RAMBUS INC
Form 10-Q
May 03, 2010

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

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: 000-22339

RAMBUS INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-3112828 (I.R.S. Employer Identification No.)

4440 El Camino Real, Los Altos, CA 94022
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (650) 947-5000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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. (Check one):

Large accelerated filer R	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 R

The number of shares outstanding of the registrant's Common Stock, par value $.001 per share, was 114,574,919 as of March 31, 2010.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) contains forward-looking statements. These forward-looking statements include, without limitation, predictions regarding the following aspects of our future:

- Outcome and effect of current and potential future intellectual property litigation;
- Litigation expenses;
- Protection of intellectual property;
- Amounts owed under licensing agreements;
- Terms of our licenses;
- Acquisitions, mergers or strategic transactions;
- Indemnification and technical support obligations;
- Success in the markets of our or our licensees’ products;
- Sources of competition;
- Operating results;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Effects of changes in the economy and credit market on our industry and business;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Restructuring activities;
- Growth in our business;
- Product development;
- Pricing policies of our licensees;
- Success in renewing license agreements;
- Engineering, marketing and general and administration expenses;
- Contract revenue;
- International licenses and operations, including our design facility in Bangalore, India;

- Issuances of our securities, which could involve restrictive covenants or be dilutive to our existing stockholders;
- Repurchases of our Common Stock pursuant to share repurchase programs;
- Effective tax rates;
- Realization of deferred tax assets/release of deferred tax valuation allowance;

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- Methods, estimates and judgments in accounting policies;
- Adoption of new accounting pronouncements;
- Ability to identify, attract, motivate and retain qualified personnel;
- Trading price of our Common Stock;
- Corporate governance;
- Consequences of the lawsuits related to the stock option investigation;
- The level and terms of our outstanding debt;
- Resolution of the governmental agency matters involving us;
- Internal control environment;
- Interest and other income, net; and
- Likelihood of paying dividends or repurchasing stock.

You can identify these and other forward-looking statements by the use of words such as “may,” “future,” “shall,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” or the negative of su other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A, “Risk Factors.” All forward-looking statements included in this document are based on our assessment of information available to us at this time. We assume no obligation to update any forward-looking statements.

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RAMBUS INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2010	December 31, 2009
	(In thousands, except shares and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$400,921	$289,073
Marketable securities	267,752	171,120
Accounts receivable	470	949
Prepaids and other current assets	8,662	8,700
Deferred taxes	587	129
Total current assets	678,392	469,971
Restricted cash	661	639
Deferred taxes, long-term	1,604	2,034
Intangible assets, net	22,105	21,660
Property and equipment, net	37,972	38,966
Goodwill	15,554	15,554
Other assets	6,579	7,045
Total assets	$762,867	$555,869
LIABILITIES		
Current liabilities:		
Accounts payable	$8,417	$8,972
Accrued salaries and benefits	14,136	6,435
Accrued litigation expenses	4,555	5,147
Income taxes payable	3,313	486
Non-cash obligation for construction in progress	25,900	25,100
Other accrued liabilities	7,386	4,020
Convertible notes	—	136,032
Total current liabilities	63,707	186,192
Convertible notes	114,757	112,012
Long-term income taxes payable	2,042	1,994
Other long-term liabilities	683	344
Total liabilities	181,189	300,542
Commitments and contingencies		
Contingently redeemable common stock:		
Outstanding: 4,788,125 shares at March 31, 2010 and no shares at December 31, 2009	113,500	—
STOCKHOLDERS’ EQUITY		
Convertible preferred stock, $.001 par value:		
Authorized: 5,000,000 shares		
Issued and outstanding: no shares at March 31, 2010 and December 31, 2009	—	—

Common stock, $.001 par value:		
Authorized: 500,000,000 shares		
Issued and outstanding: 109,786,794 shares at March 31, 2010 and 105,934,157 shares at December 31, 2009	110	106
Additional paid-in capital	903,733	818,992
Accumulated deficit	(435,427)	(563,858)
Accumulated other comprehensive income (loss), net	(238)	87
Total stockholders' equity	468,178	255,327
Total liabilities, contingently redeemable common stock and stockholders' equity	$762,867	$555,869

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2010	2009
	(In thousands, except per share amounts)	
Revenue:		
Royalties	$160,542	$26,169
Contract revenue	1,322	1,165
Total revenue	161,864	27,334
Costs and expenses:		
Cost of revenue*	1,854	2,183
Research and development*	21,691	17,837
Marketing, general and administrative*	31,527	37,156
Costs (recoveries) of restatement and related legal activities	526	(13,639)
Gain from settlement	(95,900)	—
Total costs and expenses (recoveries)	(40,302)	43,537
Operating income (loss)	202,166	(16,203)
Interest income and other income (expense), net	425	1,440
Interest expense	(6,016)	(2,670)
Interest and other income (expense), net	(5,591)	(1,230)
Income (loss) before income taxes	196,575	(17,433)
Provision for (benefit from) income taxes	45,676	(7)
Net income (loss)	$150,899	$(17,426)
Net income (loss) per share:		
Basic	$1.33	$(0.17)
Diluted	$1.28	$(0.17)
Weighted average shares used in per share calculation:		
Basic	113,132	104,376
Diluted	117,463	104,376

* Includes stock-based compensation:

Cost of revenue	$100	$390
Research and development	$2,569	$2,740
Marketing, general and administrative	$5,165	$5,289

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$150,899	$(17,426)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation	7,834	8,419
Depreciation	2,473	2,807
Amortization of intangible assets	1,086	806
Non-cash interest expense and amortization of convertible debt issuance costs	3,860	2,670
Deferred tax (benefit) provision	(29)	95
Impairment of investments	—	164
Change in assets and liabilities:		
Accounts receivable	479	316
Prepaids and other assets	26	1,185
Accounts payable	(639)	8,647
Accrued salaries and benefits and other accrued liabilities	9,248	(1,066)
Accrued litigation expenses	(592)	(6,970)
Income taxes payable	2,875	(279)
Increase in restricted cash	(22)	(5)
Net cash provided by (used in) operating activities	177,498	(637)
Cash flows from investing activities:		
Purchases of property and equipment	(534)	(708)
Purchases of marketable securities	(136,519)	(83,508)
Maturities of marketable securities	39,562	90,493
Acquisition of intangible assets	—	(1,550)
Net cash provided by (used in) investing activities	(97,491)	4,727
Cash flows from financing activities:		
Payments under installment payment arrangement	(400)	—
Proceeds received from issuance of contingently redeemable common stock and common stock pursuant to the settlement agreement with Samsung	192,000	—
Proceeds received from issuance of common stock under employee stock plans	3,664	5,507
Repayment of convertible senior notes	(136,950)	—
Repurchase and retirement of common stock	(26,473)	—
Net cash provided by financing activities	31,841	5,507
Net increase in cash and cash equivalents	111,848	9,597
Cash and cash equivalents at beginning of period	289,073	116,241
Cash and cash equivalents at end of period	$400,921	$125,838
Non-cash investing and financing activities:		
Intangible assets acquired under installment payment arrangement	$1,531	$—
Increase in non-cash obligation for construction in progress	$800	$—

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Rambus Inc. ("Rambus" or the "Company") and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Investments in entities with less than 20% ownership or in which the Company does not have the ability to significantly influence the operations of the investee are being accounted for using the cost method and are included in other assets.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring items) necessary to state fairly the financial position and results of operations for each interim period presented. Interim results are not necessarily indicative of results for a full year.

The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") applicable to interim financial information. Certain information and Note disclosures included in the financial statements prepared in accordance with generally accepted accounting principles have been omitted in these interim statements pursuant to such SEC rules and regulations. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto in Form 10-K for the year ended December 31, 2009.

2. Summary of Significant Accounting Policies

Fair Value of Financial Instruments

The amounts reported for cash equivalents, marketable securities, accounts receivable, accounts payable, and accrued liabilities are considered to approximate fair value based upon comparable market information available at the respective balance sheet dates. The Company adopted the fair value measurement statement (Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures"), effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. The statement applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. For the discussion regarding the impact of the adoption of the statement on the Company's marketable securities, see Note 15, "Fair Value of Financial Instruments." Additionally, the Company has adopted the fair value option for financial assets and financial liabilities statement, effective January 1, 2008. The Company has not elected the fair value option for financial instruments not already carried at fair value.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with original maturity of three months or less at the date of purchase. The Company maintains its cash balances with high quality financial institutions. The cash equivalent balances are invested in highly-rated and highly-liquid money market securities, such as money market funds.

Marketable Securities

Available-for-sale securities are carried at fair value, based on quoted market prices, with the unrealized gains or losses reported, net of tax, in stockholders' equity as part of accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, both of which are included in interest and other income, net. Realized gains and losses are recorded on the specific identification method and are included in interest and other income, net. The Company reviews its investments in marketable securities for possible other than temporary impairments on a regular basis. If any

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loss on investment is believed to be a credit loss, a charge will be recognized in operations. In evaluating whether a credit loss on a debt security has occurred, the Company considers the following factors: 1) the Company's intent to sell the security, 2) if the Company intends to hold the security, whether or not it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis, and 3) even if the Company intends to hold the security, whether or not the Company expects the security to recover the entire amortized cost basis. Due to the high credit quality and short term nature of the Company's investments, there have been no credit losses recorded to date. The classification of funds between short-term and long-term is based on whether the securities are available for use in operations or other purposes.

Non-Marketable Securities

The Company has an investment in a non-marketable security of a private company which is carried at cost. The Company monitors the investments for other-than-temporary impairment and records appropriate reductions in carrying value when necessary. The non-marketable security is classified as other non-current assets in the consolidated balance sheets.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06 which includes two major new disclosure requirements and clarifies two existing disclosure requirements related to fair value measurement. ASU 2010-06 is effective for interim or annual reporting periods beginning after December 15, 2009. The adoption of this new guidance did not have a material impact on the Company's financial statements as the Company only expanded its fair value disclosure to address this ASU (See Note 15, "Fair Value of Financial Instruments").

In September 2009, the Emerging Issues Task Force (the "EITF") reached final consensus under ASU No. 2009-13 on the issue related to revenue arrangements with multiple deliverables. This issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting. This issue is effective for the Company's revenue arrangements entered into or materially modified on or after January 1, 2011. The Company will evaluate the impact of this issue on the Company's financial statements when reviewing its new or materially modified revenue arrangements with multiple deliverables once this issue becomes effective.

In June 2009, the FASB issued ASU No. 2009-17 which improves financial reporting by enterprises involved with variable interest entities. This statement requires companies to perform an analysis to determine whether the Company's variable interest or interests give it a controlling financial interest in a variable interest entity. This statement was effective for the Company's fiscal year beginning January 1, 2010. The Company evaluated its existing variable interest and concluded that it does not give it a controlling financial interest in variable interest entity; therefore, the adoption of this new statement did not have a material impact on the Company's financial statements.

In June 2009, the FASB issued ASU No. 2009-16 which improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets as well as the effects of a transfer on its financial position, financial performance, and cash flows and a transferor's continuing involvement, if any, in transferred financial assets. The statement requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. The statement was effective for the Company's fiscal year beginning January 1, 2010. The adoption of this pronouncement did not have a material impact on the Company's financial statements as the Company does not currently transfer its financial assets.

