

AMERCO /NV/  
Form 10-Q  
February 04, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2014

or

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

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

Commission Registrant, State of Incorporation, I.R.S. Employer

File Number Address and Telephone Number Identification No.

1-11255	AMERCO (A Nevada Corporation) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815
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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer  Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

19,607,788 shares of AMERCO Common Stock, \$0.25 par value, were outstanding at February 1, 2015

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## Part i Financial information

## ITEM 1. Financial Statements

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED balance sheets

	December 31, 2014 (Unaudited) (In thousands, except share data)	March 31, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 729,023	\$ 495,112
Reinsurance recoverables and trade receivables, net	197,640	199,322
Inventories, net	69,817	67,020
Prepaid expenses	94,076	55,269
Investments, fixed maturities and marketable equities	1,294,568	1,138,275
Investments, other	246,766	248,850
Deferred policy acquisition costs, net	116,191	118,707
Other assets	148,940	97,588
Related party assets	148,776	169,624
	3,045,797	2,589,767
Property, plant and equipment, at cost:		
Land	457,229	405,177
Buildings and improvements	1,641,420	1,430,330
Furniture and equipment	344,016	322,088
Rental trailers and other rental equipment	428,197	373,325
Rental trucks	2,881,051	2,610,797
	5,751,913	5,141,717
Less: Accumulated depreciation	(1,891,178)	(1,732,506)
Total property, plant and equipment	3,860,735	3,409,211
Total assets	\$ 6,906,532	\$ 5,998,978
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 353,564	\$ 357,954
Notes, loans and leases payable	2,364,513	1,942,359
Policy benefits and losses, claims and loss expenses payable	1,063,986	1,082,598
Liabilities from investment contracts	673,051	616,725
Other policyholders' funds and liabilities	10,469	7,988
Deferred income	14,605	31,390
Deferred income taxes	519,936	432,596
Total liabilities	5,000,124	4,471,610
Commitments and contingencies (notes 4, 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 none outstanding as of December 31 and March 31, 2014 — —

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

issued and outstanding as of December 31 and March 31, 2014 — —

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 December 31 and March 31, 2014 — —

Common stock, with \$0.25 par value, 150,000,000 shares authorized:

Common stock of \$0.25 par value, 150,000,000 shares authorized; 41,985,700  
issued and 19,607,788 outstanding as of December 31 and March 31, 2014 10,497 10,497

Additional paid-in capital 449,156 444,210

Accumulated other comprehensive loss (27,357) (53,923)

Retained earnings 2,152,714 1,805,453

Cost of common shares in treasury, net (22,377,912 shares as of December 31 and March  
31, 2014) (525,653) (525,653)Cost of preferred shares in treasury, net (6,100,000 shares as of December 31 and March  
31, 2014) (151,997) (151,997)

Unearned employee stock ownership plan shares (952) (1,219)

Total stockholders' equity 1,906,408 1,527,368

Total liabilities and stockholders' equity \$ 6,906,532 \$ 5,998,978

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

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED Statements of operations

	Quarter Ended December 31, 2014      2013 (Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$487,415	\$436,207
Self-storage revenues	53,503	46,120
Self-moving and self-storage products and service sales	49,081	47,045
Property management fees	7,497	7,133
Life insurance premiums	39,026	39,198
Property and casualty insurance premiums	13,584	12,219
Net investment and interest income	20,752	20,887
Other revenue	35,497	36,522
Total revenues	706,355	645,331
Costs and expenses:		
Operating expenses	338,692	322,106
Commission expenses	58,439	50,679
Cost of sales	30,751	28,229
Benefits and losses	40,084	38,630
Amortization of deferred policy acquisition costs	4,722	4,457
Lease expense	18,705	24,468
Depreciation, net of (gains) on disposals of ((\$5,444) and (\$1,961), respectively)	81,810	70,789
Total costs and expenses	573,203	539,358
Earnings from operations	133,152	105,973
Interest expense	(25,719)	(23,607)
Pretax earnings	107,433	82,366
Income tax expense	(40,893)	(30,145)
Earnings available to common stockholders	\$66,540	\$52,221
Basic and diluted earnings per common share	\$3.40	\$2.67
Weighted average common shares outstanding: Basic and diluted	19,590,555	19,563,663

Related party revenues for the third quarter of fiscal 2015 and 2014, net of eliminations, were \$9.9 million and \$10.2 million, respectively.

Related party costs and expenses for the third quarter of fiscal 2015 and 2014, net of eliminations, were \$12.3 million and \$11.8 million, respectively.

Please see note 9, Related Party Transactions of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

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

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED Statements of operations

	Nine Months Ended December 31,	
	2014	2013
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$1,716,424	\$1,556,787
Self-storage revenues	155,623	133,791
Self-moving and self-storage products and service sales	191,603	183,115
Property management fees	18,970	17,586
Life insurance premiums	115,997	119,708
Property and casualty insurance premiums	35,665	31,052
Net investment and interest income	63,654	59,836
Other revenue	133,865	131,636
Total revenues	2,431,801	2,233,511
Costs and expenses:		
Operating expenses	1,085,961	1,002,621
Commission expenses	200,939	182,068
Cost of sales	112,215	98,331
Benefits and losses	120,426	119,255
Amortization of deferred policy acquisition costs	13,196	14,197
Lease expense	60,950	77,293
Depreciation, net of (gains) on disposals of ((\$49,944) and (\$22,837), respectively)	209,927	191,431
Total costs and expenses	1,803,614	1,685,196
Earnings from operations	628,187	548,315
Interest expense	(74,744)	(70,053)
Fees and amortization on early extinguishment of debt	(4,081)	-
Pretax earnings	549,362	478,262
Income tax expense	(202,101)	(175,082)
Earnings available to common stockholders	\$347,261	\$303,180
Basic and diluted earnings per common share	\$17.73	\$15.50
Weighted average common shares outstanding: Basic and diluted	19,584,183	19,554,641

Related party revenues for the first nine months of fiscal 2015 and 2014, net of eliminations, were \$27.5 million and \$27.0 million, respectively.



Related party costs and expenses for the first nine months of fiscal 2015 and 2014, net of eliminations, were \$43.7 million and \$41.7 million, respectively.

Please see note 9, Related Party Transactions of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

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

## AMERCO AND CONSOLIDATED ENTITIES

## Condensed consolidated statements of COMPREHENSIVE INCOME (loss)

Quarter Ended December 31, 2014	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$ 107,433	\$(40,893)	\$66,540
Other comprehensive income (loss):			
Foreign currency translation	(3,213)	–	(3,213)
Unrealized net loss on investments	(2,959)	1,036	(1,923)
Change in fair value of cash flow hedges	1,582	(602)	980
Total comprehensive income	\$ 102,843	\$(40,459)	\$62,384

Quarter Ended December 31, 2013	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$82,366	\$(30,145)	\$52,221
Other comprehensive income (loss):			
Foreign currency translation	(3,325)	–	(3,325)
Unrealized net loss on investments	(2,251)	766	(1,485)
Change in fair value of cash flow hedges	4,398	(1,671)	2,727
Total comprehensive income	\$81,188	\$(31,050)	\$50,138

Nine Months Ended December 31, 2014	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$549,362	\$(202,101)	\$347,261
Other comprehensive income (loss):			
Foreign currency translation	(6,752)	–	(6,752)
Unrealized net gain on investments	44,183	(15,464)	28,719
Change in fair value of cash flow hedges	7,419	(2,820)	4,599
Total comprehensive income	\$594,212	\$(220,385)	\$373,827

Nine Months Ended December 31, 2013	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$478,262	\$(175,082)	\$303,180
Other comprehensive income (loss):			

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Foreign currency translation	(5,530)	–	(5,530)
Unrealized net loss on investments	(43,257)	15,020	(28,237)
Change in fair value of cash flow hedges	16,540	(6,285)	10,255
Total comprehensive income	\$446,015	\$(166,347)	\$279,668

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

## AMERCO AND CONSOLIDATED ENTITIES

## Condensed consolidated statements of cash flows

	Nine Months Ended December 31, 2014      2013 (Unaudited) (In thousands)	
Cash flow from operating activities:		
Net earnings	\$ 347,261	\$ 303,180
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	259,871	214,268
Amortization of deferred policy acquisition costs	13,196	14,197
Change in allowance for losses on trade receivables	(212)	12
Change in allowance for inventory reserves	(744)	3,640
Net gain on sale of real and personal property	(49,944)	(22,837)
Net gain on sale of investments	(3,254)	(6,088)
Deferred income taxes	71,485	48,033
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	1,895	33,355
Inventories	(2,053)	(12,502)
Prepaid expenses	(38,905)	13,109
Capitalization of deferred policy acquisition costs	(20,158)	(25,128)
Other assets	(41,663)	7,929
Related party assets	20,770	5,630
Accounts payable and accrued expenses	(4,009)	(2,772)
Policy benefits and losses, claims and loss expenses payable	(17,587)	(18,337)
Other policyholders' funds and liabilities	2,482	(23)
Deferred income	(16,732)	(672)
Related party liabilities	22	6,257
Net cash provided by operating activities	521,721	561,251
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(725,447)	(690,293)
Short term investments	(203,018)	(203,763)
Fixed maturities investments	(181,824)	(237,502)
Equity securities	(3,759)	(388)
Preferred stock	(5)	(635)
Real estate	(11,328)	(431)
Mortgage loans	(37,365)	(48,632)
Proceeds from sales and paydowns of:		
Property, plant and equipment	321,680	214,078
Short term investments	220,610	211,841
Fixed maturities investments	75,372	124,145
Equity securities	3,082	26,957
Preferred stock	2,027	6,004
Real estate	396	-
Mortgage loans	33,192	45,234

