AMERCO /NV/
Form 10-Q
November 06, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

or

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

For the transition period from __________________ to __________________

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] 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 [x] 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 [x] Accelerated filer [ ]

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 [x]

19,607,788 shares of AMERCO Common Stock, $0.25 par value, were outstanding at November 1, 2013

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ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED balance sheets

	September 30, 2013 (Unaudited)	March 31, 2013
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$679,576	$463,744
Reinsurance recoverables and trade receivables, net	237,235	261,789
Inventories, net	61,430	56,396
Prepaid expenses	55,129	57,451
Investments, fixed maturities and marketable equities	1,114,340	1,095,338
Investments, other	212,707	241,765
Deferred policy acquisition costs, net	109,303	93,043
Other assets	104,591	99,986
Related party assets	168,830	182,035
	2,743,141	2,551,547
Property, plant and equipment, at cost:		
Land	363,142	333,228
Buildings and improvements	1,313,963	1,197,875
Furniture and equipment	311,765	311,142
Rental trailers and other rental equipment	350,101	317,476
Rental trucks	2,330,298	2,154,688
	4,669,269	4,314,409
Less: Accumulated depreciation	(1,636,065)	(1,559,355)
Total property, plant and equipment	3,033,204	2,755,054
Total assets	$5,776,345	$5,306,601
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$362,493	$358,491
Notes, loans and leases payable	1,775,119	1,661,845
Policy benefits and losses, claims and loss expenses payable	1,115,025	1,115,048
Liabilities from investment contracts	570,321	510,789
Other policyholders' funds and liabilities	7,788	7,294
Deferred income	32,388	30,217
Deferred income taxes	451,392	393,658
Total liabilities	4,314,526	4,077,342

Commitments and contingencies (notes 4, 7, 8 and 9)	–	–
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 September 30 and March 31, 2013	–	–
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of September 30 and March 31, 2013	–	–
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of $0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of September 30 and March 31, 2013	–	–
Common stock of $0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued and 19,607,788 outstanding as of September 30 and March 31, 2013	10,497	10,497
Additional paid-in capital	440,938	438,168
Accumulated other comprehensive loss	(44,109)	(22,680)
Retained earnings	1,733,589	1,482,630
Cost of common shares in treasury, net (22,377,912 shares as of September 30 and March 31, 2013)	(525,653)	(525,653)
Cost of preferred shares in treasury, net (6,100,000 shares as of September 30 and March 31, 2013)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	(1,446)	(1,706)
Total stockholders' equity	1,461,819	1,229,259
Total liabilities and stockholders' equity	$5,776,345	$5,306,601

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 September 30, 2013	2012
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$598,931	$538,361
Self-storage revenues	45,572	37,978
Self-moving and self-storage products and service sales	65,379	61,730
Property management fees	5,292	4,902
Life insurance premiums	39,448	47,667
Property and casualty insurance premiums	10,867	8,947
Net investment and interest income	19,960	15,853
Other revenue	51,042	28,679
Total revenues	836,491	744,117
Costs and expenses:		
Operating expenses	350,540	310,214
Commission expenses	78,378	68,564
Cost of sales	34,532	30,912
Benefits and losses	37,992	48,472
Amortization of deferred policy acquisition costs	6,057	3,088
Lease expense	25,818	29,591
Depreciation, net of (gains) on disposals of (($9,311) and ($5,532), respectively)	63,208	58,954
Total costs and expenses	596,525	549,795
Earnings from operations	239,966	194,322
Interest expense	(23,118)	(22,113)
Pretax earnings	216,848	172,209
Income tax expense	(78,857)	(62,789)
Earnings available to common stockholders	$137,991	$109,420
Basic and diluted earnings per common share	$7.06	$5.61
Weighted average common shares outstanding: Basic and diluted	19,554,633	19,512,550

Related party revenues for the second quarter of fiscal 2014 and 2013, net of eliminations, were $8.4 million and $8.2 million, respectively.

Related party costs and expenses for the second quarter of fiscal 2014 and 2013, net of eliminations, were $15.9 million and $13.9 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.