3. Settlement Agreement with Samsung

On January 19, 2010, the Company, Samsung and certain related entities of Samsung entered into a Settlement Agreement (the “Settlement Agreement”) to release all claims against each other with respect to all outstanding litigation between them and certain other potential claims. Under the Settlement Agreement, Samsung has paid the Company $200.0 million in cash in two installments in the first quarter of 2010, and the parties released all claims against each other with respect to all outstanding litigation between them and certain other potential claims. Pursuant to the Settlement Agreement, the Company and Samsung entered into a Semiconductor Patent License Agreement on January 19, 2010 (the “License Agreement”), under which Samsung licenses from the Company non-exclusive rights to certain Rambus patents and has agreed to pay the Company cash amounts equal to $25.0 million per quarter, commencing in the first quarter of 2010, subject to certain adjustments and conditions, over the next five years, as described in more details below. In addition, as part of the Settlement Agreement, Samsung purchased approximately 9.6 million shares of common stock of Rambus for cash pursuant to the terms of a

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Stock Purchase Agreement dated January 19, 2010 (the "Stock Purchase Agreement"), as described in more details below. Finally, pursuant to the Settlement Agreement, the Company and Samsung signed a non-binding memorandum of understanding relating to discussions around a new generation of memory technologies. On an aggregate basis, Samsung is expected to make payments to the Company totaling approximately $900.0 million (subject to adjustments per the terms of the License Agreement) from these agreements (collectively, "Samsung Settlement"), of which $425.0 million has been paid through March 31, 2010. The remaining $475.0 million is expected to be paid in successive quarterly payments of approximately $25.0 million (subject to adjustments per the terms of the License Agreement) concluding in the three months ending December 31, 2014.

Under the License Agreement, the Company has granted to Samsung and its subsidiaries (i) a paid-up perpetual patent license for certain identified Samsung DRAM products (these Samsung DRAM products generally include all existing DRAM products aside from the Rambus proprietary products) and (ii) a five-year term patent license to all other semiconductor products. Each license is a non-exclusive, non-transferable, royalty-bearing, worldwide patent license, without the right to sublicense, solely under the applicable patent claims of Rambus for such licensed products, to make (including have made), use, sell, offer for sale and/or import such licensed products until the expiration or termination of the license pursuant to the terms of the License Agreement. The License Agreement requires that Samsung pay the Company cash payments over the next five years of (i) a fixed amount of $25.0 million each quarter during 2010 and the first two quarters of 2011, and (ii) thereafter, $25.0 million adjusted up or down based on certain levels of Samsung revenue for DRAM products licensed under the License Agreement for each quarter after 2010 and subject to a minimum of $10.0 million and a maximum of $40.0 million for each quarter. In addition, additional payments or certain adjustments to the payments by Samsung to the Company under the License Agreement may be due for certain acquisitions of businesses or assets by Samsung involving licensed products. The License Agreement and the licenses granted thereunder may be terminated upon a material breach by a party of its obligations under the agreement, a bankruptcy event involving a party or a change of control of Samsung subject to certain conditions.

Under the Stock Purchase Agreement, on January 19, 2010, Samsung purchased for cash from the Company 9.6 million shares of common stock of the Company (the "Shares") with certain restrictions and put rights. The number of shares issued was based on a price per share equal to $20.885 (which was the average of the open and close trading price of Rambus common stock on The NASDAQ Global Select Market on January 15, 2010, the last trading day prior to the date of the Stock Purchase Agreement). The Shares represent approximately 8.3% of the total outstanding shares of Rambus common stock after giving effect to the issuance thereof. The issuance of the Shares by the Company to Samsung was made through a private transaction. The Stock Purchase Agreement provides Samsung a one-time put right, beginning 18 months after the date of the Stock Purchase Agreement and extending to 19 months after the date of the Stock Purchase Agreement, to elect to put back to the Company up to 4.8 million of the Shares at the original issue price of $20.885 per share (for an aggregate purchase price of up to $100.0 million).

The Stock Purchase Agreement prohibits the transfer of the Shares by Samsung for 18 months after the date of the Stock Purchase Agreement, subject to certain exceptions. After expiration of the transfer restriction period, the Stock Purchase Agreement provides that Samsung may transfer a limited number of shares on a daily basis, provides Rambus with a right of first offer for proposed transfers above such daily limits, and, if no sale occurs to Rambus under the right of first offer, allows Samsung to transfer the Shares. Under the Stock Purchase Agreement, the Company has also agreed that after the transfer restriction period, Samsung will have certain rights to register the Shares for sale under the securities laws of the United States, subject to customary terms and conditions.

In addition, until 18 months after the date of the Stock Purchase Agreement, subject to customary exceptions, Samsung is subject to a standstill agreement that prohibits Samsung from, among other things, acquiring additional shares of common stock of the Company, commencing or endorsing any tender offer or exchange offer for shares of common stock of the Company, participating in any solicitation of proxies with respect to voting any shares of common stock of the Company, or announcing or submitting any proposal or offer concerning any extraordinary transaction involving the Company. Samsung is also subject to a voting agreement under the Stock Purchase Agreement that provides that Samsung will vote its Shares in favor of routine proposals (related to election of directors, certain compensation matters, authorized share capital increases and approval of the independent auditors) that are recommended by the Board of Directors of the Company at any stockholder meeting. In all other matters, the voting agreement contained in the Stock Purchase Agreement requires that Samsung vote its Shares in the same proportion as the votes that are cast by all other holders of shares of common stock of the Company. The voting agreement under the Stock Purchase Agreement terminates (i) with respect to Shares that Samsung transfers in accordance with the provisions of the Stock Purchase Agreement, (ii) upon a change of control or bankruptcy event involving the Company or (iii) when Samsung owns less than 3% of the outstanding shares of common stock of the Company.

The Samsung Settlement is a multiple element arrangement for accounting purposes. For the multiple element arrangement, the Company identified each element of the arrangement and determined when those elements should be recognized. Using the accounting guidance from multiple element revenue arrangements, the Company allocated the consideration to each element using the estimated fair value of the elements. The Company considered several factors in determining the accounting fair

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value of the elements of the Samsung Settlement which included a third party valuation using an income approach, the Black-Scholes option pricing model and a residual approach (collectively the "Fair Value"). The inputs and assumptions used in this valuation were from a market participant perspective and included projected revenue, royalty rates, estimated discount rates, useful lives and income tax rates, among others. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors, including the selection of industry comparables, market growth rates and other relevant factors. Changes in any number of these assumptions may have had a substantial impact on the Fair Value as assigned to each element. These inputs and assumptions represent management's best estimates at the time of the transaction.

Based on the estimated Fair Value, the consideration of $900.0 million was allocated to the following elements:

(in millions)	Estimated Fair Value
Settlement Agreement:	
Antitrust litigation settlement	$85.0
Settlement of past infringement	190.0
License Agreement	385.0
Stock Purchase Agreement	192.0
Memorandum of understanding ("MOU")	—
Residual value	48.0
Total	$900.0

The consideration of $900.0 million will be recognized in the Company's financial statements as follows:

- $575.0 million as revenue which represented the estimated Fair Value of the settlement of past infringement ($190.0 million) from the resolution of the infringement litigation and the patent license agreement ($385.0 million);
- $133.0 million to gain from settlement which represented the Fair Value of the resolution of the antitrust litigation ($85.0 million) and the residual value of other elements ($48.0 million) where specific fair value could not be determined, which included other claims and counter claims released;
- $192.0 million related to the Stock Purchase Agreement which included contingently redeemable common stock due to the restrictions and contractual put rights associated with those shares ($113.5 million) and restricted common stock issued to Samsung ($78.5 million).

During the first quarter of 2010, the Company received cash consideration of $425.0 million from Samsung. The amount allocated to the common stock issued to Samsung was allocated to contingently redeemable common stock ($113.5 million) and stockholders' equity ($78.5 million). The remaining $233.0 million was allocated between revenue ($137.1 million) and gain from settlement ($95.9 million) based on the remaining elements' estimated Fair Value.

The remaining $475.0 million is expected to be paid in successive quarterly payments of approximately $25.0 million (subject to adjustments per the terms of the License Agreement), concluding in the last quarter of 2014.

The first quarter of 2010 and the remaining future cash receipts from the agreements with Samsung are expected to be recognized as follows assuming no adjustments to the payments under the terms of the agreements:

	Q1 2010	Remainder of 2010	2011	2012	2013	2014	Estimated Fair

							Value
(in millions)							
Revenue	$137.1	$44.1	$93.8	$100.0	$100.0	$100.0	$575.0
Gain from settlement	95.9	30.9	6.2	—	—	—	133.0
Purchase of Rambus Common Stock	192.0	—	—	—	—	—	192.0
Total	$425.0	$75.0	$100.0	$100.0	$100.0	$100.0	$900.0

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4. Revenue Recognition

Overview

The Company recognizes revenue when persuasive evidence of an arrangement exists, it has delivered the product or performed the service, the fee is fixed or determinable and collection is reasonably assured. If any of these criteria are not met, the Company defers recognizing the revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require the Company to make judgments, assumptions and estimates based upon current information and historical experience.

The Company’s revenue consists of royalty revenue and contract revenue generated from agreements with semiconductor companies, system companies and certain reseller arrangements. Royalty revenue consists of patent license and technology license royalties. Contract revenue consist of fixed license fees, fixed engineering fees and service fees associated with integration of the Company’s technology solutions into its customers’ products. Contract revenue may also include support or maintenance. Reseller arrangements generally provide for the pass-through of a percentage of the fees paid to the reseller by the reseller’s customer for use of the Company’s patent and technology licenses. The Company does not recognize revenue for these arrangements until it has received notice of revenue earned by and paid to the reseller, accompanied by the pass-through payment from the reseller. The Company does not pay commissions to the reseller for these arrangements.

In addition, the Company may enter into certain settlements of patent infringement disputes. The amount of consideration received upon any settlement (including but not limited to past royalty payments, future royalty payments and punitive damages) is allocated to each element of the settlement based on the estimated fair value of each element. In addition, revenues related to past royalties are recognized upon execution of the agreement by both parties, provided that the amounts are fixed or determinable, there are no significant obligations and collectability is reasonably assured. The Company does not recognize any revenue prior to execution of the agreement since there is no reliable basis on which it can estimate the amounts for royalties related to previous periods or assess collectability. Elements that are related to royalty revenue in nature (including but not limited to past royalty payments and future royalty payments) will be recorded as royalty revenue in the consolidated statements of operations. Elements that are not related to royalty revenue in nature (including but not limited to punitive damage and settlement) will be recorded as gain from settlement which is reflected as a separate line item within the operating expenses section in the consolidated statements of operations.

Many of the Company’s licensees have the right to cancel their licenses. In such arrangements, revenue is only recognized to the extent that is consistent with the cancellation provisions. Cancellation provisions within such contracts generally provide for a prospective cancellation with no refund of fees already remitted by customers for products provided and payment for services rendered prior to the date of cancellation. Unbilled receivables represent enforceable claims and are deemed collectible in connection with the Company’s revenue recognition policy.

Royalty Revenue

The Company recognizes royalty revenue upon notification by its licensees and when deemed collectible. The terms of the royalty agreements generally either require licensees to give the Company notification and to pay the royalties within 60 days of the end of the quarter during which the sales occur or are based on a fixed royalty that is due within 45 days of the end of the quarter. The Company has two types of royalty revenue: (1) patent license royalties and (2) technology license royalties.

Patent licenses. The Company licenses its broad portfolio of patented inventions to semiconductor and systems companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of the Company's patent portfolio. The Company generally recognizes revenue from these arrangements as amounts become due. The contractual terms of the agreements generally provide for payments over an extended period of time.