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Net cash used by investing activities	(506,387)	(553,385)
Cash flows from financing activities:		
Borrowings from credit facilities	510,074	323,039
Principal repayments on credit facilities	(266,672)	(238,553)
Debt issuance costs	(9,697)	(3,353)
Capital lease payments	(65,478)	(37,480)
Leveraged Employee Stock Ownership Plan - repayments from loan	267	390
Investment contract deposits	94,979	109,928
Investment contract withdrawals	(38,653)	(24,448)
Net cash provided by financing activities	224,820	129,523
Effects of exchange rate on cash	(6,243)	482
Increase in cash and cash equivalents	233,911	137,871
Cash and cash equivalents at the beginning of period	495,112	463,744
Cash and cash equivalents at the end of period	\$ 729,023	\$ 601,615

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

AMERCO, a Nevada corporation (“AMERCO”), has a third fiscal quarter that ends on the 31st of December for each year that is referenced. Our insurance company subsidiaries have a third quarter that ends on the 30th of September 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. We disclose any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries’ years 2014 and 2013 correspond to fiscal 2015 and 2014 for AMERCO.

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

The condensed consolidated balance sheet as of December 31, 2014 and the related condensed consolidated statements of operations, comprehensive income (loss) for the third quarter and first nine months and cash flows for the first nine months of fiscal 2015 and 2014 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 Quarterly Report on Form 10-Q (“Quarterly Report”) should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

Intercompany accounts and transactions have been eliminated.

#### Description of Legal Entities

AMERCO is the holding company for:

U-Haul International, Inc. (“U-Haul”),

Amerco Real Estate Company (“Real Estate”),

Repwest Insurance Company (“Repwest”), and

Oxford Life Insurance Company (“Oxford”).

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

#### Description of Operating Segments

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

The Moving and Storage operating segment (“Moving and Storage”) includes AMERCO, U-Haul, Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate. Operations consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane, rental of fixed and mobile 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.

## AMERCO and consolidated entities

notes to condensed consolidated financial statements (Continued)

The Property and Casualty Insurance operating segment (“Property and Casualty Insurance”) includes Repwest and its wholly-owned subsidiaries and ARCOA risk retention group (“ARCOA”). Property and Casualty Insurance provides loss adjusting and claims handling for U-Haul through regional offices across North America. Property and Casualty Insurance also underwrites components of the Safemove, Safetow, Safemove Plus, Safestor and Safestor Mobile protection packages sold to U-Haul customers. The business plan for Property and Casualty Insurance includes offering property and casualty products in other U-Haul related programs. ARCOA is a group captive insurer owned by us and our wholly-owned subsidiaries whose purpose is to provide insurance products related to the moving and storage business.

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

## 2. Earnings per Share

Our earnings per share is calculated by dividing our earnings available to common stockholders by the weighted average common shares outstanding, basic and diluted.

The weighted average common shares outstanding exclude post-1992 shares of the employee stock ownership plan that have not been committed to be released. The unreleased shares, net of shares committed to be released, were 14,063 and 39,570 as of December 31, 2014 and 2013, respectively.

## 3. Investments

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

We deposit bonds with insurance regulatory authorities to meet statutory requirements. The adjusted cost of bonds on deposit with insurance regulatory authorities was \$16.2 million and \$16.3 million at December 31, 2014 and March 31, 2014, respectively.

### Available-for-Sale Investments

Available-for-sale investments at December 31, 2014 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value
	(Unaudited)				
	(In thousands)				
U.S. treasury securities and government obligations	\$98,725	\$3,869	\$(211)	\$(98)	\$ 102,285
	31,868	2,636	(132)	(11)	34,361



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U.S. government agency mortgage-backed securities					
Obligations of states and political subdivisions	164,739	10,440	(736)	(79)	174,364
Corporate securities	887,790	41,460	(4,559)	(1,623)	923,068
Mortgage-backed securities	20,628	465	(67)	–	21,026
Redeemable preferred stocks	16,450	494	(415)	(4)	16,525
Common stocks	17,975	4,995	–	(31)	22,939
	\$1,238,175	\$64,359	\$(6,120)	\$(1,846)	\$ 1,294,568

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

Available-for-sale investments at March 31, 2014 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses More than 12 Months	Gross Unrealized Losses Less than 12 Months	Estimated Market Value
(In thousands)					
U.S. treasury securities and government obligations	\$49,883	\$1,475	\$–	\$(1,004)	\$ 50,354
U.S. government agency mortgage-backed securities	36,258	2,558	(4)	(425)	38,387
Obligations of states and political subdivisions	166,311	4,834	(308)	(3,627)	167,210
Corporate securities	834,923	26,075	(3,794)	(25,875)	831,329
Mortgage-backed securities	12,425	279	(3)	(514)	12,187
Redeemable preferred stocks	18,445	283	(82)	(1,113)	17,533
Common stocks	17,299	3,987	(1)	(10)	21,275
	\$1,135,544	\$39,491	\$(4,192)	\$(32,568)	\$ 1,138,275

The tables above include gross unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

We sold available-for-sale securities with a fair value of \$76.1 million during the first nine months of fiscal 2015. The gross realized gains on these sales totaled \$3.6 million. The gross realized losses on these sales totaled \$0.4 million.

The unrealized losses of more than twelve months in the available-for-sale table are considered temporary declines. We track each investment with an unrealized loss and evaluate them on an individual basis for other-than-temporary impairments including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. Certain of these investments may have declines determined by management to be other-than-temporary and we recognized these write-downs through earnings. There were no write downs in the third quarter or for the first nine months of fiscal 2015 or 2014.

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

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

There were no credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income (loss) for the third quarter and first nine months of fiscal 2015.

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

The adjusted cost and estimated market value of available-for-sale investments at December 31, 2014, by contractual maturity, were as follows:

	December 31, 2014		March 31, 2014	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
	(Unaudited) (In thousands)			
Due in one year or less	\$46,796	\$47,453	\$20,235	\$20,475
Due after one year through five years	226,950	240,425	185,447	194,563
Due after five years through ten years	507,874	527,412	350,048	350,953
Due after ten years	401,502	418,788	531,645	521,289
	1,183,122	1,234,078	1,087,375	1,087,280
Mortgage backed securities	20,628	21,026	12,425	12,187
Redeemable preferred stocks	16,450	16,525	18,445	17,533
Common stocks	17,975	22,939	17,299	21,275
	\$1,238,175	\$1,294,568	\$1,135,544	\$1,138,275

#### 4. Borrowings

##### Long-Term Debt

Long-term debt was as follows:

	2015 Rate (a)	Maturities	December 31, 2014 (Unaudited) (In thousands)	March 31, 2014
Real estate loan (amortizing term)	1.67% - 6.93%	2023	\$242,500	\$250,000
Real estate loan (revolving credit)	–	2015	–	–
Senior mortgages	2.16% - 5.75%	2015 - 2038	873,193	684,915
Working capital loan (revolving credit)	–	2016	–	–
Fleet loans (amortizing term)	1.95% - 5.57%	2015 - 2021	331,585	370,394
Fleet loans (securitization)	4.90%	2017	78,391	90,793
Fleet loans (revolving credit)	1.16% - 2.01%	2017 - 2019	198,000	89,632
Capital leases (rental equipment)	2.18% - 7.83%	2015 - 2021	595,879	416,750
Other obligations	3.00% - 8.00%	2015 - 2044	44,965	39,875
Total notes, loans and leases payable			\$2,364,513	\$1,942,359

(a) Interest rate as of December 31, 2014, 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. As of December 31, 2014, the outstanding balance on the Real Estate Loan was \$242.5 million. 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 final maturity of the term loan is April 2023.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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 December 31, 2014, the applicable LIBOR was 0.17% and the applicable margin was 1.50%, the sum of which was 1.67% which applied to \$25.0 million of the Real Estate Loan. The rate on the remaining balance of \$217.5 million of the Real Estate 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 Real Estate Company and U-Haul Company of Florida entered into a revolving credit agreement for \$50.0 million. This agreement matures in April 2015. As of December 31, 2014, we had the full \$50.0 million available to be drawn. The interest rate is the applicable LIBOR plus a margin of 1.25%. AMERCO and U-Haul International, Inc. are guarantors of this facility. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

#### Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgage loan balances as of December 31, 2014 were in the aggregate amount of \$873.2 million and mature between 2015 and 2038. During the second quarter of fiscal 2015, we paid off approximately \$127 million of our senior mortgages before their maturity in July 2015. As part of this defeasance, we incurred costs associated with the early extinguishment of debt of \$3.8 million in fees and \$0.3 million of transaction cost amortization related to the defeased debt.