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AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Six Months Ended September 30, 2013	2012
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	$1,120,580	$1,005,355
Self-storage revenues	87,671	72,714
Self-moving and self-storage products and service sales	136,070	128,908
Property management fees	10,453	9,762
Life insurance premiums	80,510	94,093
Property and casualty insurance premiums	18,833	16,190
Net investment and interest income	38,949	30,370
Other revenue	90,256	54,401
Total revenues	1,583,322	1,411,793
Costs and expenses:		
Operating expenses	660,041	593,607
Commission expenses	147,005	129,671
Cost of sales	70,102	63,139
Benefits and losses	80,625	96,810
Amortization of deferred policy acquisition costs	9,740	5,899
Lease expense	52,825	62,387
Depreciation, net of (gains) on disposals of (($20,876) and ($13,048), respectively)	120,642	115,079
Total costs and expenses	1,140,980	1,066,592
Earnings from operations	442,342	345,201
Interest expense	(46,446)	(45,604)
Pretax earnings	395,896	299,597
Income tax expense	(144,937)	(109,608)
Earnings available to common shareholders	$250,959	$189,989
Basic and diluted earnings per common share	$12.84	$9.74
Weighted average common shares outstanding: Basic and diluted	19,550,128	19,507,456

Related party revenues for the first six months of fiscal 2014 and 2013, net of eliminations, were $16.8 million and $16.9 million, respectively.

Related party costs and expenses for the first six months of fiscal 2014 and 2013, net of eliminations, were $29.9 million and $26.2 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.

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AMERCO AND CONSOLIDATED ENTITIES

Condensed consolidatED statements of COMPREHENSIVE INCOME (loss)

Quarter Ended September 30, 2013	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$216,848	$(78,857)	$137,991
Other comprehensive income (loss):			
Foreign currency translation	1,557	–	1,557
Unrealized net loss on investments	(41,095)	14,322	(26,773)
Change in fair value of cash flow hedges	1,946	(740)	1,206
Total comprehensive income	$179,256	$(65,275)	$113,981

Quarter Ended September 30, 2012	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$172,209	$(62,789)	$109,420
Other comprehensive income (loss):			
Foreign currency translation	3,459	–	3,459
Unrealized net gain on investments	10,673	(3,769)	6,904
Change in fair value of cash flow hedges	768	(292)	476
Total comprehensive income	$187,109	$(66,850)	$120,259

Six Months Ended September 30, 2013	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			
Net earnings	$395,896	$(144,937)	$250,959
Other comprehensive income (loss):			
Foreign currency translation	(2,205)	–	(2,205)
Unrealized net loss on investments	(41,006)	14,254	(26,752)
Change in fair value of cash flow hedges	12,142	(4,614)	7,528
Total comprehensive income	$364,827	$(135,297)	$229,530

Six Months Ended September 30, 2012	Pre-tax	Tax	Net
	(Unaudited)		
	(In thousands)		
Comprehensive income:			

Net earnings	$299,597	$(109,608)	$189,989
Other comprehensive income (loss):			
Foreign currency translation	1,530	–	1,530
Unrealized net gain on investments	12,546	(4,349)	8,197
Change in fair value of cash flow hedges	253	(96)	157
Total comprehensive income	$313,926	$(114,053)	$199,873

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 cash flows

	Six Months Ended September 30,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Cash flow from operating activities:		
Net earnings	$ 250,959	$ 189,989
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	141,518	128,127
Amortization of deferred policy acquisition costs	9,740	5,899
Change in allowance for losses on trade receivables	(6)	(3)
Change in allowance for inventory reserves	716	1,705
Net gain on sale of real and personal property	(20,876)	(13,048)
Net gain on sale of investments	(4,060)	238
Deferred income taxes	63,947	24,926
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	24,561	33,416
Inventories	(5,750)	(1,629)
Prepaid expenses	2,323	422
Capitalization of deferred policy acquisition costs	(16,289)	(24,489)
Other assets	(4,370)	19,770
Related party assets	8,650	142,239
Accounts payable and accrued expenses	24,866	45,412
Policy benefits and losses, claims and loss expenses payable	309	(17,413)
Other policyholders' funds and liabilities	494	4,130
Deferred income	2,191	(671)
Related party liabilities	4,475	415
Net cash provided by operating activities	483,398	539,435
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(457,671)	(280,986)
Short term investments	(154,703)	(150,987)
Fixed maturities investments	(174,593)	(179,941)
Equity securities	(388)	(26)
Preferred stock	(635)	(1,200)
Real estate	(252)	(792)
Mortgage loans	(14,260)	(50,828)
Proceeds from sales and paydowns of:		
Property, plant and equipment	176,453	132,597
Short term investments	162,580	154,577
Fixed maturities investments	93,050	52,586