Technology licenses. Rambus develops proprietary and industry-standard chip interface products, such as RDRAMtm and XDRtm that Rambus provides to its customers under technology license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. Rambus recognizes revenue from these arrangements upon notification from the licensee of the royalties earned and when collectability is deemed reasonably assured.

Contract Revenue

The Company generally recognizes revenue using percentage of completion for development contracts related to licenses of its interface solutions, such as XDRtm and FlexIOtm that involve significant engineering and integration services. For all license and

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service agreements accounted for using the percentage-of-completion method, the Company determines progress to completion using input measures based upon contract costs incurred compared to the total costs including the remaining estimated cost to completion. Part of these contract fees may be due upon the achievement of certain milestones, such as provision of certain deliverables by the Company or production of chips by the licensee. The remaining fees may be due on pre-determined dates and include significant up-front fees.

A provision for estimated losses on fixed price contracts is made, if necessary, in the period in which the loss becomes probable and can be reasonably estimated. If the Company determines that it is necessary to revise the estimates of the total costs required to complete a contract, the total amount of revenue recognized over the life of the contract would not be affected. However, to the extent the new assumptions regarding the total efforts necessary to complete a project are less than the original assumptions, the contract fees would be recognized sooner than originally expected. Conversely, if the newly estimated total efforts necessary to complete a project are longer than the original assumptions, the contract fees will be recognized over a longer period. As of March 31, 2010, the Company has accrued a liability of approximately $0.2 million related to estimated loss contracts.

If application of the percentage-of-completion method results in recognizable revenue prior to an invoicing event under a customer contract, the Company will recognize the revenue and record an unbilled receivable. Amounts invoiced to the Company’s customers in excess of recognizable revenue are recorded as deferred revenue. The timing and amounts invoiced to customers can vary significantly depending on specific contract terms and can therefore have a significant impact on deferred revenue or unbilled receivables in any given period.

The Company also recognizes revenue in accordance with software revenue recognition methods for development contracts related to licenses of its chip interface products that involve non-essential engineering services and post contract support (“PCS”). These software revenue recognition methods apply to all entities that earn revenue on products containing software, where software is not incidental to the product as a whole. Contract fees for the products and services provided under these arrangements are comprised of license fees and engineering service fees which are not essential to the functionality of the product. The Company’s rates for PCS and for engineering services are specific to each development contract and not standardized in terms of rates or length. Because of these characteristics, the Company does not have a sufficient population of contracts from which to derive vendor specific objective evidence for each of the elements.

Therefore, after the Company delivers the product, if the only undelivered element is PCS, the Company will recognize all revenue ratably over either the contractual PCS period or the period during which PCS is expected to be provided. The Company reviews assumptions regarding the PCS periods on a regular basis. If the Company determines that it is necessary to revise the estimates of the support periods, the total amount of revenue to be recognized over the life of the contract would not be affected.

5. Comprehensive Income (Loss)

Rambus’ comprehensive income (loss) consists of its net income (loss) plus other comprehensive loss consisting of unrealized losses, net, on marketable securities, net of taxes.

The components of comprehensive income (loss), net of tax, are as follows:

	Three Months Ended March 31,	
(In thousands)	2010	2009
Net income (loss)	$150,899	$(17,426)
Other comprehensive loss:		

Unrealized loss on marketable securities, net of tax	(325)	(537)
Total comprehensive income (loss)	$150,574	$(17,963)

6. Equity Incentive Plans and Stock-Based Compensation

Stock Option Plans

As of March 31, 2010, 5,635,263 shares of the 14,900,000 shares approved under the 2006 Plan remain available for grant. The 2006 Plan is now the Company's only plan for providing stock-based incentive compensation to eligible employees, executive officers, non-employee directors and consultants.

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A summary of shares available for grant under the Company's plans is as follows:

	Shares Available for Grant
Shares available as of December 31, 2009	7,462,394
Stock options granted	(1,586,973)
Stock options forfeited	17,747
Stock options expired under former plans	(1,501)
Nonvested equity stock and stock units granted (1)	(256,404)
Total available for grant as of March 31, 2010	5,635,263

(1) For purposes of determining the number of shares available for grant under the 2006 Plan against the maximum number of shares authorized, each restricted stock granted reduces the number of shares available for grant by 1.5 shares and each restricted stock forfeited increases shares available for grant by 1.5 shares.

General Stock Option Information

The following table summarizes stock option activity under the 1997, 1999 and 2006 Plans for the three months ended March 31, 2010 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of March 31, 2010.

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2009	14,456,110	$20.95		
Options granted	1,586,973	22.83		
Options exercised	(227,460)	14.83		
Options forfeited	(17,747)	17.47		
Outstanding as of March 31, 2010	15,797,876	21.23	5.61	$72,682
Vested or expected to vest at March 31, 2010	14,977,777	21.61	5.54	66,117
Options exercisable at March 31, 2010	10,550,502	22.88	4.40	48,092

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at March 31, 2010, based on the $21.85 closing stock price of Rambus' Common Stock on March 31, 2010 on the NASDAQ Global Select Market, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options outstanding and exercisable as of March 31, 2010 was 10,151,607 and 6,832,529, respectively.

As of March 31, 2010, there was $48.6 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock-based compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average period of 3.4 years. The total fair value of shares vested as of March 31, 2010 was $197.2 million.

Employee Stock Purchase Plans

No purchases were made under the Employee Stock Purchase Plans during the three months ended March 31, 2010 and 2009 respectively. As of March 31, 2010, 846,856 shares under the 2006 Purchase Plan remain available for issuance. As of March 31, 2010 there was $0.2 million of total unrecognized compensation cost related to share-based compensation arrangements granted under the Employee Stock Purchase Plan. This cost is expected to be recognized over one month.

Stock-Based Compensation

For the three months ended March 31, 2010 and 2009, the Company maintained stock plans covering a broad range of potential equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors an ESPP, whereby eligible employees are entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

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Stock Options

During the three months ended March 31, 2010 and 2009, Rambus granted 1,586,973 and 1,349,769 stock options, respectively, with an estimated total grant-date fair value of $20.9 million and $8.6 million, respectively. During the three months ended March 31, 2010 and 2009, Rambus recorded stock-based compensation related to stock options of $5.7 million and $6.6 million, respectively.

The total intrinsic value of options exercised was $1.9 million and $4.1 million for the three months ended March 31, 2010 and 2009, respectively. Intrinsic value is the total value of exercised shares based on the price of the Company's common stock at the time of exercise less the cash received from the employees to exercise the options.

During the three months ended March 31, 2010, net proceeds from employee stock option exercises totaled approximately $3.4 million.

Employee Stock Purchase Plans

For the three months ended March 31, 2010 and 2009, the Company recorded compensation expense related to the Employee Stock Purchase Plan of $0.5 million and $0.5 million, respectively.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three months ended March 31, 2010 and 2009 calculated in accordance with accounting for share-based payments.

Valuation Assumptions

The fair value of stock awards is estimated as of the grant date using the Black-Scholes-Merton ("BSM") option-pricing model assuming a dividend yield of 0% and the additional weighted-average assumptions as listed in the following tables:

	Three Months Ended March 31,			
	2010		2009	
Stock Option Plans				
Expected stock price volatility	61	%	96	%
Risk free interest rate	2.44	%	1.76	%
Expected term (in years)	5.9		5.3	
Weighted-average fair value of stock options granted	$13.18		$6.38	

No grants were made under the Employee Stock Purchase Plans during the three months ended March 31, 2010 and 2009.

Nonvested Equity Stock and Stock Units

For the three months ended March 31, 2010, the Company granted nonvested equity stock units to certain officers and employees totaling 170,936 shares under the 2006 Plan. These awards have a service condition, generally a service period of four years, except in the case of grants to directors, for which the service period is one year. The nonvested equity stock units were valued at the date of grant giving them a fair value of approximately $3.9 million. The Company occasionally grants nonvested equity stock units to its employees with vesting subject to the achievement of certain performance conditions related to revenue goals and/or other factors. During the three months ended March 31, 2010, the achievement of certain performance conditions for certain performance equity stock units was considered probable, and as a result, the Company recognized an insignificant amount of stock-based compensation expense related to these performance stock units.

For the three months ended March 31, 2010 and 2009, the Company recorded stock-based compensation expense of approximately $1.6 million and $1.3 million, respectively, related to all outstanding unvested equity stock grants. Unrecognized stock-based compensation related to all nonvested equity stock grants, net of estimated forfeitures, was approximately $11.4 million at March 31, 2010. This is expected to be recognized over a weighted average of 2.3 years.

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The following table reflects the activity related to nonvested equity stock and stock units for the three months ended March 31, 2010:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2009	783,976	$16.24
Granted	170,936	22.72
Vested	(111,977)	14.92
Forfeited	—	—
Nonvested at March 31, 2010	842,935	$17.73

7. Marketable Securities

Rambus invests its excess cash and cash equivalents primarily in U.S. government agency and treasury notes, commercial paper, corporate notes and bonds, money market funds and municipal notes and bonds that mature within three years.

All cash equivalents and marketable securities are classified as available-for-sale and are summarized as follows:

	March 31, 2010				
(in thousands)	Fair Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money Market Funds	$396,702	$396,702	$—	$—	0.01 %
U.S. Government Bonds and Notes	236,578	236,543	209	(174)	0.66 %
Corporate Notes, Bonds and Commercial Paper	31,174	31,158	36	(20)	0.74 %
Total cash equivalents and marketable securities	664,454	664,403	245	(194)	
Cash	4,219	4,219	—	—	
Total cash, cash equivalents and marketable securities	$668,673	$668,622	$245	$(194)	

	December 31, 2009				
(in thousands)	Fair Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money Market Funds	$280,908	$280,908	$—	$—	0.01 %
U.S. Government Bonds and Notes	138,829	138,521	377	(69)	1.09 %
Corporate Notes, Bonds and Commercial Paper	32,291	32,222	70	(1)	1.89 %
Total cash equivalents and marketable securities	452,028	451,651	447	(70)	
Cash	8,165	8,165	—	—	
Total cash, cash equivalents and marketable securities	$460,193	$459,816	$447	$(70)	

Available-for-sale securities are reported at fair value on the balance sheets and classified as follows:

	March 31, 2010	December 31, 2009
	(in thousands)	
Cash equivalents	$396,702	$ 280,908
Short term marketable securities	267,752	171,120
Total cash equivalents and marketable securities	664,454	452,028
Cash	4,219	8,165
Total cash, cash equivalents and marketable securities	$668,673	$ 460,193

The Company continues to invest in high quality, highly liquid debt securities that mature within three years. The Company holds all of its marketable securities as available-for-sale, marks them to market, and regularly reviews its portfolio to ensure adherence to its investment policy and to monitor individual investments for risk analysis, proper valuation, and unrealized losses that may be other than temporary. As of March 31, 2010, marketable debt securities with a fair value of $157.0 million, which mature within one year had insignificant unrealized losses. The Company has no intent to sell, there is no requirement to sell and the Company believes that it can recover the amortized cost of these investments. The Company has found no evidence of impairment due to credit losses in its portfolio. Therefore, these unrealized losses were recorded in other comprehensive income. However, the Company cannot provide

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any assurance that its portfolio of cash, cash equivalents and marketable securities will not be impacted by adverse conditions in the financial markets, which may require the Company in the future to record an impairment charge for credit losses which could adversely impact its financial results.