For the nine months ended December 31, 2014, we entered into \$334 million of senior mortgages with rates between 2.16% and 4.81% and mature between 2017 and 2034. The senior mortgages require monthly principal and interest payments 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 fixed interest rates, per the provisions of the senior mortgages, range between 4.22% and 5.75%. Additionally, \$144.1 million of these loans have interest rates comprised of applicable LIBOR between 0.16% and 0.17% plus margins between 2.00% and 2.50%, the sum of which was between 2.16% and 2.67%. Amerco Real Estate Company and U-Haul International, Inc. have provided limited guarantees of the senior mortgages. 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.

In January 2015, we paid off \$245.9 million of our senior mortgages that were due July 2015. These loans carried interest rates between 5.52% and 5.68%. The note agreements allowed for prepayment without any extra costs or fees to us. These repayments were made from existing cash balances.

#### Working Capital Loans

Amerco Real Estate Company is a borrower under an asset backed working capital loan. The maximum amount that can be drawn at any one time is \$25.0 million. At December 31, 2014, the full \$25.0 million was available to be drawn. This loan is secured by certain properties owned by the borrower. This loan agreement provides for revolving loans, subject to the terms of the loan agreement. This agreement matures in April 2016. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. U-Haul International, Inc. and AMERCO are the guarantors of this loan. The default provisions of the loan include non-payment of

principal or interest and other standard reporting and change-in-control covenants. The interest rate is the applicable LIBOR plus a margin of 1.25%.

Fleet Loans

Rental Truck Amortizing Loans

U-Haul International, Inc. and several of its subsidiaries are borrowers under amortizing term loans. The balance of the loans as of December 31, 2014 was \$216.6 million with the final maturities between August 2015 and March 2021.

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus the applicable margins. At December 31, 2014, the applicable LIBOR was between 0.16% and 0.17% and applicable margins were between 1.35% and 2.50%. The interest rates are hedged with interest rate swaps fixing the rates between 2.82% and 5.57% based on current margins. Additionally, \$93.0 million of these loans are carried at fixed rates ranging between 1.95% and 3.94%.

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

A subsidiary of U-Haul International, Inc. is a borrower under amortizing term loans with an aggregate balance of \$115.0 million that were used to fund new truck acquisitions. The final maturity date of these notes is August 2016. The agreements contain options to extend the maturity through May 2017. These notes are secured by the purchased equipment and the corresponding operating cash flows associated with their operation. These notes have fixed interest rates between 3.52% and 3.53%. At December 31, 2014, the aggregate outstanding balance was \$115.0 million.

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

#### Rental Truck Securitizations

2010 U-Haul S Fleet and its subsidiaries (collectively, "2010 USF") issued a \$155.0 million asset-backed note ("2010 Box Truck Note") on October 28, 2010. 2010 USF is a bankruptcy-remote special purpose entity wholly-owned by U-Haul International, Inc. The net proceeds from the securitized transaction were used to finance new box truck purchases. U.S. Bank, NA acts as the trustee for this securitization.

The 2010 Box Truck Note has a fixed interest rate of 4.90% with an expected final maturity of October 2017. At December 31, 2014, the outstanding balance was \$78.4 million. The note is secured by the box trucks purchased and the corresponding operating cash flows associated with their operation.

The 2010 Box Truck Note is subject to certain covenants with respect to liens, additional indebtedness of the special purpose entity, the disposition of assets and other customary covenants of bankruptcy-remote special purpose entities. The default provisions of this note include non-payment of principal or interest and other standard reporting and change-in-control covenants.

#### Rental Truck Revolvers

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for \$75 million, which can be increased to a maximum of \$225 million. The loan matures in October 2018. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus the applicable margin. At December 31, 2014, the applicable LIBOR was 0.16% and the margin was 1.75%, the sum of which was 1.91%. Only interest is paid during the first four years of the loan with principal due monthly over the last nine months. As of December 31, 2014, the outstanding balance was \$68.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for \$100 million, which can be increased to a maximum of \$125 million. The loan matures in October 2017. The interest rate, per the provision of the



Loan Agreement, is the applicable LIBOR plus the applicable margin. At December 31, 2014, the applicable LIBOR was 0.16% and the margin was 1.00%, the sum of which was 1.16%. Only interest is paid during the first three years of the loan with principal due monthly over the last nine months. As of December 31, 2014, the outstanding balance was \$73.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for \$70 million. The loan matures in May 2019. This agreement contains an option to extend the maturity through February 2020. At December 31, 2014, the applicable LIBOR was 0.16% and the margin was 1.85%, the sum of which was 2.01%. Only interest is paid during the first five years of the loan with principal due upon maturity. As of December 31, 2014, the outstanding balance was \$57.0 million.

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

## Capital Leases

We regularly entered into capital leases for new equipment between April 2008 and December 2014, with terms of the leases between 3 and 7 years. At December 31, 2014, the balance of these leases was \$595.9 million. The net book value of the corresponding capitalized assets was \$717.4 million at December 31, 2014.

## Other Obligations

In February 2011, the Company and US Bank, National Association (the "Trustee") entered into the U-Haul Investors Club Indenture. The Company and the Trustee entered into this indenture to provide for the issuance of notes by us directly to investors over our proprietary website, uhaulinvestorsclub.com ("U-Notes"). The U-Notes are secured by various types of collateral including rental equipment and real estate. U-Notes are issued in smaller series that vary as to principal amount, interest rate and maturity. U-Notes are obligations of the Company and secured by the associated collateral; they are not guaranteed by any of the Company's affiliates or subsidiaries.

At December 31, 2014, the aggregate outstanding principal balance of the U-Notes issued was \$51.7 million of which \$6.7 million is held by our insurance subsidiaries and eliminated in consolidation. Interest rates range between 3.00% and 8.00% and maturity dates between 2015 and 2044.

## Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt as of December 31, 2014 for the next five years and thereafter are as follows:

Year Ending December 31,						
2015	2016	2017	2018	2019	Thereafter	
(Unaudited)						
(In thousands)						

Notes, loans and leases payable, secured \$523,113 \$398,978 \$336,571 \$261,206 \$244,716 \$599,929

In the table above, 2015 does not reflect the \$245.9 million reduction resulting from our January 2015 prepayment.

## Interest on Borrowings

## Interest Expense

Components of interest expense include the following:

	Quarter Ended December 31,	
	2014	2013
	(Unaudited)	
	(In thousands)	
Interest expense	\$21,547	\$18,532
Capitalized interest	(330)	(162)
Amortization of transaction costs	888	1,106
Interest expense resulting from derivatives	3,614	4,131

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Total interest expense	25,719	23,607
Write-off of transaction costs related to early extinguishment of debt	–	–
Fees on early extinguishment of debt	–	–
Fees and amortization on early extinguishment of debt	–	–
Total	\$25,719	\$23,607

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

	Nine Months Ended December 31, 2014 2013 (Unaudited) (In thousands)	
Interest expense	\$62,126	\$54,401
Capitalized interest	(717)	(432)
Amortization of transaction costs	2,442	2,800
Interest expense resulting from derivatives	10,893	13,284
Total interest expense	74,744	70,053
Write-off of transaction costs related to early extinguishment of debt	298	–
Fees on early extinguishment of debt	3,783	–
Fees and amortization on early extinguishment of debt	4,081	–
Total	\$78,825	\$70,053

Interest paid in cash, including payments related to derivative contracts, amounted to \$25.0 million and \$20.7 million for the third quarter of fiscal 2015 and 2014, respectively and \$72.5 million and \$65.6 million for the first nine months of fiscal 2015 and 2014, respectively.

The costs associated with the early extinguishment of debt in the second quarter of fiscal 2015 included \$3.8 million of fees and \$0.3 million of transaction cost amortization related to retired debt.

## Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended December 31, 2014 2013 (Unaudited) (In thousands, except interest rates)	
Weighted average interest rate during the quarter	1.62%	0.00%
Interest rate at the end of the quarter	1.66%	0.00%
Maximum amount outstanding during the quarter	\$232,000	\$–
Average amount outstanding during the quarter	\$219,163	\$–
Facility fees	\$91	\$56

Revolving  
Credit Activity

	Nine Months Ended December 31, 2014 2013 (Unaudited) (In thousands, except interest rates)	
Weighted average interest rate during the period	1.71%	1.00%
Interest rate at the end of the period	1.66%	0.00%
Maximum amount outstanding during the period	\$232,000	\$25,000
Average amount outstanding during the period	\$188,271	\$16,364
Facility fees	\$289	\$212

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

## 5. Derivatives

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

Original variable rate debt amount (Unaudited) (In millions)	Agreement Date	Effective Date	Expiration Date	Designated cash flow hedge date
\$ 300.0		8/18/2006	8/10/2018	8/4/2006
19.3	(a) 4/8/2008	8/15/2008	6/15/2015	3/31/2008
19.0	8/27/2008	8/29/2008	7/10/2015	4/10/2008
30.0	9/24/2008	9/30/2008	9/10/2015	9/24/2008
15.0	(a) 3/24/2009	3/30/2009	3/30/2016	3/25/2009
14.7	(a) 7/6/2010	8/15/2010	7/15/2017	7/6/2010
25.0	(a) 4/26/2011	6/1/2011	6/1/2018	6/1/2011
50.0	(a) 7/29/2011	8/15/2011	8/15/2018	7/29/2011
20.0	(a) 8/3/2011	9/12/2011	9/10/2018	8/3/2011
15.1	(b) 3/27/2012	3/28/2012	3/28/2019	3/26/2012
25.0	4/13/2012	4/16/2012	4/1/2019	4/12/2012
44.3	1/11/2013	1/15/2013	12/15/2019	1/11/2013

(a) forward swap

(b) operating lease

As of December 31, 2014, the total notional amount of our variable interest rate swaps on debt and an operating lease was \$341.6 million and \$11.2 million, respectively.

