-		2,068	-	-	-		2,068
Inventories, net	-	63,682	-	-		63,682	-	-	-		63,682
Prepaid expenses	-	47,233	67	-		47,300	-	-	-		47,300
Investments, fixed maturities and marketable equities	-	-	-	-		-	154,146	519,890	-		674,036
Investments, other	-	1,119	10,735	-		11,854	75,076	83,801	-		170,731
Deferred policy acquisition costs, net	-	-	-	-		-	177	40,468	-		40,645
Other assets	7	275,488	42,196	-		317,691	1,976	847	-		320,514
Related party assets	1,173,630	245,234	12,700	(1,106,084)	(d)	325,480	9,850	5,040	(20,162)	(d)	320,208
	1,173,668	811,932	66,618	(1,106,084)		946,134	396,831	668,895	(20,162)		1,991,698
	(191,909)	-	-	473,911	(c)	282,002	-	-	(282,002)	(c)	

Investment in subsidiaries									
Investment in SAC Holding II	(8,944)	-	-	-	(8,944)	-	-	-	(8,94
Total investment in subsidiaries and SAC Holding II	(200,853)	-	-	473,911	273,058	-	-	(282,002)	(8,94
Property, plant and equipment, at cost:									
Land	-	41,655	163,049	-	204,704	-	-	-	204,70
Buildings and improvements	-	116,336	701,097	-	817,433	-	-	-	817,43
Furniture and equipment	4,612	283,841	18,049	-	306,502	-	-	-	306,50
Rental trailers and other rental equipment	-								