The estimated fair value of cash equivalents and marketable securities classified by date of contractual maturity and the associated unrealized gain, net, at March 31, 2010 and December 31, 2009 are as follows:

	As of		Unrealized Gain, net	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
	(in thousands)			
Contractual maturity:				
Due within one year	$655,953	$419,054	$50	$250
Due from one year through three years	8,501	32,974	1	127
	$664,454	$452,028	$51	$377

The unrealized gains, net, were insignificant in relation to the Company's total available-for-sale portfolio. The unrealized gains, net, can be primarily attributed to a combination of market conditions as well as the demand for and duration of the Company's U.S. government bonds and notes. See Note 15, "Fair Value of Financial Instruments," for fair value discussion regarding the Company's cash equivalents and marketable securities.

8. Commitments and Contingencies

On December 15, 2009, the Company entered into a definitive triple net space lease agreement with MT SPE, LLC (the "Landlord") whereby the Company leases approximately 125,000 square feet of office space located at 1040 Enterprise Way in Sunnyvale, California (the "Sunnyvale Lease"). The office space will be used for the Company's corporate headquarters functions, as well as engineering, marketing and administrative operations and activities. The Company plans to move to the new premises in the second half of 2010 following completion of leasehold improvements. The Sunnyvale Lease has a term of 120 months from the commencement date. The initial annual base rent is $3.7 million, subject to a full abatement of rent for the first six months of the Sunnyvale Lease term. The annual base rent increases each year to certain fixed amounts over the course of the term as set forth in the Sunnyvale Lease and will be $4.8 million in the tenth year. In addition to the base rent, the Company will also pay operating expenses, insurance expenses, real estate taxes and a management fee. The Company has two options to extend the Sunnyvale Lease for a period of 60 months each and a one-time option to terminate the Sunnyvale Lease after 84 months in exchange for an early termination fee.

During the first quarter of 2010, the Company began a build-out of this facility and expects to incur approximately $11.5 million in construction costs. Under the terms of the Sunnyvale Lease, the landlord has agreed to reimburse the Company approximately $10.0 million of this amount. Because certain improvements to be constructed by the Company are considered structural in nature and the Company is responsible for any cost overruns, for accounting purposes the Company is treated as the owner of the construction project for the effect of lessee involvement in asset construction.

Therefore, the Company has capitalized $25.1 million in property and equipment based on the estimated fair value of the portion of the building that it will occupy with a corresponding liability for construction in progress. The fair value was determined as of December 15, 2009 using level 3 fair value inputs (See Note 15, "Fair Value of Financial Instruments," for discussion on level 3 inputs) and the cost approach which measures the value of an asset as the cost to reconstruct or replace it with another asset of like utility.

Upon completion of construction, the Company will apply sale-leaseback accounting. At that time, the Company will determine whether the lease will be treated as a capital or operating lease.

On March 8, 2010, the Company entered into a lease agreement with Fogg-Brecksville Development Co. (the "Ohio Landlord") for 24,814 square feet of space consisting of 7,158 square feet of office area and 17,656 square feet of warehouse area, located in Brecksville, Ohio (the "Ohio Lease"). The Company plans to move to the new premises in the third quarter of 2010 following completion of leasehold improvements. The warehouse area will be converted into office space and manufacturing space. The office space will be used for the Lighting and Display Technology ("LDT") group's engineering activities while the manufacturing space will be used for the manufacturer of prototypes for the LDT group. The Ohio Lease has a term of 60 months from the commencement date. The initial annual base rent is approximately $136,000. In addition to the base rent, the Company will also pay operating

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expenses, insurance expenses, real estate taxes and a management fee. The Company has an option to extend the Lease for a period of 60 months.

During the first quarter of 2010, the Company began a build-out of this facility and expects to incur approximately $1.4 million in construction costs. Because certain improvements to be constructed by the Company are considered structural in nature and the Company is responsible for any cost overruns, for accounting purposes the Company is treated as the owner of the construction project for the effect of lessee involvement in asset construction.

Therefore, the Company has capitalized $0.8 million in property and equipment based on the estimated fair value of the portion of the building that it will occupy with a corresponding liability for construction in progress. The fair value was determined as of March 8, 2010 using level 3 fair value inputs and the cost approach which measures the value of an asset as the cost to reconstruct or replace it with another asset of like utility. Upon completion of construction in the third quarter of 2010, the Company will assess whether sale-leaseback accounting applies to this arrangement. At the end of the lease term in 2015, the Company has an option to renew the lease for an additional 60 months.

On June 29, 2009, the Company entered into an Indenture by and between the Company and U.S. Bank, National Association, as trustee, relating to the issuance by the Company of $150.0 million aggregate principal amount of 5% convertible senior notes due June 15, 2014 (the "2014 Notes"). On July 10, 2009, an additional $22.5 million in aggregate principal amount of 2014 Notes were issued as a result of the underwriters exercising their overallotment option. The aggregate principal amount of the 2014 Notes outstanding as of March 31, 2010 was $172.5 million, offset by unamortized debt discount of $57.7 million in the accompanying consolidated balance sheets. The debt discount is currently being amortized over the remaining 51 months until maturity of the 2014 Notes on June 15, 2014. See Note 16, "Convertible Notes," for additional details.

As of March 31, 2010, Rambus' material contractual obligations are:

(in thousands)	Total	Remainder of 2010	2011	2012	2013	2014	Thereafter
Contractual obligations(1)							
Leases (2)	$51,740	$7,197	$5,163	$5,197	$4,477	$4,580	$25,126
Convertible notes	172,500	—	—	—	—	172,500	—
Interest payments related to convertible notes	36,276	6,469	8,625	8,625	8,625	3,932	—
Total	$260,516	$13,666	$13,788	$13,822	$13,102	$181,012	$25,126

(1) The above table does not reflect possible payments in connection with uncertain tax benefits of approximately $10.5 million, including $8.5 million recorded as a reduction of long-term deferred tax assets and $2.0 million in long-term income taxes payable, as of March 31, 2010. As noted below in Note 10, "Income Taxes," although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

(2) Includes both the Sunnyvale Lease and Ohio Lease.

Rent expense was approximately $1.8 million and $1.6 million for the three months ended March 31, 2010 and 2009, respectively.

Deferred rent of $0.8 million as of March 31, 2010 was included primarily in current liabilities. Deferred rent of $0.7 million as of December 31, 2009 was included primarily in current liabilities.

Indemnifications

The Company enters into standard license agreements in the ordinary course of business. Although the Company does not indemnify most of its customers, there are times when an indemnification is a necessary means of doing business. Indemnifications cover customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement claim by any third party with respect to the Company’s products. The maximum amount of indemnification the Company could be required to make under these agreements is generally limited to fees received by the Company.

Several securities fraud class actions, private lawsuits and shareholder derivative actions were filed in state and federal courts against certain of the Company’s current and former officers and directors related to the stock option granting actions. As permitted under Delaware law, the Company has agreements whereby its officers and directors are indemnified for certain events or occurrences while the officer or director is, or was serving, at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's term in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has a director and officer insurance policy that reduces the Company's exposure and enables the Company to recover a portion of future amounts to be paid. As a result of these indemnification agreements, the Company continues to make payments on behalf of current and former officers. As of March 31, 2010, the Company had made payments of approximately $12.1 million on their behalf, including $0.7 million in the quarter ended March 31, 2010. These payment were recorded under costs of restatement and related legal activities in the consolidated statements of operations. The Company received approximately $5.3 million from the former officers related to their settlement agreements with the Company in connection with the derivative and class action lawsuits which was comprised of approximately $4.5 million in cash received in the first quarter of 2009 as well as approximately 163,000 shares of the Company's stock with a value of approximately $0.8 million in the fourth quarter of 2008. Additionally, during the three months ended March 31, 2010, the Company received $0.1 million from insurance settlements related to the defense of the Company, its directors and its officers which were recorded under costs (recoveries) of restatement and related legal activities in the consolidated statements of operations.

9. Stockholders' Equity and Contingently Redeemable Common Stock

Contingently Redeemable Common Stock

On January 19, 2010, pursuant to the terms of the Stock Purchase Agreement, Samsung purchased for cash the Shares with certain restrictions and put rights. The issuance of the Shares by the Company to Samsung was made through a private transaction. The Stock Purchase Agreement provides Samsung a one-time put right, beginning 18 months after the date of the Stock Purchase Agreement and extending to 19 months after the date of the Stock Purchase Agreement, to elect to put back to the Company up to 4.8 million of the Shares at the original issue price of $20.885 per share (for an aggregate purchase price of up to $100.0 million). The 4.8 million shares have been recorded, at estimated Fair Value, as contingently redeemable common stock on the consolidated balance sheet as of March 31, 2010.

The Stock Purchase Agreement prohibits the transfer of the Shares by Samsung for 18 months after the date of the Stock Purchase Agreement, subject to certain exceptions. After expiration of the transfer restriction period, the Stock Purchase Agreement provides that Samsung may transfer a limited number of shares on a daily basis, provides the Company with a right of first offer for proposed transfers above such daily limits, and, if no sale occurs to the Company under the right of first offer, allows Samsung to transfer the Shares. Under the Stock Purchase Agreement, the Company has also agreed that after the transfer restriction period, Samsung will have certain rights to register the Shares for sale under the securities laws of the United States, subject to customary terms and conditions.

The 9.6 million shares were accounted for as part of a multiple element arrangement where the Fair Value was determined to be $192.0 million as follows:

- $113.5 million related to 4.8 million shares treated as contingently redeemable common stock due to the contractual put rights associated with those shares
- $78.5 million related to the remaining 4.8 million shares treated as stockholders' equity

See Note 3, "Settlement Agreement with Samsung," for further discussion.

Share Repurchase Program

In October 2001, the Company's Board of Directors (the "Board") approved a share repurchase program of its Common Stock, principally to reduce the dilutive effect of employee stock options and the issuance of shares to Samsung. Under this program, the Board approved the authorization to repurchase up to 19.0 million shares of the Company's outstanding Common Stock over an undefined period of time. On February 25, 2010, the Board approved a new share repurchase program authorizing the repurchase of up to an additional 12.5 million shares. Share repurchases under the program may be made through open market, established plan or privately negotiated transactions in accordance with all applicable securities laws, rules, and regulations. There is no expiration date applicable to the program. The new share repurchase program replaces the program authorized in October 2001.

During the three months ended March 31, 2010, the Company repurchased approximately 1.2 million shares of its Common Stock with an aggregate price of approximately $26.5 million. As of March 31, 2010, the Company had repurchased a cumulative total of

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approximately 18.0 million shares of its Common Stock with an aggregate price of approximately $260.2 million since the commencement of the program in 2001. As of March 31, 2010, there remained an outstanding authorization to repurchase approximately 13.5 million shares of the Company's outstanding Common Stock.

The Company records stock repurchases as a reduction to stockholders' equity. The Company records a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the cost of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock. During the three months ended March 31, 2010, the cumulative price of the shares repurchased exceeded the proceeds received from the issuance of the same number of shares. The excess of $22.5 million was recorded as an increase to accumulated deficit for the three months ended March 31, 2010.