Equity securities	6,803	–
Preferred stock	6,004	1,453
Real estate	–	590
Mortgage loans	36,415	12,700
Net cash used by investing activities	(321,197)	(310,257)
Cash flows from financing activities:		
Borrowings from credit facilities	138,041	88,847
Principal repayments on credit facilities	(122,945)	(171,496)
Debt issuance costs	(233)	(1,010)
Capital lease payments	(21,425)	(9,883)
Leveraged Employee Stock Ownership Plan - repayments from loan	260	316
Securitization deposits	–	(1,729)
Investment contract deposits	74,253	169,933
Investment contract withdrawals	(14,721)	(15,275)
Net cash provided (used) by financing activities	53,230	59,703
Effects of exchange rate on cash	401	(240)
Increase in cash and cash equivalents	215,832	288,641
Cash and cash equivalents at the beginning of period	463,744	357,180
Cash and cash equivalents at the end of period	$679,576	$645,821

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

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AMERCO and consolidated entities

notes to condensed consolidatED financial statements

1.Basis of Presentation

AMERCO, a Nevada corporation ("AMERCO"), has a second fiscal quarter that ends on the 30th of September for each year that is referenced. Our insurance company subsidiaries have a second quarter that ends on the 30th of June for each year that is referenced. They have been consolidated on that basis. Our insurance companies' financial reporting processes conform to calendar year reporting as required by state insurance departments. Management believes that consolidating their calendar year into our fiscal year financial statements does not materially affect the financial position or results of operations. The Company discloses any material events occurring during the intervening period. Consequently, all references to our insurance subsidiaries' years 2013 and 2012 correspond to fiscal 2014 and 2013 for AMERCO.

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

The condensed consolidated balance sheet as of September 30, 2013 and the related condensed consolidated statements of operations, comprehensive income for the second quarter and first six months and cash flows for the first six months of fiscal 2014 and 2013 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, 2013.

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 includes AMERCO, U-Haul, and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate. Operations consist of the rental of trucks and trailers, sales of moving supplies, sales of towing accessories, sales of propane, and the 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 includes Repwest and its wholly-owned subsidiaries and ARCOA risk retention group ("ARCOA"). The Property and Casualty Insurance operating segment provides loss adjusting and claims handling for U-Haul through regional offices across North America. The Property and Casualty Insurance operating segment also underwrites components of the Safemove, Safetow, Safemove Plus, Safestor and Safestor Mobile protection packages to U-Haul customers. The business plan for the Property and Casualty Insurance operating segment 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 includes Oxford and its wholly-owned subsidiaries. The Life Insurance operating segment 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 48,649 and 90,159 as of September 30, 2013 and 2012, 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 $16.4 million at September 30, 2013.

Available-for-Sale Investments

Available-for-sale investments at September 30, 2013 were as follows:

	Amortized Cost (Unaudited)	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	$28,048	$1,932	$(3)	$(293)	$29,684
U.S. government agency mortgage-backed securities	44,735	2,772	(4)	(1,009)	46,494
Obligations of states and political subdivisions	162,678	9,304	(132)	(1,916)	169,934
Corporate securities	800,834	28,872	(1,336)	(22,474)	805,896
Mortgage-backed securities	5,613	177	(35)	–	5,755
Redeemable preferred stocks	18,440	385	(64)	(312)	18,449
Common stocks	37,356	2,171	(1,291)	(108)	38,128
	$1,097,704	$45,613	$(2,865)	$(26,112)	$1,114,340

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

We sold available-for-sale securities with a fair value of $103.3 million during the first six months of fiscal 2014. The gross realized gains on these sales totaled $3.2 million. The gross realized losses on these sales totaled $0.9 million.

amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

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 second quarter or for the first six months of fiscal 2014 and 2013.