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

	Liability Derivatives Fair Values as of	
	December 31, 2014	March 31, 2014
	(Unaudited)	
	(In thousands)	
Interest rate contracts designated as hedging instruments	\$25,271	\$32,716



## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

	The Effect of Interest Rate Contracts on the Statements of Operations for the Nine Months Ended	
	December 31, 2014 (Unaudited)	December 31, 2013
	(In thousands)	
Loss recognized in income on interest rate contracts	\$10,893	\$13,284
Gain recognized in AOCI on interest rate contracts (effective portion), net of tax	\$(7,419)	\$(16,540)
Loss reclassified from AOCI into income (effective portion)	\$10,919	\$12,832
(Gain) loss recognized in income on interest rate contracts (ineffective portion and amount excluded from effectiveness testing)	\$(26)	\$452

Gains or losses recognized in income on derivatives are recorded as interest expense in the statements of operations. At December 31, 2014, we expect to reclassify \$13.1 million of net losses on interest rate contracts from accumulated other comprehensive income (loss) to earnings as interest expense over the next twelve months. During the first nine months of fiscal 2015, we reclassified \$10.9 million of net losses on interest rate contracts from accumulated other comprehensive income to interest expense.

## 6. Comprehensive Income (Loss)

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

	Foreign Currency Translation (Unaudited) (In thousands)	Unrealized Net Gain on Investments	Fair Market Value of Cash Flow Hedges	Postretirement Benefit Obligation Net Loss	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2014	\$(39,287)	\$5,991	\$(20,321)	\$(306)	\$(53,923)
Foreign currency translation	(6,752)	—	—	—	(6,752)
Unrealized net gain on investments	—	28,719	—	—	28,719
Change in fair value of cash flow hedges	—	—	(6,320)	—	(6,320)
Amounts reclassified from AOCI	—	—	10,919	—	10,919
Other comprehensive income (loss)	(6,752)	28,719	4,599	—	26,566
Balance at December 31, 2014	\$(46,039)	\$34,710	\$(15,722)	\$(306)	\$(27,357)

## 7. Contingent Liabilities and Commitments



We lease a portion of our rental equipment and certain of our facilities under operating leases with terms that expire at various dates substantially through 2019. As of December 31, 2014, we have guaranteed \$72.3 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, we have 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. We have been leasing equipment since 1987 and have experienced no material losses relating to these types of residual value guarantees.

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

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

Year Ended December 31:	Property, Plant and Equipment (Unaudited)	Rental Equipment	Total
	(In thousands)		
2015	\$15,712	\$40,933	\$56,645
2016	15,064	16,568	31,632
2017	14,917	11,257	26,174
2018	13,959	9,943	23,902
2019	13,684	3,107	16,791
Thereafter	64,209	–	64,209
Total	\$137,545	\$81,808	\$219,353

## 8. Contingencies

## PODS Enterprises, Inc. v. U-Haul International, Inc.

On July 3, 2012, PODS Enterprises, Inc. (“PEI”), filed a lawsuit against U-Haul International, Inc. (“U-Haul”), in the United States District Court for the Middle District of Florida, Tampa Division, alleging (1) Federal Trademark Infringement under Section 32 of the Lanham Act, (2) Federal Unfair Competition under Section 43(a) of the Lanham Act, (3) Federal Trademark dilution by blurring in violation of Section 43(c) of the Lanham Act, (4) common law trademark infringement under Florida law, (5) violation of the Florida Dilution; Injury to Business Reputation statute, (6) unfair competition and trade practices, false advertising and passing off under Florida common law, (7) violation of the Florida Deceptive and Unfair Trade Practices Act, and (8) unjust enrichment under Florida law.

The claims arise from U-Haul’s use of the word “pod” and “pods” as a generic term for its U-Box moving and storage product. PEI alleges that such use is an inappropriate use of its PODS mark. Under the claims alleged in its Complaint, PEI seeks a Court Order permanently enjoining U-Haul from: (1) the use of the PODS mark, or any other trade name or trademark confusingly similar to the mark; and (2) the use of any false descriptions or representations or committing any acts of unfair competition by using the PODS mark or any trade name or trademark confusingly similar to the mark. PEI also seeks a Court Order (1) finding all of PEI’s trademarks valid and enforceable and (2) requiring U-Haul to alter all web pages to promptly remove the PODS mark from all websites owned or operated on behalf of U-Haul. Finally, PEI seeks an award of damages in an amount to be proven at trial, but which are alleged to be approximately \$70 million. PEI also seeks prejudgment interest, trebled damages, and punitive damages.

U-Haul does not believe that PEI’s claims have merit and vigorously defended the lawsuit. On September 17, 2012, U-Haul filed its Counterclaims, seeking a Court Order declaring that: U-Haul’s use of the term “pods” or “pod” does not infringe or dilute PEI’s purported trademarks or violate any of PEI’s purported rights; (2) The purported mark “PODS” is not a valid, protectable, or registrable trademark; and (3) The purported mark “PODS PORTABLE ON DEMAND STORAGE” is not a valid, protectable, or registrable trademark. U-Haul also sought a Court Order cancelling the marks at issue in the case.

The case was tried to an 8-person jury, beginning on September 8, 2014. On September 19, 2014, the Court granted U-Haul's motion for directed verdict on the issue of punitive damages. The Court deferred ruling on U-Haul's motion for directed verdict on its defense that the words "pod" and "pods" were generic terms for a container used for the moving and storage of goods at the time PEI obtained its trademark ("genericness defense"). Closing arguments were on September 22, 2014.

On September 25, 2014, the jury returned a unanimous verdict, finding in favor of PEI and against U-Haul on all claims and counterclaims. The jury awarded PEI \$45 million in actual damages and \$15.7 million in U-Haul's profits attributable to its use of the term "pod" or "pods".

AMERCO AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

U-Haul intends to file post-trial motions and, if necessary, appeal the verdict to the Eleventh Circuit Court of Appeals. In this regard, on October 1, 2014, the Court ordered briefing on U-Haul's oral motion for directed verdict on its genericness defense, the motion on which the Court had deferred ruling during trial. Pursuant to the Court's order, the parties' briefing on that motion was completed by October 21, 2014.

Environmental

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

Based upon the information currently available to Real Estate, compliance with the environmental laws and its share of the costs of investigation and cleanup of known hazardous waste sites are not expected to result in a material adverse effect on AMERCO's financial position or results of operations.

Other

We are 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 our financial position and results of operations.

9. Related Party Transactions

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

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

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



## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

## Related Party Revenue

	Quarter Ended	
	December 31,	
	2014	2013
	(Unaudited)	
	(In thousands)	
U-Haul interest income revenue from SAC Holdings	\$1,261	\$1,730
U-Haul interest income revenue from Private Mini	1,138	1,347
U-Haul management fee revenue from SAC Holdings	4,168	3,976
U-Haul management fee revenue from Private Mini	659	614
U-Haul management fee revenue from Mercury	2,670	2,543
	\$9,896	\$10,210

	Nine Months	
	Ended	
	December 31,	2013
	2014	2013
	(Unaudited)	
	(In thousands)	
U-Haul interest income revenue from SAC Holdings	\$4,684	\$5,382
U-Haul interest income revenue from Private Mini	3,804	4,033
U-Haul management fee revenue from SAC Holdings	13,313	12,238
U-Haul management fee revenue from Private Mini	1,943	1,812
U-Haul management fee revenue from Mercury	3,714	3,536
	\$27,458	\$27,001

During the first nine months of fiscal 2015, subsidiaries of ours held various junior unsecured notes of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. (“Blackwater”). Blackwater is wholly-owned by Mark V. Shoen, a significant stockholder of AMERCO. We do not have an equity ownership interest in SAC Holdings. We received cash interest payments of \$4.6 million and \$15.6 million from SAC Holdings during the first nine months of fiscal 2015 and 2014, respectively. During the first quarter of fiscal 2014, SAC Holdings made a payment of \$10.4 million to reduce its outstanding deferred interest payable to AMERCO. The largest aggregate amount of notes receivable outstanding during the first nine months of fiscal 2015 was \$71.5 million and the aggregate notes receivable balance at December 31, 2014 was \$50.7 million. In accordance with the terms of these notes, SAC Holdings may prepay the notes without penalty or premium at any time. We received repayments of \$20.2 million during the third quarter of fiscal 2015 on these notes and interest receivables. After this repayment the scheduled maturities of these notes are 2017.