10. Income Taxes

The effective tax rate for the three months ended March 31, 2010 was 23.2% which is lower than the U.S. statutory tax rate applied to the Company's income before taxes primarily due to a full valuation allowance on its U.S. net deferred tax assets, partially offset by foreign withholding taxes and U.S. and state alternative minimum taxes. The effective tax rate for the quarter ended March 31, 2009 was 0.1% which is lower than the U.S. statutory tax rate applied to the Company's net loss primarily due to a full valuation allowance on its U.S. net deferred tax assets, foreign income taxes and state income taxes, partially offset by refundable research and development tax credits.

During the quarter ended March 31, 2010, the Company paid withholding taxes of $42.6 million to the Korean tax authorities related to the payments received under the Settlement Agreement and License Agreement with Samsung. The Company recorded a provision for income taxes of $45.7 million for the quarter, which is primarily comprised of the Korean taxes and U.S. alternative minimum taxes. As the Company continues to maintain a valuation allowance against its U.S. deferred tax assets, the Company's tax provision is based primarily on the Korean taxes and U.S. and state alternative minimum taxes.

As of March 31, 2010, the Company's consolidated balance sheets included net deferred tax assets, before valuation allowance, of approximately $119.6 million, which consists of net operating loss carryovers, tax credit carryovers, depreciation and amortization, employee stock-based compensation expenses and certain liabilities, partially reduced by deferred tax liabilities associated with the convertible debt instruments that may be settled in cash upon conversion, including partial cash settlements. As of March 31, 2010, a valuation allowance of $117.4 million has been maintained against the U.S. deferred tax assets. During the quarter ended March 31, 2010, we reduced our deferred tax assets from $153.1 million to $119.6 million, and reduced our valuation allowance from $150.9 million to $117.4 million. This partial release of our valuation allowance offset our U.S. tax provision for the three months ended March 31, 2010. Management periodically evaluates the realizability of the Company's net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on the Company's ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. The Company intends to maintain the valuation allowance until sufficient positive evidence exists to support reversal of the valuation allowance.

The Company maintains liabilities for uncertain tax benefits within its non-current income taxes payable accounts. These liabilities involve judgment and estimation and are monitored by management based on the best information available including changes in tax regulations, the outcome of relevant court cases and other information.

As of March 31, 2010, the Company had $10.5 million of unrecognized tax benefits, including $7.5 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $1.0 million of federal tax benefit, and including $2.0 million in long-term income taxes payable. If recognized, approximately $0.8 million would be recorded as an income tax benefit. No benefit would be recorded for the remaining unrecognized tax benefits as the recognition would require a corresponding increase in the valuation allowance. As of December 31, 2009, the Company had $10.4 million of unrecognized tax benefits, including $7.5 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $0.9 million of federal tax benefits, and including $2.0 million in long-term income taxes payable.

Although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At March 31, 2010 and December 31, 2009, an insignificant amount of interest and penalties are included in long-term income taxes payable.

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The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company is currently under examination by the California Franchise Tax Board for the fiscal year ended March 31, 2003 and the years ended December 31, 2003 and 2004. Although the outcome of any tax audit is uncertain, the Company believes it has adequately provided for any additional taxes that may be required to be paid as a result of such examinations. If the Company determines that no payment will ultimately be required, the reversal of these tax liabilities may result in tax benefits being recognized in the period when that conclusion is reached. However, if an ultimate tax assessment exceeds the recorded tax liability for that item, an additional tax provision may need to be recorded. The impact of such adjustments in the Company's tax accounts could have a material impact on the consolidated results of operations in future periods.

The Company is subject to examination by the IRS for the tax years ended 2006 through 2008. The Company is also subject to examination by the State of California for tax years ended 2005 through 2008. In addition, any R&D credit and net operating loss carryforwards generated in prior years and utilized in these or future years may also be subject to examination by the IRS and the State of California. The Company is also subject to examination in various other jurisdictions for various periods.

11. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing the earnings (loss) by the weighted average number of common shares and potentially dilutive securities outstanding during the period. Potentially dilutive common shares consist of incremental common shares issuable upon exercise of stock options, employee stock purchases, restricted stock and restricted stock units, and shares issuable upon the conversion of convertible notes. The dilutive effect of outstanding shares is reflected in diluted earnings per share by application of the treasury stock method. This method includes consideration of the amounts to be paid by the employees, the amount of excess tax benefits that would be recognized in equity if the instrument was exercised and the amount of unrecognized stock-based compensation related to future services. No potential dilutive common shares are included in the computation of any diluted per share amount when a net loss is reported. As discussed in Note 3, "Settlement Agreement with Samsung," the Company reported approximately 4.8 million shares issued to Samsung as contingently redeemable common stock due to the contractual put rights associated with those shares. As such, the Company uses the two-class method for reporting earnings per share.

The following table sets forth the computation of basic and diluted income (loss) per share:

	Three Months Ended March 31,			
	2010		2009	
	(In thousands, except per share amounts)			
	CRCS*	Other CS**	CRCS*	Other CS**
Basic net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings	$5,109	$145,790	$—	$(17,426)
Denominator:				
Weighted-average common shares outstanding	3,830	109,302	—	104,376
Basic net income (loss) per share	$1.33	$1.33	$—	$(0.17)
Diluted net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	$5,109	$145,790	$—	$(17,426)

Reallocation of undistributed earnings	(188)	188	—	—
Allocation of undistributed earnings for diluted computation	$4,921	$145,978	$—	$(17,426)
Denominator:				
Number of shares used in basic computation	3,830	109,302	—	104,376
Dilutive potential shares from stock options, ESPP, Convertible notes and nonvested equity stock and stock units	—	4,331	—	—
Number of shares used in diluted computation	3,830	113,633	—	104,376
Diluted net income (loss) per share	$1.28	$1.28	$—	$(0.17)

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* CRCS — Contingently Redeemable Common Stock

** Other CS — Common Stock other than CRCS

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For the three months ended March 31, 2010 and 2009, options to purchase approximately 7.1 million and 14.3 million shares, respectively, were excluded from the calculation because they were anti-dilutive after considering proceeds from exercise, taxes and related unrecognized stock-based compensation expense. For the three months ended March 31, 2009, an additional 0.7 million shares, including nonvested equity stock and stock units, that would be dilutive have been excluded from the weighted average dilutive shares because there was a net loss for the period.

12. Business Segments, Exports and Major Customers

Rambus has two operating segments: (1) the design, development and licensing of memory and logic interfaces and (2) lighting and optoelectronics, and other technologies. For reporting purposes, the two operating segments have been combined as the assets and operating results of the lighting and optoelectronics group are not considered significant as of March 31, 2010. One customer accounted for 85% of revenue in the three months ended March 31, 2010. Four customers accounted for 25%, 18%, 14% and 13%, respectively, of revenue in the three months ended March 31, 2009. Rambus expects that its revenue concentration will decrease over time as Rambus licenses new customers.

Rambus licenses its technologies and patents to customers in the Far East, North America, and Europe. Revenue from customers in the following geographic regions were recognized as follows (amounts in thousands):

	Three Months Ended March 31,	
(In thousands)	2010	2009
Japan	$19,036	$21,811
North America	5,485	5,268
Taiwan	45	23
Korea	137,166	142
Singapore	—	43
Europe	132	47
	$161,864	$27,334

At March 31, 2010, of the $38.0 million of total property and equipment, approximately $36.4 million are located in the United States, $1.4 million are located in India and $0.2 million are located in other foreign locations. At December 31, 2009, of the $39.0 million of total property and equipment, approximately $37.1 million are located in the United States, $1.6 million are located in India and $0.3 million were located in other foreign locations.

13. Amortizable Intangible Assets

The components of the Company’s intangible assets as of March 31, 2010 and December 31, 2009 were as follows:

	As of March 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)	
Patents	$13,973	$ (7,285)	$6,688
Intellectual property	10,384	(10,384)	—
Customer contracts and contractual relationships	4,050	(2,852)	1,198
Existing technology	17,550	(3,331)	14,219
Non-competition agreement	100	(100)	—
Total intangible assets	$46,057	$ (23,952)	$22,105

	As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)	
Patents	$12,441	$ (6,876)	$5,565
Intellectual property	10,384	(10,384)	—
Customer contracts and contractual relationships	4,050	(2,717)	1,333
Existing technology	17,550	(2,788)	14,762
Non-competition agreement	100	(100)	—
Total intangible assets	$44,525	$ (22,865)	$21,660

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Amortization expense for intangible assets for the three months ended March 31, 2010 and 2009 was $1.1 million and $0.8 million, respectively.

During the first quarter of 2010, the Company purchased patents related to memory and other applications in an asset acquisition for approximately $1.5 million.

The estimated future amortization expense of intangible assets as of March 31, 2010 was as follows (amounts in thousands):

Years Ending December 31:	Amount
2010 (remaining 9 months)	$3,289
2011	4,054
2012	3,781
2013	3,475
2014	2,574
Thereafter	4,932
	$22,105

14. Litigation and Asserted Claims

Hynix Litigation

U.S District Court of the Northern District of California

On August 29, 2000, Hynix (formerly Hyundai) and various subsidiaries filed suit against Rambus in the U.S. District Court for the Northern District of California. The complaint, as amended and narrowed through motion practice, asserts claims for fraud, violations of federal antitrust laws and deceptive practices in connection with Rambus' participation in a standards setting organization called JEDEC, and seeks a declaratory judgment that the Rambus patents-in-suit are unenforceable, invalid and not infringed by Hynix, compensatory and punitive damages, and attorneys' fees. Rambus denied Hynix's claims and filed counterclaims for patent infringement against Hynix.

The case was divided into three phases. In the first phase, Hynix tried its unclean hands defense beginning on October 17, 2005 and concluding on November 1, 2005. In its January 4, 2006 Findings of Fact and Conclusions of Law, the court held that Hynix's unclean hands defense failed. Among other things, the court found that Rambus did not adopt its document retention policy in bad faith, did not engage in unlawful spoliation of evidence, and that while Rambus disposed of some relevant documents pursuant to its document retention policy, Hynix was not prejudiced by the destruction of Rambus documents. On January 19, 2009, Hynix filed a motion for reconsideration of the court's unclean hands order and for summary judgment on the ground that the decision by the Delaware court in the pending Micron-Rambus litigation (described below) should be given preclusive effect. In its motion Hynix requested alternatively that the court's unclean hands order be certified for appeal and that the remainder of the case be stayed. Rambus filed an opposition to Hynix's motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court denied Hynix's motions and restated its conclusions that Rambus had not anticipated litigation until late 1999 and that Hynix had not demonstrated any prejudice from any alleged destruction of evidence.

The second phase of the Hynix-Rambus trial — on patent infringement, validity and damages — began on March 15, 2006, and was submitted to the jury on April 13, 2006. On April 24, 2006, the jury returned a verdict in favor of Rambus on all issues and awarded Rambus a total of approximately $307 million in damages, excluding prejudgment interest. Specifically, the jury found that each of the ten selected patent claims was supported by the written description, and was not anticipated or rendered obvious by prior art; therefore, none of the patent claims was invalid. The jury also found that Hynix infringed all eight of the patent claims for which the jury was asked to determine infringement; the court had previously determined on summary judgment that Hynix infringed the other two claims at issue in the trial. On July 14, 2006, the court granted Hynix's motion for a new trial on the issue of damages unless Rambus agreed to a reduction of the total jury award to approximately $134 million. The court found that the record supported a maximum royalty rate of 1% for SDR SDRAM and 4.25% for DDR SDRAM, which the court applied to the stipulated U.S. sales of infringing Hynix products through December 31, 2005. On July 27, 2006, Rambus elected remittitur of the jury's award to approximately $134 million. On August 30, 2006, the court awarded Rambus prejudgment interest for the period June 23, 2000 through December 31, 2005. Hynix filed a motion on July 7, 2008 to reduce the amount of remitted damages and any supplemental damages that the court may award, as well as to limit the products that could be affected by any injunction that the court may grant, on the grounds of patent exhaustion. Following a hearing on August 29, 2008, the court denied Hynix's motion. In separate orders issued

December 2, 2008, January 16, 2009, and January 27, 2009, the court denied Hynix's post-trial motions for judgment as a matter of law and new trial on infringement and validity.