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.

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

	Credit Loss (Unaudited) (In thousands)
Balance at March 31, 2013	$552
Additions:	
Other-than-temporary impairment not previously recognized	–
Balance at September 30, 2013	$552

The adjusted cost and estimated market value of available-for-sale investments at September 30, 2013, by contractual maturity, were as follows:

	Amortized Cost	Estimated Market Value
	(Unaudited)	
	(In thousands)	
Due in one year or less	$25,259	$25,520
Due after one year through five years	186,894	195,909
Due after five years through ten years	316,233	320,354

Due after ten years	507,909	510,225
	1,036,295	1,052,008
Mortgage backed securities	5,613	5,755
Redeemable preferred stocks	18,440	18,449
Common stocks	37,356	38,128
	$1,097,704	$1,114,340

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amerco and consolidated subsidiaries

notes to condensed consolidated financial statements – (continued)

4. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2014 Rate (a)	Maturities	September 30, 2013 (Unaudited)	March 31, 2013
			(In thousands)	
Real estate loan (amortizing term)	6.93%	2023	$255,000	$235,000
Real estate loan (amortizing term)	2.08%	2016	24,182	24,630
Real estate loan (revolving credit)	–	2014	–	–
Senior mortgages	4.90% - 5.75%	2015 - 2038	546,957	556,522
Working capital loan (revolving credit)	–	2015	–	–
Fleet loans (amortizing term)	1.95% - 6.14%	2014 - 2020	373,324	361,079
Fleet loans (securitization)	4.90% - 5.56%	2014 - 2017	170,531	190,801
Capital leases (rental equipment)	2.23% - 7.80%	2015 - 2020	371,754	273,458
Other obligations	3.00% - 8.00%	2013 - 2043	33,371	20,355
Total notes, loans and leases payable			$1,775,119	$1,661,845

(a) Interest rate as of September 30, 2013, 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. During the first quarter of fiscal 2014 this loan was amended. As part of the amendment the revolver component of the agreement was terminated and certain collateral was released. The final maturity date of the term loan was extended to April 2023. As of September 30, 2013, the outstanding balance on the Real Estate Loan was $255.0 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 interest rate, per the provisions of the amended loan agreement, is the applicable London Inter-Bank Offer Rate ("LIBOR") plus the applicable margin. At September 30, 2013, the applicable LIBOR was 0.19% and the applicable margin was 1.50%, the sum of which was 1.69%. The rate on the term facility portion 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 a subsidiary of U-Haul International, Inc. entered into a revolving credit construction loan effective June 29, 2006. This loan was modified and extended on June 27, 2011. The loan is now comprised of a term loan facility with an initial availability of $26.1 million and a final maturity of June 2016. As of

September 30, 2013, the outstanding balance was $24.2 million.

This Real Estate Loan requires monthly principal and interest payments, with the unpaid loan balance and any accrued and unpaid interest due at maturity. The interest rate, per the provision of this loan agreement, is the applicable LIBOR plus a margin of 1.90%. At September 30, 2013, the applicable LIBOR was 0.18% and the margin was 1.90%, the sum of which was 2.08%. U-Haul International, Inc. and AMERCO are guarantors of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

On April 29, 2011, Amerco Real Estate Company and U-Haul Company of Florida entered into a revolving credit agreement for $100.0 million. This agreement was amended in February 2013 and the maturity extended to April 2014 with an option for a one year extension and the revolver commitment was reduced to $50.0 million. As of September 30, 2013, 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 September 30, 2013 were in the aggregate amount of $547.0 million and mature between 2015 and 2038. The senior mortgages require average 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 interest rates, per the provisions of the senior mortgages, range between 4.90% and 5.75%. 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.

Working Capital Loans

Amerco Real Estate Company is a borrower under an asset backed working capital loan. The maximum amount that can be drawn at any one time is $25.0 million. At September 30, 2013, we had the full $25.0 million 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 was amended in February 2013 and the maturity extended to April 2015. 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, per the provision of this loan agreement, 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 September 30, 2013 was $258.3 million with the final maturities between February 2014 and July 2020.