During the first nine months of fiscal 2015, AMERCO and U-Haul held various junior notes issued by Private Mini Storage Realty, L.P. (“Private Mini”). The equity interests of Private Mini are ultimately controlled by Blackwater. We received cash interest payments of \$4.0 million from Private Mini during the first nine months of both fiscal 2015 and 2014. The largest aggregate amount outstanding during the first nine months of fiscal 2015 was \$65.5 million and the aggregate notes receivable balance at December 31, 2014 was \$56.5 million. We received repayments of \$9.0 million during the third quarter of fiscal 2015 on these notes and interest receivables.

We currently manage the self-storage properties owned or leased by SAC Holdings, Mercury Partners, L.P. (“Mercury”), Four SAC Self-Storage Corporation (“4 SAC”), Five SAC Self-Storage Corporation (“5 SAC”), Galaxy Investments, L.P. (“Galaxy”) and Private Mini pursuant to a standard form of management agreement, under which we receive a management fee of between 4% and 10% of the gross receipts plus reimbursement for certain expenses. We received management fees, exclusive of reimbursed expenses, of \$20.6 million and \$20.8 million from the above mentioned entities during the first nine months of fiscal 2015 and 2014, respectively. This management fee is consistent with the fee received for other properties we 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 stockholder and director of AMERCO and an estate planning trust benefitting Shoen children have an interest in Mercury.

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

## Related Party Costs and Expenses

	Quarter Ended	
	December 31,	December 31,
	2014	2013
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to SAC Holdings	\$654	\$655
U-Haul commission expenses to SAC Holdings	10,905	10,414
U-Haul commission expenses to Private Mini	734	691
	\$12,293	\$11,760

	Nine Months	
	Ended	
	December 31,	December 31,
	2014	2013
	(Unaudited)	
	(In thousands)	
U-Haul lease expenses to SAC Holdings	\$1,964	\$1,965
U-Haul commission expenses to SAC Holdings	39,131	37,341
U-Haul commission expenses to Private Mini	2,568	2,379
	\$43,663	\$41,685

We lease space for marketing company offices, vehicle repair shops and hitch installation centers from subsidiaries of SAC Holdings, 5 SAC and Galaxy. The terms of the leases are similar to the terms of leases for other properties owned by unrelated parties that are leased to us.

At December 31, 2014, 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 our other independent dealers whereby commissions are paid by us based upon equipment rental revenues.

These agreements and notes with subsidiaries of SAC Holdings, 4 SAC, 5 SAC, Galaxy and Private Mini, excluding Dealer Agreements, provided revenues of \$23.7 million, expenses of \$2.0 million and cash flows of \$53.4 million during the first nine months of fiscal 2015. Revenues and commission expenses related to the Dealer Agreements were \$193.0 million and \$41.7 million, respectively during the first nine months of fiscal 2015.

Pursuant to the variable interest entity model under ASC 810 – Consolidation (“ASC 810”), Management determined that the junior notes of SAC Holdings and Private Mini as well as the management agreements with SAC Holdings, Mercury, 4 SAC, 5 SAC, Galaxy, and Private Mini represent potential variable interests for us. Management evaluated whether it should be identified as the primary beneficiary of one or more of these VIE’s using a two-step approach in which management (i) identified all other parties that hold interests in the VIE’s, and (ii) determined if any variable interest holder has the power to direct the activities of the VIE’s that most significantly impact their economic performance.



Management determined that they do not have a variable interest in the holding entities SAC Holding II Corporation, Mercury, 4 SAC, 5 SAC, or Galaxy based upon management agreements which are with the individual operating entities or through the issuance of junior debt; therefore, we are precluded from consolidating these entities.

We have junior debt payable to us from the holding entities SAC Holding Corporation and Private Mini which represents a variable interest in each individual entity. Though we have certain protective rights within these debt agreements, we have no present influence or control over these holding entities unless their protective rights become exercisable, which management considers unlikely based on their payment history. As a result, we have no basis under ASC 810 to consolidate these entities.

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

We do not have the power to direct the activities that most significantly impact the economic performance of the individual operating entities which have management agreements with U-Haul. There are no fees or penalties disclosed in the management agreement for termination of the agreement. Through control of the holding entities' assets, and its ability and history of making key decisions relating to the entity and its assets, Blackwater, and its owner, are the variable interest holder with the power to direct the activities that most significantly impact each of the individual holding entities and the individual operating entities' performance. As a result, we have no basis under ASC 810 to consolidate these entities.

We have not provided financial or other support explicitly or implicitly during the quarter ended December 31, 2014 to any of these entities that it was not previously contractually required to provide. In addition, we currently have no plan to provide any financial support to any of these entities in the future. The carrying amount and classification of the assets and liabilities in our balance sheets that relate to our variable interests in the aforementioned entities are as follows, which approximate the maximum exposure to loss as a result of our involvement with these entities:

## Related Party Assets

	December 31, 2014	March 31, 2014
	(Unaudited)	
	(In thousands)	
U-Haul notes, receivables and interest from Private Mini	\$63,433	\$68,451
U-Haul notes receivable from SAC Holdings	50,708	71,464
U-Haul interest receivable from SAC Holdings	4,488	4,376
U-Haul receivable from SAC Holdings	23,128	19,418
U-Haul receivable from Mercury	6,503	5,930
Other (a)	516	(15)
	\$148,776	\$169,624

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

## 10. Consolidating Financial Information by Industry Segment

AMERCO's three reportable segments are:

- Moving and Storage, comprised of AMERCO, U-Haul, and Real Estate and the subsidiaries of U-Haul and Real Estate,
- Property and Casualty Insurance, comprised of Repwest and its subsidiaries and ARCOA, and
- Life Insurance, comprised of Oxford and its subsidiaries.

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.

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

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



## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

## 10. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of December 31, 2014 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
	(Unaudited)								
	(In thousands)								
Assets:									
Cash and cash equivalents	\$335,559	\$374,043	\$4,100	\$-	\$713,702	\$10,259	\$5,062	\$-	
Reinsurance recoverables and trade receivables, net	-	38,112	177	-	38,289	125,234	34,117	-	
Inventories, net	-	69,817	-	-	69,817	-	-	-	
Prepaid expenses	42,815	50,056	1,205	-	94,076	-	-	-	
Investments, fixed maturities and marketable equities	-	-	-	-	-	216,455	1,078,113	-	
Investments, other	-	-	31,229	-	31,229	54,277	161,260	-	
Deferred policy acquisition costs, net	-	-	-	-	-	-	116,191	-	
Other assets	37,056	64,092	44,288	-	145,436	917	2,587	-	
Related party assets	1,180,920	93,561	9	(1,124,079)	150,411	14,084	543	(16,262)	(c)
	1,596,350	689,681	81,008	(1,124,079)	1,242,960	421,226	1,397,873	(16,262)	
Investment in subsidiaries	833,496	-	-	(405,525)	427,971	-	-	(427,971)	(b)
Property, plant and equipment, at									

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cost:									
Land	–	66,792	390,437	–	457,229	–	–	–	
Buildings and improvements	–	281,461	1,359,959	–	1,641,420	–	–	–	
Furniture and equipment	72	323,753	20,191	–	344,016	–	–	–	
Rental trailers and other rental equipment	–	428,197	–	–	428,197	–	–	–	
Rental trucks	–	2,881,051	–	–	2,881,051	–	–	–	
	72	3,981,254	1,770,587	–	5,751,913	–	–	–	
Less:									
Accumulated depreciation	(59)	(1,496,451)	(394,668)	–	(1,891,178)	–	–	–	
Total property, plant and equipment	13	2,484,803	1,375,919	–	3,860,735	–	–	–	
Total assets		\$2,429,859	\$3,174,484	\$1,456,927	\$(1,529,604)	\$5,531,666	\$421,226	\$1,397,873	\$(444,233)

(a) Balances as of September 30, 2014

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating balance sheets by industry segment as of December 31, 2014 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
	(Unaudited)								
	(In thousands)								
Liabilities:									
Accounts payable and accrued expenses	\$326	\$338,920	\$5,890	\$-	\$345,136	\$-	\$8,428	\$-	\$
Notes, loans and leases payable	-	1,305,089	1,059,424	-	2,364,513	-	-	-	
Policy benefits and losses, claims and loss expenses payable	-	365,020	-	-	365,020	273,303	425,663	-	
Liabilities from investment contracts	-	-	-	-	-	-	673,051	-	
Other policyholders' funds and liabilities	-	-	-	-	-	4,879	5,590	-	
Deferred income	-	14,594	11	-	14,605	-	-	-	
Deferred income taxes	522,173	-	-	-	522,173	(22,657)	20,420	-	
Related party liabilities	-	607,678	530,212	(1,124,079) (c)	13,811	2,058	393	(16,262) (c)	
Total liabilities	522,499	2,631,301	1,595,537	(1,124,079)	3,625,258	257,583	1,133,545	(16,262)	
Stockholders' equity:									
Series preferred stock:									
Series A preferred stock	-	-	-	-	-	-	-	-	