On June 24, 2008, the court heard oral argument on Rambus' motion to supplement the damages award and for equitable relief related to Hynix's infringement of Rambus patents. On February 23, 2009, the court issued an order (1) granting Rambus' motion for supplemental damages and prejudgment interest for the period after December 31, 2005, at the same rates ordered for the prior period; (2) denying Rambus' motion for an injunction; and (3) ordering the parties to begin negotiations regarding the terms of a compulsory license regarding Hynix's continued manufacture, use, and sale of infringing devices.

The third phase of the Hynix-Rambus trial involved Hynix's affirmative JEDEC-related antitrust and fraud allegations against Rambus. On April 24, 2007, the court ordered a coordinated trial of certain common JEDEC-related claims alleged by the manufacturer parties (i.e., Hynix, Micron, Nanya and Samsung) and defenses asserted by Rambus in Hynix v Rambus, Case No. C 00-20905 RMW, and three other cases pending before the same court (Rambus Inc. v. Samsung Electronics Co. Ltd. et al., Case No. 05-02298 RMW, Rambus Inc. v. Hynix Semiconductor Inc., et al., Case No. 05-00334, and Rambus Inc. v. Micron Technology, Inc., et al., Case No. C 06-00244 RMW, each described in further detail below). On December 14, 2007, the court excused Samsung from the coordinated trial based on Samsung's agreement to certain conditions, including trial of its claims against Rambus by the court within six months following the conclusion of the coordinated trial. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya's motions for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya's equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that (1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; (2) the evidence supported the jury's finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; (3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; (4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; (5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; (6) Rambus's conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; (7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus's conduct at JEDEC; (8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; (9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC;

(10) the evidence related to Rambus's patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; (11) Rambus did not unreasonably delay bringing its patent infringement claims; and (12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus's conduct.

On March 10, 2009, the court entered final judgment against Hynix in the amount of approximately $397 million as follows: approximately $134 million for infringement through December 31, 2005; approximately $215 million for infringement from January 1, 2006 through January 31, 2009; and approximately $48 million in pre-judgment interest. Post-judgment interest is accruing at the statutory rate. In addition, the judgment orders Hynix to pay Rambus royalties on net sales for U.S. infringement after January 31, 2009 and before April 18, 2010 of 1% for SDR SDRAM and 4.25% for DDR DDR2, DDR3, GDDR, GDDR2 and GDDR3 SDRAM memory devices. On April 9, 2009, Rambus submitted its cost bill in the amount of approximately $0.85 million. On March 24, 2009, Hynix filed a motion under Rule 62 seeking relief from the requirement that it post a supersedeas bond in the full amount of the final judgment in order to stay its execution pending an appeal. Rambus filed a brief opposing Hynix's motion on April 10, 2009. A hearing on Hynix's motion was heard on May 8, 2009. On May 14, 2009, the court granted Hynix's motion in part and ordered that execution of the judgment be stayed on the condition that, within 45 days, Hynix post a supersedeas bond in the amount of $250 million and provide Rambus with documentation establishing a lien in Rambus's favor on property owned by Hynix in Korea in the amount of the judgment not covered by the supersedeas bond. The court also ordered that Hynix pay the ongoing royalties set forth in the final judgment into an escrow account. Hynix posted the $250 million supersedeas bond on June 26, 2009. Hynix has deposited amounts into the escrow account pursuant to the court's order regarding ongoing royalties. The escrowed funds will be released only upon agreement of the parties or further court order in accordance with the terms and conditions set forth in the escrow arrangement. On March 8, 2010, the court awarded costs to Rambus in the amount of approximately $0.76 million.

On April 6, 2009, Hynix filed its notice of appeal. On April 17, 2009, Rambus filed its notice of cross appeal. Hynix filed a motion to dismiss Rambus' cross-appeal on July 1, 2009, and Rambus filed an opposition to Hynix's motion on July 15, 2009. On July 23, 2009, Rambus and Hynix filed a joint motion to assign this appeal to the same panel hearing the appeal in the Micron Delaware case (discussed below) and to coordinate oral arguments of the two appeals. On August 17, 2009, the Federal Circuit issued an order 1) granting the joint motion to coordinate oral arguments of the two appeals; and 2) denying Hynix's motion to dismiss Rambus's cross-appeal. On August 31, 2009, Hynix filed its opening brief. On December 7, 2009, Rambus filed its answering and opening cross-appeal brief. Hynix's reply and answering brief was filed February 16, 2010, and Rambus's reply was filed February 23, 2010. Oral argument was held on April 5, 2010. No decision has been issued to date.

Micron Litigation

U.S District Court in Delaware: Case No. 00-792-SLR

On August 28, 2000, Micron filed suit against Rambus in the U.S. District Court for Delaware. The suit asserts violations of federal antitrust laws, deceptive trade practices, breach of contract, fraud and negligent misrepresentation in connection with Rambus' participation in JEDEC. Micron seeks a declaration of monopolization by Rambus, compensatory and punitive damages, attorneys' fees, a declaratory judgment that eight Rambus patents are invalid and not infringed, and the award to Micron of a royalty-free license to the Rambus patents. Rambus has filed an answer and counterclaims disputing Micron's claims and asserting infringement by Micron of 12 U.S. patents.

This case has been divided into three phases in the same general order as in the Hynix 00-20905 action: (1) unclean hands; (2) patent infringement; and (3) antitrust, equitable estoppel, and other JEDEC-related issues. A bench trial on Micron's unclean hands defense began on November 8, 2007 and concluded on November 15, 2007. The court ordered post-trial briefing on the issue of when Rambus became obligated to preserve documents because it anticipated litigation. A hearing on that issue was held on May 20, 2008. The court ordered further post-trial briefing on the remaining issues from the unclean hands trial, and a hearing on those issues was held on September 19, 2008.

On January 9, 2009, the court issued an opinion in which it determined that Rambus had engaged in spoliation of evidence by failing to suspend general implementation of a document retention policy after the point at which the court determined that Rambus should have known litigation was reasonably foreseeable. The court issued an accompanying order declaring the 12 patents in suit unenforceable against Micron (the "Delaware Order"). On February 9, 2009, the court stayed all other proceedings pending appeal of the Delaware Order. On February 10, 2009, judgment was entered against Rambus and in favor of Micron on Rambus' patent infringement claims and Micron's corresponding claims for declaratory relief. On March 11, 2009, Rambus filed its notice of appeal. Rambus filed its opening brief on July 2, 2009. On July 24, 2009, Rambus filed a motion to assign this appeal to the same panel hearing the appeal in the Hynix case (discussed above) and to coordinate oral arguments of the two appeals. On August 8, 2009, Micron filed an opposition to Rambus's motion to coordinate. On August 17, 2009, the Federal Circuit issued an order granting Rambus's motion to coordinate oral arguments of the two appeals. On August 28, 2009, Micron filed its answering brief. On October 14, 2009, Rambus filed its reply brief. Oral argument was held on April 5, 2010. No decision has been issued to date.

U.S. District Court of the Northern District of California

On January 13, 2006, Rambus filed suit against Micron in the U.S. District Court for the Northern District of California. Rambus alleges that 14 Rambus patents are infringed by Micron's DDR2, DDR3, GDDR3, and other advanced memory products. Rambus seeks compensatory and punitive damages, attorneys' fees, and injunctive relief. Micron has denied Rambus' allegations and is alleging counterclaims for violations of federal antitrust laws, unfair trade practices, equitable estoppel, fraud and negligent misrepresentation in connection with Rambus' participation in JEDEC. Micron seeks a declaration of monopolization by Rambus,

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injunctive relief, compensatory and punitive damages, attorneys' fees, and a declaratory judgment of invalidity, unenforceability, and noninfringement of the 14 patents in suit.

As explained above, the court ordered a coordinated trial (without Samsung) of certain common JEDEC-related claims and defenses asserted in Hynix v Rambus, Case No. C 00-20905 RMW, Rambus Inc. v. Samsung Electronics Co. Ltd. et al., Case No. 05-02298 RMW, Rambus Inc. v. Hynix Semiconductor Inc., et al., Case No. 05-00334, and Rambus Inc. v. Micron Technology, Inc., et al., Case No. C 06-00244 RMW. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya's motions for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya's equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that (1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; (2) the evidence supported the jury's finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; (3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; (4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; (5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; (6) Rambus's conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; (7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus's conduct at JEDEC; (8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; (9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; (10) the evidence related to Rambus's patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; (11) Rambus did not unreasonably delay bringing its patent infringement claims; and (12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus's conduct.

In these cases (except for the Hynix 00-20905 action), a hearing on claim construction and the parties' cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied Hynix, Micron, Nanya, and Samsung's (collectively, the "Manufacturers") motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers' motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court's direction, Rambus elected to proceed to trial on 12 patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against the Manufacturers under the Ware patents in suit (U.S. Patent Nos. 6,493,789 and 6,496,897), and each party's claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus' motion for summary judgment of direct infringement with respect to claim 16 of Rambus' U.S. Patent No. 6,266,285 by the Manufacturers' DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya's DDR3 memory chip products). In the same order, the court denied the remainder of Rambus' motion for summary judgment of infringement.

On January 19, 2009, Micron filed a motion for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed an opposition to Micron's motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus' appeal of the Delaware Order.

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European Patent Infringement Cases

In 2001, Rambus filed suit against Micron in Mannheim, Germany, for infringement of European patent, EP 1 022 642. That suit has not been active. Two proceedings in Italy remain ongoing relating to Rambus's claim that Micron is infringing European patent, EP 1 004 956, and Micron's purported claim resulting from a seizure of evidence in Italy in 2000 carried out by Rambus pursuant to a court order.

DDR2, DDR3, gDDR2, GDDR3, GDDR4 Litigation ("DDR2")

U.S District Court in the Northern District of California

On January 25, 2005, Rambus filed a patent infringement suit in the U.S. District Court for the Northern District of California court against Hynix, Infineon, Nanya, and Inotera. Infineon and Inotera were subsequently dismissed from this litigation and Samsung was added as a defendant. Rambus alleges that certain of its patents are infringed by certain of the defendants' SDRAM, DDR, DDR2, DDR3, gDDR2, GDDR3, GDDR4 and other advanced memory products. Hynix, Samsung and Nanya have denied Rambus' claims and asserted counterclaims against Rambus for, among other things, violations of federal antitrust laws, unfair trade practices, equitable estoppel, and fraud in connection with Rambus' participation in JEDEC.