The Amortizing Loans require monthly principal and interest payments, with the unpaid loan balance and accrued and unpaid interest due at maturity. These loans were used to purchase new trucks. The interest rates, per the provision of the Loan Agreements, are the applicable LIBOR plus a margin between 0.90% and 2.63%. At September 30, 2013, the applicable LIBOR was between 0.18% and 0.19% and applicable margins were between 0.90% and 2.63%. The interest rates are hedged with interest rate swaps fixing the rates between 2.82% and 6.14% based on current margins. Additionally, $77.4 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.

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notes to condensed consolidated financial statements – (continued)

On December 31, 2009, a subsidiary of U-Haul International, Inc. entered into an $85.0 million term note that was used to fund cargo van and pickup acquisitions for the past two years. This term note was amended on August 26, 2011. The amount of the term note was increased to $95.0 million. On December 22, 2011, we entered into another term loan for $20.0 million. 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 September 30, 2013, the 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

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

The 2007 Box Truck Note has a fixed interest rate of 5.56% with an expected final maturity of February 2014. At September 30, 2013, the outstanding balance was $73.1 million. The note is secured by the box trucks that were purchased and the corresponding operating cash flows associated with their operation.

The 2007 Box Truck Note has the benefit of a financial guaranty insurance policy which guarantees the timely payment of interest on and the ultimate payment of the principal of this note.

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 September 30, 2013, the outstanding balance was $97.5 million. The note is secured by the box trucks being purchased and the corresponding operating cash flows associated with their operation.

The 2007 Box Truck Note and 2010 Box Truck 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 these notes include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Capital Leases

We entered into capital leases for new equipment between April 2008 and September 2013, with terms of the leases between 3 and 7 years. At September 30, 2013, the balance of these leases was $371.8 million.

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.

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notes to condensed consolidated financial statements – (continued)

At September 30, 2013, the aggregate outstanding principal balance of the U-Notes issued was $39.8 million of which $6.4 million is with our insurance subsidiaries with interest rates between 3.00% and 8.00% and maturity dates between 2013 and 2043.

Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt as of September 30, 2013 for the next five years and thereafter are as follows:

	Year Ending September 30,					
	2014	2015	2016	2017	2018	Thereafter
	(Unaudited)					
	(In thousands)					
Notes, loans and leases payable, secured	$241,914	$565,402	$283,133	$116,779	$168,456	$399,435

Interest on Borrowings

Interest Expense

Components of interest expense include the following:

	Quarter Ended September 30,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Interest expense	$18,055	$16,529
Capitalized interest	(128)	(94)
Amortization of transaction costs	843	1,050
Interest expense resulting from derivatives	4,348	4,628
Total interest expense	$23,118	$22,113

	Six Months Ended September 30,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Interest expense	$35,869	$32,175
Capitalized interest	(270)	(171)
Amortization of transaction costs	1,694	2,135
Interest expense resulting from derivatives	9,153	11,465
Total interest expense	$46,446	$45,604

Interest paid in cash, including payments related to derivative contracts, amounted to $22.9 million and $21.3 million for the second quarter of fiscal 2014 and 2013, respectively and $44.9 million and $42.5 million for the first six months of fiscal 2014 and 2013, respectively.

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notes to condensed consolidated financial statements – (continued)

Interest Rates

Interest rates and Company borrowings were as follows:

	Revolving Credit Activity Quarter Ended September 30,	
	2013	2012
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the quarter	1.52%	1.69%
Interest rate at the end of the quarter	1.52%	0.00%
Maximum amount outstanding during the quarter	$25,000	$48,920
Average amount outstanding during the quarter	$25,000	$26,374
Facility fees	$64	$106

	Revolving Credit Activity Six Months Ended September 30,	
	2013	2012
	(Unaudited)	
	(In thousands, except interest rates)	
Weighted average interest rate during the first six months	1.50%	1.71%
Interest rate at the end of the first six months	1.52%	0.00%
Maximum amount outstanding during the first six months	$25,000	$48,920
Average amount outstanding during the first six months	$24,590	$25,154
Facility fees	$156	$284

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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.