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Series B preferred stock	—	—	—	—	—	—	—	—	—	
Series A common stock	—	—	—	—	—	—	—	—	—	
Common stock	10,497	1	1	(2)	(b) 10,497	3,301	2,500	(5,801)	(b)	
Additional paid-in capital	449,366	121,230	147,941	(269,171)	(b) 449,366	91,120	26,271	(117,601)	(b)	
Accumulated other comprehensive income (loss)	(27,357)	(62,067)	—	62,067	(b) (27,357)	6,980	27,730	(34,710)	(b)	
Retained earnings (deficit)	2,152,504	484,971	(286,552)	(198,419)	(b) 2,152,504	62,242	207,827	(269,859)	(b)	
Cost of common shares in treasury, net	(525,653)	—	—	—	(525,653)	—	—	—		
Cost of preferred shares in treasury, net	(151,997)	—	—	—	(151,997)	—	—	—		
Unearned employee stock ownership plan shares	—	(952)	—	—	(952)	—	—	—		
Total stockholders' equity (deficit)	1,907,360	543,183	(138,610)	(405,525)	1,906,408	163,643	264,328	(427,971)		
Total liabilities and stockholders' equity	\$2,429,859	\$3,174,484	\$1,456,927	\$(1,529,604)	\$5,531,666	\$421,226	\$1,397,873	\$(444,233)		\$

(a) Balances as of September 30, 2014

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables





## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating balance sheets by industry segment as of March 31, 2014 are as follows:

	Moving & Storage		Real Estate	Eliminations	Moving & Storage Consolidated	AMERCO Legal Group		Eliminations	
	AMERCO	U-Haul				Property & Casualty Insurance (a)	Life Insurance (a)		
	(In thousands)								
Assets:									
Cash and cash equivalents	\$321,544	\$140,844	\$2,322	\$-	\$464,710	\$12,758	\$17,644	\$-	
Reinsurance recoverables and trade receivables, net	-	28,784	177	-	28,961	142,335	28,026	-	
Inventories, net	-	67,020	-	-	67,020	-	-	-	
Prepaid expenses	18,537	36,236	496	-	55,269	-	-	-	
Investments, fixed maturities and marketable equities	-	-	-	-	-	192,173	946,102	-	
Investments, other	-	1,653	31,197	-	32,850	54,674	161,326	-	
Deferred policy acquisition costs, net	-	-	-	-	-	-	118,707	-	
Other assets	159	59,746	33,952	-	93,857	1,991	1,740	-	
Related party assets	1,150,671	115,657	9	(1,093,830)	172,507	13,011	515	(16,409)	(c)
	1,490,911	449,940	68,153	(1,093,830)	915,174	416,942	1,274,060	(16,409)	
Investment in subsidiaries	493,612	-	-	(120,122)	373,490	-	-	(373,490)	(b)
Property, plant and equipment, at cost:									
Land	-	56,242	348,935	-	405,177	-	-	-	
	-	205,762	1,224,568	-	1,430,330	-	-	-	

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Buildings and improvements									
Furniture and equipment	72	311,053	10,963	–	322,088	–	–	–	
Rental trailers and other rental equipment	–	373,325	–	–	373,325	–	–	–	
Rental trucks	–	2,610,797	–	–	2,610,797	–	–	–	
	72	3,557,179	1,584,466	–	5,141,717	–	–	–	
Less:									
Accumulated depreciation	(56)	(1,349,920)	(382,530)	–	(1,732,506)	–	–	–	
Total property, plant and equipment	16	2,207,259	1,201,936	–	3,409,211	–	–	–	
Total assets		\$1,984,539	\$2,657,199	\$1,270,089	\$(1,213,952)	\$4,697,875	\$416,942	\$1,274,060	\$(389,899)

(a) Balances as of December 31, 2013

(b) Eliminate investment in subsidiaries

(c) Eliminate intercompany receivables and payables

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating balance sheets by industry segment as of March 31, 2014 are as follows:

	Moving & Storage					AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate	Eliminations	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
	(In thousands)								
Liabilities:									
Accounts payable and accrued expenses	\$657	\$351,050	\$4,504	\$-	\$356,211	\$-	\$1,743	\$-	\$
Notes, loans and leases payable	-	1,060,240	882,119	-	1,942,359	-	-	-	
Policy benefits and losses, claims and loss expenses payable	-	370,668	-	-	370,668	295,216	416,714	-	
Liabilities from investment contracts	-	-	-	-	-	-	616,725	-	
Other policyholders' funds and liabilities	-	-	-	-	-	3,732	4,256	-	
Deferred income	-	31,390	-	-	31,390	-	-	-	
Deferred income taxes	455,295	-	-	-	455,295	(30,440)	7,741	-	
Related party liabilities	-	588,919	519,495	(1,093,830) (c)	14,584	1,647	178	(16,409) (c)	
Total liabilities	455,952	2,402,267	1,406,118	(1,093,830)	3,170,507	270,155	1,047,357	(16,409)	
Stockholders' equity:									
Series preferred stock:									
Series A preferred stock	-	-	-	-	-	-	-	-	
Series B preferred stock	-	-	-	-	-	-	-	-	

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Series A common stock	–	–	–	–	–	–	–	–	–	
Common stock	10,497	1	1	(2)	(b) 10,497	3,301	2,500	(5,801)	(b)	
Additional paid-in capital	444,420	121,230	147,941	(269,171)	(b) 444,420	91,120	26,271	(117,601)	(b)	
Accumulated other comprehensive income (loss)	(53,923)	(59,914)	–	59,914	(b) (53,923)	1,782	4,210	(5,992)	(b)	
Retained earnings (deficit)	1,805,243	194,834	(283,971)	89,137	(b) 1,805,243	50,584	193,722	(244,096)	(b)	
Cost of common shares in treasury, net	(525,653)	–	–	–	(525,653)	–	–	–		
Cost of preferred shares in treasury, net	(151,997)	–	–	–	(151,997)	–	–	–		
Unearned employee stock ownership plan shares	–	(1,219)	–	–	(1,219)	–	–	–		
Total stockholders' equity (deficit)	1,528,587	254,932	(136,029)	(120,122)	1,527,368	146,787	226,703	(373,490)		
Total liabilities and stockholders' equity	\$1,984,539	\$2,657,199	\$1,270,089	\$(1,213,952)	\$4,697,875	\$416,942	\$1,274,060	\$(389,899)		\$

(a) Balances as  
of December  
31, 2013

(b) Eliminate  
investment in  
subsidiaries

(c) Eliminate  
intercompany  
receivables and  
payables



## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating statement of operations by industry segment for the quarter ended December 31, 2014 are as follows:

	Moving & Storage				Eliminations	Moving & Storage Consolidated	AMERCO Legal Group			
	AMERCO	U-Haul	Real Estate				Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations	
	(Unaudited) (In thousands)									
Revenues:										
Self-moving equipment rentals	\$-	\$488,505	\$-	\$-		\$488,505	\$-	\$-	\$(1,090)	(c) \$488,505
Self-storage revenues	-	53,121	382	-		53,503	-	-	-	53,503
Self-moving and self-storage products and service sales	-	49,081	-	-		49,081	-	-	-	49,081
Property management fees	-	7,497	-	-		7,497	-	-	-	7,497
Life insurance premiums	-	-	-	-		-	-	39,026	-	39,026
Property and casualty insurance premiums	-	-	-	-		-	13,584	-	-	13,584
Net investment and interest income	1,234	1,371	233	-		2,838	2,961	15,149	(196)	(b) 20,022
Other revenue	-	36,040	29,405	(31,036)	(b)	34,409	-	1,202	(114)	(b) 35,497
Total revenues	1,234	635,615	30,020	(31,036)		635,833	16,545	55,377	(1,400)	700,355
Costs and expenses:										
Operating expenses	1,502	354,219	3,502	(31,036)	(b)	328,187	6,123	5,576	(1,194)	(b,c) 339,692
Commission expenses	-	58,439	-	-		58,439	-	-	-	58,439
Cost of sales	-	30,751	-	-		30,751	-	-	-	30,751
	-	-	-	-		-	3,481	36,603	-	40,084

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Benefits and losses										
Amortization of deferred policy acquisition costs	–	–	–	–	–	–	4,722	–		4,722
Lease expense	24	18,695	36	–	18,755	–	–	(50)	(b)	18,705
Depreciation, net of (gains) losses on disposals	1	75,573	6,236	–	81,810	–	–	–		81,810
Total costs and expenses	1,527	537,677	9,774	(31,036)	517,942	9,604	46,901	(1,244)		573,203
Earnings (loss) from operations before equity in earnings of subsidiaries	(293)	97,938	20,246	–	117,891	6,941	8,476	(156)		133,359
Equity in earnings of subsidiaries	56,559	–	–	(46,471)	(d) 10,088	–	–	(10,088)	(d)	–
Earnings from operations	56,266	97,938	20,246	(46,471)	127,979	6,941	8,476	(10,244)		133,359
Interest income (expense)	16,139	(20,836)	(21,178)	–	(25,875)	–	–	156	(b)	(25,719)
Pretax earnings (loss)	72,405	77,102	(932)	(46,471)	102,104	6,941	8,476	(10,088)		107,432
Income tax benefit	(5,865)	(30,056)	357	–	(35,564)	(2,428)	(2,901)	–		(40,959)
Earnings (loss) available to common shareholders	\$66,540	\$47,046	\$(575)	\$(46,471)	\$66,540	\$4,513	\$5,575	\$(10,088)		\$66,540
(a) Balances for the quarter ended September 30, 2014										
(b) Eliminate intercompany lease / interest income										