As explained above, the court ordered a coordinated trial of certain common JEDEC-related claims and defenses asserted in Hynix v Rambus, Case No. C 00-20905 RMW, Rambus Inc. v. Samsung Electronics Co. Ltd. et al., Case No. 05-02298 RMW, Rambus Inc. v. Hynix Semiconductor Inc., et al., Case No. 05-00334, and Rambus Inc. v. Micron Technology, Inc., et al., Case No. C 06-00244 RMW. The court subsequently excused Samsung from the coordinated trial on December 14, 2007, based on Samsung's agreement to certain conditions, including trial of its claims against Rambus within six months following the conclusion of the coordinated trial. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half- truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya's motions for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya's equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that (1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; (2) the evidence supported the jury's finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; (3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; (4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC;

(5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; (6) Rambus's conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; (7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus's conduct at JEDEC; (8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; (9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; (10) the evidence related to Rambus's patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; (11) Rambus did not unreasonably delay bringing its patent infringement claims; and (12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus's conduct.

In these cases (except for the Hynix 00-20905 action), a hearing on claim construction and the parties' cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied the Manufacturers' motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers' motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court's direction, Rambus elected to proceed to trial on 12 patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against the Manufacturers under U.S. Patent Nos. 6,493,789 and 6,496,897, and each party's claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus's motion for summary judgment of direct infringement with respect to claim 16 of Rambus's U.S. Patent No. 6,266,285 by the Manufacturers' DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya's DDR3 memory chip products). In the same order, the court denied the remainder of Rambus's motion for summary judgment of infringement.

On January 19, 2009, Samsung, Nanya, and Hynix filed motions for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed opposition briefs to these motions on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus' appeal of the Delaware Order.

On January 19, 2010, Rambus and Samsung entered into a Settlement Agreement pursuant to which the parties released all claims against each other with respect to all outstanding litigation between them and certain other potential claims. The Settlement Agreement is described in further detail in Note 3, "Settlement Agreement with Samsung." A stipulation and order of dismissal with prejudice of claims between Rambus and Samsung was entered on February 11, 2010.

European Commission Competition Directorate-General

On or about April 22, 2003, Rambus was notified by the European Commission Competition Directorate-General (Directorate) (the "European Commission") that it had received complaints from Infineon and Hynix. Rambus answered the ensuing requests for information prompted by those complaints on June 16, 2003. Rambus obtained a copy of Infineon's complaint to the European Commission in late July 2003, and on October 8, 2003, at the request of the European Commission, filed its response. The European Commission sent Rambus a further request for information on December 22, 2006, which Rambus answered on January 26, 2007. On August 1, 2007, Rambus received a statement of objections from the European Commission. The statement of objections alleges that through Rambus' participation in the JEDEC standards setting organization and subsequent conduct, Rambus violated European Union competition law. Rambus filed a response to the statement of objections on October 31, 2007, and a hearing was held on December 4 and 5, 2007.

On December 9, 2009, the European Commission announced that it has reached a final settlement with Rambus to resolve the pending case. Under the terms of the settlement, the Commission made no finding of liability, and no fine will be assessed against Rambus. Rambus commits to offer licenses with maximum royalty rates for certain memory types and memory controllers on a forward-going basis (the "Commitment"). The Commitment is expressly made without any admission by Rambus of the allegations asserted against it. The Commitment also does not resolve any existing claims of infringement prior to the signing of any license with a prospective licensee, nor does it release or excuse any of the prospective licensees from damages or royalty obligations through the date of signing a license. Rambus offers licenses with maximum royalty rates for five-year worldwide licenses of 1.5% for DDR2, DDR3, GDDR3 and GDDR4 SDRAM memory types. Qualified licensees will enjoy a royalty holiday for SDR and DDR DRAM devices, subject to compliance with the terms of the license. In addition, Rambus offers licenses with maximum royalty rates for five-year worldwide licenses of 1.5% per unit for SDR memory controllers through April 2010, dropping to 1.0% thereafter, and royalty rates of 2.65% per unit for DDR, DDR2, DDR3, GDDR3 and GDDR4 memory controllers through April 2010, then dropping to 2.0%. The Commitment to license at the above rates remains valid for a period of five years from December 9, 2009. All royalty rates are applicable to future shipments only and do not affect liability, if any, for damages or royalties that accrued up to the time of the license grant.

Superior Court of California for the County of San Francisco

On May 5, 2004, Rambus filed a lawsuit against Micron, Hynix, Infineon and Siemens in San Francisco Superior Court (the "San Francisco court") seeking damages for conspiring to fix prices (California Bus. & Prof. Code §§ 16720 et seq.), conspiring to monopolize under the Cartwright Act (California Bus. & Prof. Code §§ 16720 et seq.), intentional interference with prospective economic advantage, and unfair competition (California Bus. & Prof. Code §§ 17200 et seq.). This lawsuit alleges that there were concerted efforts beginning in the 1990s to deter innovation in the DRAM market and to boycott Rambus and/or deter market acceptance of Rambus' RDRAM product. Subsequently, Infineon and Siemens were dismissed from this action (as a result of a settlement with Infineon) and three Samsung-related entities were added as defendants.

A hearing on Rambus' motion for summary judgment on the grounds that Micron's cross-complaint is barred by the statute of limitations was held on August 1, 2008. At the hearing, the San Francisco court granted Rambus' motion as to Micron's first cause of action (alleged violation of California's Cartwright Act) and continued the motion as to Micron's second and third causes of action (alleged violation of unfair business practices act and alleged intentional interference with prospective economic advantage). No further order has issued on Rambus' motion.

On November 25, 2008, Micron, Samsung, and Hynix filed eight motions for summary judgment on various grounds. On January 26, 2009, Rambus filed briefs in opposition to all eight motions. A hearing on these motions for summary judgment was held on March 4-6, March 16-17, and June 29, 2009. The court denied all eight motions. On June 17 and June 22, 2009, Micron, Samsung, and Hynix filed petitions requesting that the court of appeal issue writs directing the trial court to vacate two orders denying motions for summary judgment and enter orders granting the motions. In separate summary orders dated July 27 and August 13, 2009, the court of appeal denied the two petitions. On August 24, 2009, Micron, Samsung, and Hynix filed a petition requesting that the California Supreme Court review the court of appeals' denial of one of their petitions. On October 22, 2009, the California Supreme Court denied the petition.

On March 10, 2009, defendants filed motions requesting that Rambus' case be dismissed on the ground that the Delaware Order should be given preclusive effect. Rambus filed a brief opposing this request. The parties filed further briefs on the preclusive effect, if any, of the Delaware Order on April 3 and April 17, 2009. The parties submitted briefs on their allegations regarding alleged spoliation of evidence on April 20, 2009. A hearing on these issues was held on April 27 and June 1, 2009, at the conclusion of which the court denied defendants' motion for issue preclusion and terminating sanctions. On June 19, 2009, Micron and Samsung filed petitions requesting that the court of appeal issue writs directing the trial court to vacate its order denying defendants' motion for issue preclusion and terminating sanctions and enter an order granting the motion. Hynix filed a similar petition on June 23, 2009. On July 6, 2009, the court of appeal denied all three of these petitions. On July 16, 2009, Samsung and Micron filed petitions requesting that the California Supreme Court review the court of appeals' denial of their petitions. On September 9, 2009, the California Supreme Court denied these petitions.

On January 19, 2010, Rambus and Samsung entered into a Settlement Agreement pursuant to which the parties released all claims against each other with respect to all outstanding litigation between them and certain other potential claims. The Settlement Agreement is described in further detail in Note 3, "Settlement Agreement with Samsung." A stipulation of dismissal with prejudice of claims between Rambus and Samsung was filed on February 4, 2010.

Trial had been scheduled to begin on January 11, 2010. On January 13 and 21, 2010, a hearing was held on Micron's emergency request for a two-month continuance. At the conclusion of the hearing, the request for continuance was granted. Trial is scheduled to commence on a date to be determined.

Stock Option Investigation Related Claims

On May 30, 2006, the Audit Committee commenced an internal investigation of the timing of past stock option grants and related accounting issues.

On May 31, 2006, the first of three shareholder derivative actions was filed in the U.S. District Court for the Northern District of California against Rambus (as a nominal defendant) and certain current and former executives and board members. These actions have been consolidated for all purposes under the caption, In re Rambus Inc. Derivative

Litigation, Master File No. C-06-3513-JF (N.D. Cal.), and Howard Chu and Gaetano Ruggieri were appointed lead plaintiffs. The consolidated complaint, as amended, alleges violations of certain federal and state securities laws as well as other state law causes of action. The complaint seeks disgorgement and damages in an unspecified amount, unspecified equitable relief, and attorneys' fees and costs.

On August 22, 2006, another shareholder derivative action was filed in Delaware Chancery Court against Rambus (as a nominal defendant) and certain current and former executives and board members (Bell v. Tate et al., 2366-N (Del. Chancery)). On May 16, 2008, this case was dismissed pursuant to a notice filed by the plaintiff.

On August 30, 2007, another shareholder derivative action was filed in the U.S. District Court for the Southern District of New York against Rambus (as a nominal defendant) and PricewaterhouseCoopers LLP (Francl v. PricewaterhouseCoopers LLP et al.,

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No. 07-Civ. 7650 (GBD)). On November 21, 2007, the New York court granted PricewaterhouseCoopers LLP's motion to transfer the action to the Northern District of California.

On October 18, 2006, the Board of Directors formed a Special Litigation Committee (the "SLC") to evaluate potential claims or other actions arising from the stock option granting activities. The Board of Directors appointed J. Thomas Bentley, Chairman of the Audit Committee, and Abraham Sofaer, a retired federal judge and Chairman of the Legal Affairs Committee, both of whom joined the Rambus Board of Directors in 2005, to comprise the SLC.

On August 24, 2007, the final written report setting forth the findings of the SLC was filed with the court. As set forth in its report, the SLC determined that all claims should be terminated and dismissed against the named defendants in In re Rambus Inc. Derivative Litigation with the exception of claims against named defendant Ed Larsen, who served as Vice President, Human Resources from September 1996 until December 1999, and then Senior Vice President, Administration until July 2004. The SLC entered into settlement agreements with certain former officers of Rambus. The aggregate value of the settlements to Rambus exceeds $5.3 million in cash as well as substantial additional value to Rambus relating to the relinquishment of claims to over 2.7 million stock options. On October 5, 2007, Rambus filed a motion to terminate in accordance with the SLC's recommendations. Subsequently, the parties settled In re Rambus Inc. Derivative Litigation and Francl v. PricewaterhouseCoopers LLP et al., No. 07-Civ. 7650 (GBD). The settlement provided for a payment by Rambus of $2.0 million and dismissal with prejudice of all claims against all defendants, with the exception of claims against Ed Larsen, in these actions. The $2.0 million was accrued for during the quarter ended June 30, 2008 within accrued litigation expenses and paid in January 2009. A final approval hearing was held on January 16, 2009, and an order of final approval was entered on January 20, 2009.

On July 17, 2006, the first of six class action lawsuits was filed in the U.S. District Court for the Northern District of California against Rambus and certain current and former executives and board members. These lawsuits were consolidated under the caption, In re Rambus Inc. Securities Litigation, C-06-4346-JF (N.D. Cal.). The settlement of this action was preliminarily approved by the court on March 5, 2008. Pursuant to the settlement agreement, Rambus paid $18.3 million into a settlement fund on March 17, 2008. Some alleged class members requested exclusion from the settlement. A final fairness hearing was held on May 14, 2008. That same day the court entered an order granting final approval of the settlement agreement and entered judgment dismissing with prejudice all claims against all defendants in the consolidated class action litigation.