- (c) Eliminate intercompany premiums
- (d) Eliminate equity in earnings of subsidiaries



## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating statement of operations by industry segment for the quarter ended December 31, 2013 are as follows:

	Moving & Storage				Eliminations	Moving & Storage Consolidated	AMERCO Legal Group		Eliminations	
	AMERCO	U-Haul	Real Estate				Property & Casualty Insurance (a)	Life Insurance (a)		
	(Unaudited) (In thousands)									
Revenues:										
Self-moving equipment rentals	\$-	\$437,117	\$-	\$-	\$-	\$437,117	\$-	\$-	\$(910)	(c) \$436,207
Self-storage revenues	-	45,818	302	-	-	46,120	-	-	-	46,120
Self-moving and self-storage products and service sales	-	47,045	-	-	-	47,045	-	-	-	47,045
Property management fees	-	7,133	-	-	-	7,133	-	-	-	7,133
Life insurance premiums	-	-	-	-	-	-	-	39,198	-	39,198
Property and casualty insurance premiums	-	-	-	-	-	-	12,219	-	-	12,219
Net investment and interest income	2,516	1,988	661	-	-	5,165	3,009	12,895	(182)	(b) 20,948
Other revenue	260	37,021	26,091	(27,790)	(b)	35,582	-	1,059	(119)	(b) 36,522
Total revenues	2,776	576,122	27,054	(27,790)		578,162	15,228	53,152	(1,211)	644,331
Costs and expenses:										
Operating expenses	1,782	334,489	3,297	(27,790)	(b)	311,778	5,223	6,125	(1,020)	(b,c) 324,096
Commission expenses	-	50,679	-	-	-	50,679	-	-	-	50,679
Cost of sales	-	28,229	-	-	-	28,229	-	-	-	28,229
	-	-	-	-	-	-	4,289	34,341	-	38,630

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Benefits and losses										
Amortization of deferred policy acquisition costs	–	–	–	–	–	–	4,457	–		4,457
Lease expense	23	24,482	9	–	24,514	–	–	(46)	(b)	24,468
Depreciation, net of (gains) losses on disposals	1	66,340	4,448	–	70,789	–	–	–		70,789
Total costs and expenses	1,806	504,219	7,754	(27,790)	485,989	9,512	44,923	(1,066)		539,476
Earnings from operations before equity in earnings of subsidiaries	970	71,903	19,300	–	92,173	5,716	8,229	(145)		108,053
Equity in earnings of subsidiaries	38,578	–	–	(29,297)	(d) 9,281	–	–	(9,281)	(d)	–
Earnings from operations	39,548	71,903	19,300	(29,297)	101,454	5,716	8,229	(9,426)		108,731
Interest income (expense)	20,687	(26,371)	(18,068)	–	(23,752)	–	–	145	(b)	(23,607)
Pretax earnings	60,235	45,532	1,232	(29,297)	77,702	5,716	8,229	(9,281)		82,159
Income tax expense	(8,014)	(16,995)	(472)	–	(25,481)	(2,000)	(2,664)	–		(30,145)
Earnings available to common shareholders	\$52,221	\$28,537	\$760	\$(29,297)	\$52,221	\$3,716	\$5,565	\$(9,281)		\$52,221

(a) Balances for the quarter ended September 30, 2013

(b) Eliminate intercompany lease / interest income

(c) Eliminate intercompany premiums

(d) Eliminate  
equity in  
earnings of  
subsidiaries

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## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating statements of operations by industry for the nine months ended December 31, 2014 are as follows:

	Moving & Storage				Eliminations	Moving & Storage Consolidated	AMERCO Legal Group		Eliminations	
	AMERCO	U-Haul	Real Estate				Property & Casualty Insurance (a)	Life Insurance (a)		
	(Unaudited)									
	(In thousands)									
Revenues:										
Self-moving equipment rentals	\$-	\$1,719,200	\$-	\$-		\$1,719,200	\$-	\$-	\$(2,776)	(c) \$
Self-storage revenues	-	154,664	959	-		155,623	-	-	-	
Self-moving and self-storage products and service sales	-	191,603	-	-		191,603	-	-	-	
Property management fees	-	18,970	-	-		18,970	-	-	-	
Life insurance premiums	-	-	-	-		-	-	115,997	-	
Property and casualty insurance premiums	-	-	-	-		-	35,665	-	-	
Net investment and interest income	3,687	5,326	1,772	-		10,785	9,823	43,632	(586)	(b)
Other revenue	-	135,713	85,795	(90,790)	(b)	130,718	-	3,491	(344)	(b)
Total revenues	3,687	2,225,476	88,526	(90,790)		2,226,899	45,488	163,120	(3,706)	
Costs and expenses:										
Operating expenses	5,286	1,128,472	10,616	(90,790)	(b)	1,053,584	18,635	16,834	(3,092)	(b,c)
Commission expenses	-	200,939	-	-		200,939	-	-	-	
Cost of sales	-	112,215	-	-		112,215	-	-	-	
Benefits and losses	-	-	-	-		-	8,918	111,508	-	

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Amortization of deferred policy acquisition costs	–	–	–	–	–	–	13,196	–	
Lease expense	70	60,958	62	–	61,090	–	–	(140)	(b)
Depreciation, net of (gains) losses on disposals	4	192,760	17,163	–	209,927	–	–	–	
Total costs and expenses	5,360	1,695,344	27,841	(90,790)	1,637,755	27,553	141,538	(3,232)	
Earnings (loss) from operations before equity in earnings of subsidiaries	(1,673)	530,132	60,685	–	589,144	17,935	21,582	(474)	
Equity in earnings of subsidiaries	313,319	–	–	(287,556)	(d) 25,763	–	–	(25,763)	(d)
Earnings from operations	311,646	530,132	60,685	(287,556)	614,907	17,935	21,582	(26,237)	
Interest income (expense)	55,551	(69,977)	(60,792)	–	(75,218)	–	–	474	(b)
Fees and amortization on early extinguishment of debt	–	–	(4,081)	–	(4,081)	–	–	–	
Pretax earnings (loss)	367,197	460,155	(4,188)	(287,556)	535,608	17,935	21,582	(25,763)	
Income tax benefit	(19,936)	(170,018)	1,607	–	(188,347)	(6,277)	(7,477)	–	
Earnings (loss) available to common shareholders	\$347,261	\$290,137	\$(2,581)	\$(287,556)	\$347,261	\$11,658	\$14,105	\$(25,763)	\$
(a) Balances for the nine months ended September 30, 2014									
(b) Eliminate intercompany lease / interest income									
(c) Eliminate intercompany									

premiums  
(d) Eliminate  
equity in  
earnings of  
subsidiaries

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating statements of operations by industry for the nine months ended December 31, 2013 are as follows:

	Moving & Storage				Moving & Storage Consolidated	AMERCO Legal Group			Eliminations	
	AMERCO	U-Haul	Real Estate	Eliminations		Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		
	(Unaudited)									
	(In thousands)									
Revenues:										
Self-moving equipment rentals	\$-	\$1,558,857	\$-	\$-	\$1,558,857	\$-	\$-	\$(2,070)	(c)	\$1,556,787
Self-storage revenues	-	132,906	885	-	133,791	-	-	-		134,676
Self-moving and self-storage products and service sales	-	183,115	-	-	183,115	-	-	-		183,115
Property management fees	-	17,586	-	-	17,586	-	-	-		17,586
Life insurance premiums	-	-	-	-	-	-	119,708	-		119,708
Property and casualty insurance premiums	-	-	-	-	-	31,052	-	-		31,052
Net investment and interest income	5,031	6,183	734	-	11,948	7,949	40,372	(433)	(b)	59,774
Other revenue	260	134,181	76,085	(81,059)	(b) 129,467	-	2,524	(355)	(b)	135,712
Total revenues	5,291	2,032,828	77,704	(81,059)	2,034,764	39,001	162,604	(2,858)		2,213,511
Costs and expenses:										
Operating expenses	6,067	1,039,399	8,807	(81,059)	(b) 973,214	13,738	18,067	(2,398)	(b,c)	1,036,818
Commission expenses	-	182,068	-	-	182,068	-	-	-		182,068

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Cost of sales	–	98,331	–	–	98,331	–	–	–	9
Benefits and losses	–	–	–	–	–	8,746	110,509	–	1
Amortization of deferred policy acquisition costs	–	–	–	–	–	–	14,197	–	14
Lease expense	69	77,317	44	–	77,430	–	–	(137)	(b) 7
Depreciation, net of (gains) losses on disposals	4	179,241	12,186	–	191,431	–	–	–	19
Total costs and expenses	6,140	1,576,356	21,037	(81,059)	1,522,474	22,484	142,773	(2,535)	1
Earnings (loss) from operations before equity in earnings of subsidiaries	(849)	456,472	56,667	–	512,290	16,517	19,831	(323)	5
Equity in earnings of subsidiaries	263,524	–	–	(239,660)	(d) 23,864	–	–	(23,864)	(d) –
Earnings from operations	262,675	456,472	56,667	(239,660)	536,154	16,517	19,831	(24,187)	5
Interest income (expense)	63,796	(83,442)	(50,730)	–	(70,376)	–	–	323	(b) (7)
Pretax earnings	326,471	373,030	5,937	(239,660)	465,778	16,517	19,831	(23,864)	4
Income tax expense	(23,291)	(137,033)	(2,274)	–	(162,598)	(5,780)	(6,704)	–	(1)
Earnings available to common shareholders	\$303,180	\$235,997	\$3,663	\$(239,660)	\$303,180	\$10,737	\$13,127	\$(23,864)	\$3

(a) Balances for the nine months ended September 30, 2013

(b) Eliminate intercompany lease / interest income



- (c) Eliminate intercompany premiums
- (d) Eliminate equity in earnings of subsidiaries

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating cash flow statements by industry segment for the nine months ended December 31, 2014 are as follows:

	Moving & Storage				Moving & Storage	AMERCO Legal Group Property & Life			AMERCO
	AMERCO	U-Haul	Real Estate	Elimination	Consolidated	Casualty Insurance (a)	Insurance (a)	Elimination	Consolidated
	(Unaudited)								
Cash flows from operating activities:	(In thousands)								
Net earnings (loss)	\$347,261	\$290,137	\$(2,581)	\$(287,556)	\$347,261	\$11,658	\$14,105	\$(25,763)	\$347,261
Earnings from consolidated entities	(313,319)	—	—	287,556	(25,763)	—	—	25,763	—
Adjustments to reconcile net earnings to the cash provided by operations:									
Depreciation	4	242,708	17,159	—	259,871	—	—	—	259,871
Amortization of deferred policy acquisition costs	—	—	—	—	—	—	13,196	—	13,196
Change in allowance for losses on trade receivables	—	(201)	—	—	(201)	—	(11)	—	(212)
Change in allowance for inventory reserve	—	(744)	—	—	(744)	—	—	—	(744)
Net gain on sale of real and personal property	—	(49,948)	4	—	(49,944)	—	—	—	(49,944)
	—	—	—	—	—	(839)	(2,415)	—	(3,254)

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Net gain on sale of investments										
Deferred income taxes	64,058	–	–	–	64,058	4,983	2,444	–		71,485
Net change in other operating assets and liabilities:										
Reinsurance recoverables and trade receivables	–	(9,126)	–	–	(9,126)	17,101	(6,080)	–		1,895
Inventories	–	(2,053)	–	–	(2,053)	–	–	–		(2,053)
Prepaid expenses	(24,278)	(13,918)	(709)	–	(38,905)	–	–	–		(38,905)
Capitalization of deferred policy acquisition costs	–	–	–	–	–	–	(20,158)	–		(20,158)
Other assets	(36,897)	(4,316)	(692)	–	(41,905)	1,088	(846)	–		(41,663)
Related party assets	(534)	22,008	–	–	21,474	(947)	–	243	(b)	20,770
Accounts payable and accrued expenses	4,614	(19,545)	1,385	–	(13,546)	–	9,537	–		(4,009)
Policy benefits and losses, claims and loss expenses payable	–	(4,623)	–	–	(4,623)	(21,913)	8,949	–		(17,587)
Other policyholders' funds and liabilities	–	–	–	–	–	1,147	1,335	–		2,482
Deferred income	–	(16,743)	11	–	(16,732)	–	–	–		(16,732)
Related party liabilities	–	(168)	(67)	–	(235)	285	215	(243)	(b)	22
Net cash provided (used) by operating activities	40,909	433,468	14,510	–	488,887	12,563	20,271	–		521,721
Cash flows from investing										

activities:

Purchases of:

Property, plant and equipment	–	(534,117)	(191,330)	–	(725,447)	–	–	–	(725,447)
Short term investments	–	–	–	–	–	(35,624)	(167,394)	–	(203,018)
Fixed maturities investments	–	–	–	–	–	(33,735)	(148,089)	–	(181,824)
Equity securities	–	–	–	–	–	(3,333)	(426)	–	(3,759)
Preferred stock	–	–	–	–	–	(5)	–	–	(5)
Real estate	–	–	–	–	–	(3,812)	(7,516)	–	(11,328)
Mortgage loans	–	–	(21,593)	–	(21,593)	(3,150)	(12,622)	–	(37,365)
Proceeds from sales and paydown's of:									
Property, plant and equipment	–	321,495	185	–	321,680	–	–	–	321,680
Short term investments	–	–	–	–	–	39,745	180,865	–	220,610
Fixed maturities investments	–	–	–	–	–	17,794	57,578	–	75,372
Equity securities	–	–	–	–	–	3,082	–	–	3,082
Preferred stock	–	–	–	–	–	–	2,027	–	2,027
Real estate	–	–	–	–	–	–	396	–	396
Mortgage loans	–	1,653	21,561	–	23,214	3,976	6,002	–	33,192
Net cash provided (used) by investing activities	–	(210,969)	(191,177)	–	(402,146)	(15,062)	(89,179)	–	(506,387)

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(a) Balance for the period ended September 30, 2014

(b) Elimination of intercompany investments



## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Continuation of consolidating cash flow statements by industry segment for the nine months ended December 31, 2014 are as follows:

	Moving & Storage				Elimination	Moving & Storage	AMERCO Legal Group		Elimination	AMERCO Consolidated
	AMERCO	U-Haul	Real Estate			Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)		
	(Unaudited)									
	(In thousands)									
Cash flows from financing activities:										
Borrowings from credit facilities	–	156,251	353,823	–	510,074	–	–	–	–	510,074
Principal repayments on credit facilities	–	(90,154)	(176,518)	–	(266,672)	–	–	–	–	(266,672)
Debt issuance costs	–	(53)	(9,644)	–	(9,697)	–	–	–	–	(9,697)
Capital lease payments	–	(65,478)	–	–	(65,478)	–	–	–	–	(65,478)
Leveraged Employee Stock Ownership Plan - repayments from loan	–	267	–	–	267	–	–	–	–	267
Proceeds from (repayment of) intercompany loans	(26,894)	16,110	10,784	–	–	–	–	–	–	–
Investment contract deposits	–	–	–	–	–	–	94,979	–	–	94,979
Investment contract withdrawals	–	–	–	–	–	–	(38,653)	–	–	(38,653)
	(26,894)	16,943	178,445	–	168,494	–	56,326	–	–	224,820

Net cash  
provided  
(used) by  
financing  
activities

Effects of exchange rate on cash	–	(6,243)	–	–	(6,243)	–	–	–	(6,243)
Increase (decrease) in cash and cash equivalents	14,015	233,199	1,778	–	248,992	(2,499)	(12,582)	–	233,911
Cash and cash equivalents at beginning of period	321,544	140,844	2,322	–	464,710	12,758	17,644	–	495,112
Cash and cash equivalents at end of period	\$335,559	\$374,043	\$4,100	\$–	\$713,702	\$10,259	\$5,062	\$–	\$729,023

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(a) Balance  
for the period  
ended  
September 30,  
2014

## AMERCO AND CONSOLIDATED SUBSIDIARIES

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

Consolidating cash flow statements by industry segment for the nine months ended December 31, 2013 are as follows:

	Moving & Storage				Moving & Storage	AMERCO Legal Group Property & Life Casualty Insurance Elimination			AMERCO Consolidated
	AMERCO	U-Haul	Real Estate	Elimination	Consolidated	Insurance (a)	Insurance (a)		
	(Unaudited)								
Cash flows from operating activities:	(In thousands)								
Net earnings	\$303,180	\$235,997	\$3,663	\$(239,660)	\$303,180	\$10,737	\$13,127	\$(23,864)	\$303,180
Earnings from consolidated entities	(263,524)	—	—	239,660	(23,864)	—	—	23,864	—
Adjustments to reconcile net earnings to cash provided by operations:									
Depreciation	4	201,286	12,978	—	214,268	—	—	—	214,268
Amortization of deferred policy acquisition costs	—	—	—	—	—	—	14,197	—	14,197
Change in allowance for losses on trade receivables	—	3	—	—	3	—	9	—	12
Change in allowance for inventory reserve	—	3,640	—	—	3,640	—	—	—	3,640
Net gain on sale of real and personal property	—	(22,045)	(792)	—	(22,837)	—	—	—	(22,837)
	(1,325)	—	—	—	(1,325)	(674)	(4,089)	—	(6,088)



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Net gain on sale of investments									
Deferred income taxes	37,934	–	–	–	37,934	5,118	4,981	–	48,033
Net change in other operating assets and liabilities:									
Reinsurance recoverables and trade receivables	–	13,410	(177)	–	13,233	23,296	(3,174)	–	33,355
Inventories	–	(12,502)	–	–	(12,502)	–	–	–	(12,502)
Prepaid expenses	22,475	(8,660)	(706)	–	13,109	–	–	–	13,109
Capitalization of deferred policy acquisition costs	–	–	–	–	–	–	(25,128)	–	(25,128)
Other assets	5	10,558	(2,715)	–	7,848	201	(120)	–	7,929
Related party assets	540	9,636	(3)						