On March 1, 2007, a pro se lawsuit was filed in the Northern District of California by two alleged Rambus shareholders against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (Kelley et al. v. Rambus, Inc. et al. C-07-01238-JF (N.D. Cal.)). This action was consolidated with a substantially identical pro se lawsuit filed by another purported Rambus shareholder against the same parties. The consolidated complaint against Rambus alleges violations of federal and state securities laws, and state law claims for fraud and breach of fiduciary duty. Following several rounds of motions to dismiss, on April 17, 2008, the court dismissed all claims with prejudice except for plaintiffs' claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934 as to which leave to amend was granted. On June 2, 2008, plaintiffs filed an amended complaint containing substantially the same allegations as the prior complaint although limited to claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934. Rambus' motion to dismiss the amended complaint was heard on September 12, 2008. On December 9, 2008, the court granted Rambus' motion and entered judgment in favor of Rambus. Plaintiffs filed a notice of appeal on December 15, 2008. Plaintiffs' filed their opening brief on April 13, 2009. Rambus opposed on May 29, 2009, and plaintiffs filed a reply brief on June 12, 2009. No date has been set for oral argument.

On September 11, 2008, the same pro se plaintiffs filed a separate lawsuit in Santa Clara County Superior Court against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (Kelley et al. v. Rambus, Inc. et al., Case No. 1-08-CV-122444). The complaint alleges violations of certain California state securities statues as well as fraud and negligent misrepresentation based on substantially the same underlying factual allegations contained in the pro se lawsuit filed in federal court. On November 24, 2008, Rambus filed a motion to dismiss or, in the alternative, stay this case in light of the first-filed federal action. On January 12, 2009, Rambus filed a demurrer to plaintiffs' complaint on the ground that it was barred by the doctrine of claim preclusion. A hearing on Rambus' motions was held on February 27, 2009. The court granted Rambus's motion to stay the case pending the outcome of the appeal in the federal action and denied the remainder of the motions without prejudice.

On August 25, 2008, an amended complaint was filed by certain individuals and entities in Santa Clara County Superior Court against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (Steele et al. v. Rambus Inc. et al., Case No. 1-08-CV-113682). The amended complaint alleges violations of certain California state securities statues as well as fraud and negligent misrepresentation. On October 10, 2008, Rambus filed a demurrer to the amended complaint. A hearing was held on January 9, 2009. On January 12, 2009, the court sustained Rambus' demurrer without prejudice. Plaintiffs filed a second amended complaint on February 13, 2009, containing the same causes of action as the previous complaint. On March 17, 2009, Rambus filed a demurrer to the second amended complaint. A hearing was held on May 22, 2009. On May 26, 2009, the court sustained in part and overruled in part Rambus's demurrer. On June 5, 2009, Rambus filed an answer denying plaintiffs' remaining allegations. Discovery is ongoing.

NVIDIA Litigation

U.S District Court in the Northern District of California

On July 10, 2008, Rambus filed suit against NVIDIA Corporation ("NVIDIA") in the U.S. District Court for the Northern District of California alleging that NVIDIA's products with memory controllers for SDR, DDR, DDRx, GDDR, and GDDRy (where DDRx and GDDRy includes at least DDR2, DDR3 and GDDR3) technologies infringe 17 patents. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against NVIDIA under U.S. Patent Nos. 6,493,789 and 6,496,897, accordingly 15 patents remain in suit. On December 30, 2008, the court granted NVIDIA's motion to stay this case as to Rambus' claims that NVIDIA's products infringe nine patents that are also the subject of proceedings in front of the International Trade Commission (described below), and denied NVIDIA's motion to stay the remainder of Rambus' patent infringement claims. Certain limited discovery is proceeding. A case management conference is scheduled for June 18, 2010.

On July 11, 2008, one day after Rambus filed suit, NVIDIA filed its own action against Rambus in the U.S. District Court for the Middle District of North Carolina alleging that Rambus committed antitrust violations of the Sherman Act; committed antitrust violations of North Carolina law; and engaged in unfair and deceptive practices in violation of North Carolina law. NVIDIA seeks injunctive relief, damages, and attorneys' fees and costs. This case has been transferred and consolidated into Rambus's patent infringement case. Rambus filed a motion to dismiss NVIDIA's claims prior to transfer of the action to California, and no decision has issued to date.

International Trade Commission

On November 6, 2008, Rambus filed a complaint with the U. S. International Trade Commission (the "ITC") requesting the commencement of an investigation pertaining to NVIDIA products. The complaint seeks an exclusion order barring the importation, sale for importation, or sale after importation of products that infringe nine Rambus patents from the Ware and Barth families of patents. The accused products include NVIDIA products that incorporate DDR, DDR2, DDR3, LPDDR, GDDR, GDDR2, and GDDR3 memory controllers, including graphics processors, and media and communications processors. The complaint names NVIDIA as a proposed respondent, as well as companies whose products incorporate accused NVIDIA products and are imported into the United States. Additional respondents include: Asustek Computer Inc. and Asus Computer International, BFG Technologies, Biostar Microtech and Biostar Microtech International Corp., Diablotek Inc., EVGA Corp., G.B.T. Inc. and Giga-Byte Technology Co., Hewlett-Packard, MSI Computer Corp. and Micro-Star International Co., Palit Multimedia Inc. and Palit Microsystems Ltd., Pine Technology Holdings, and Sparkle Computer Co.

On December 4, 2008, the ITC instituted the investigation. A hearing on claim construction was held on March 24, 2009, and a claim construction order issued on June 22, 2009. On June 5, 2009, Rambus moved to withdraw from the investigation four of the asserted patents and certain claims of a fifth asserted patent in order to simplify the investigation, streamline the final hearing, and conserve Commission resources. A final hearing before the administrative law judge was held October 13-20, 2009, and the parties submitted two rounds of post-hearing briefs.

On January 22, 2010, the administrative law judge issued a final initial determination holding that the importation of the accused NVIDIA products violates section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 because they infringe seventeen claims of three asserted Barth patents. The administrative law judge held that the accused

NVIDIA products literally infringe all asserted claims of each asserted Barth and Ware patent, that they infringe three asserted claims under the doctrine of equivalents, that respondents contribute to and induce infringement of all asserted claims, and that the asserted patents are not unenforceable due to unclean hands or equitable estoppel. The administrative law judge held that the asserted Barth patents are not invalid for anticipation or obviousness and are not obvious for double patenting. The administrative law judge further held that, while the accused products infringed eight claims of the two asserted Ware patents and that those patents are not unenforceable due to inequitable conduct, no violation has occurred because the asserted Ware patents are invalid due to anticipation and obviousness. The administrative law judge recommended that the ITC issue (1) a limited exclusion order prohibiting the unlicensed importation of accused products by any respondent; and (2) a cease and desist order prohibiting domestic respondents from engaging in certain activities in the United States with respect to the accused products. On February 12, 2010, the parties' filed petitions asking the full Commission to review certain aspects of the final initial determination.

On March 25, 2010, the ITC determined to review certain obviousness findings regarding the Barth patents and certain obviousness and anticipation findings regarding the Ware patents. The parties have submitted briefing on these issues and on the issue of remedy and bonding. The final determination from the ITC is due May 24, 2010.

Potential Future Litigation

In addition to the litigation described above, participants in the DRAM and controller markets continue to adopt Rambus technologies into various products. Rambus has notified many of these companies of their use of Rambus technology and continues to evaluate how to proceed on these matters.

There can be no assurance that any ongoing or future litigation will be successful. Rambus spends substantial company resources defending its intellectual property in litigation, which may continue for the foreseeable future given the multiple pending litigations. The outcomes of these litigations — as well as any delay in their resolution — could affect Rambus' ability to license its intellectual property in the future.

The Company records a contingent liability when it is probable that a loss has been incurred and the amount is reasonably estimable in accordance with accounting for contingencies.

15. Fair Value of Financial Instruments

The fair value measurement statement defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would transact, and the Company considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The Company's financial instruments are measured and recorded at fair value, except for cost method investments. The Company's non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

Fair Value Hierarchy

The fair value measurement statement requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

The Company uses unadjusted quotes to determine fair value. The financial assets in Level 1 include money market funds.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

The Company uses observable pricing inputs including benchmark yields, reported trades, and broker/dealer quotes. The financial assets in Level 2 include U.S. government bonds and notes, corporate notes, commercial paper and municipal bonds and notes.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The financial assets in Level 3 include a cost investment whose value is determined using inputs that are both unobservable and significant to the fair value measurements.

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The Company tests the pricing inputs by obtaining prices from two different sources for the same security on a sample of its portfolio. The Company has not adjusted the pricing inputs it has obtained. The following table presents the financial instruments that are carried at fair value and summarizes the valuation of our cash equivalents and marketable securities by the above pricing levels as of March 31, 2010 and December 31, 2009:

	As of March 31, 2010			
	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds	$396,702	$396,702	$—	$ —
U.S. government bonds and notes	236,578	—	236,578	—
Corporate notes, bonds and commercial paper	31,174	—	31,174	—
Total available-for-sale debt securities	$664,454	$396,702	$267,752	$ —

	As of December 31, 2009			
	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds	$280,908	$280,908	$—	$ —
U.S. government bonds and notes	138,829	—	138,829	—
Corporate notes, bonds and commercial paper	32,291	—	32,291	—
Total available-for-sale debt securities	$452,028	$280,908	$171,120	$ —

The Company made an investment of $2.0 million in a non-marketable security of a private company during the third quarter of 2009. The Company will monitor the investment for other-than-temporary impairment and record appropriate reductions in carrying value when necessary. The Company evaluated the fair value of the investment in the non-marketable security as of March 31, 2010 and determined that there were no events that caused a decrease in its fair value below the carrying cost.

The following table presents the financial instruments that are measured and carried at cost on a nonrecurring basis as of March 31, 2010 and December 31, 2009:

	As of March 31, 2010				
(in thousands)	Carrying Value	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Charges for the Three Months Ended March 31, 2010

Investment in non-marketable security	$2,000	$—	$—	$ 2,000	$—

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As of December 31, 2009

Item 8. Financial Statements and Supplementary Data

The Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements of AMERCO and its consolidated subsidiaries including the notes to such statements and the related schedules are set forth on the “F” pages hereto and are incorporated by reference herein.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Attached as exhibits to this Annual Report are certifications of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and procedures evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented in the section Evaluation of Disclosure Controls and Procedures.

Following this discussion is the report of BDO USA, LLP, our independent registered public accounting firm, regarding its audit of AMERCO’s internal control over financial reporting as set forth below in this section. This section should be read in conjunction with the certifications of our CEO and CFO and the BDO USA, LLP report for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

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

Inherent Limitations on Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

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

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of March 31, 2017, the end of our fiscal year. Management based its assessment on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. This assessment is supported by testing and monitoring performed both by our Internal Audit organization and our Finance organization.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year 2017. We reviewed the results of management's assessment with the Audit Committee of our Board.

Our independent registered public accounting firm, BDO USA, LLP, has audited the Company's internal control over financial reporting and has issued their report, which is included on the following page.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

AMERCO

Reno, Nevada

We have audited AMERCO and consolidated subsidiaries' (the "Company") internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' equity, comprehensive income (loss), and cash flows for each of the three years in the period ended March 31, 2017 and our report dated May 24, 2017 expressed an unqualified opinion thereon.

/s/BDO USA, LLP

Phoenix, Arizona

May 24, 2017

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Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required to be disclosed under this Item 10 is incorporated herein by reference to AMERCO's definitive proxy statement, in connection with its 2017 annual meeting of stockholders (the "Proxy Statement"), which will be filed with the SEC within 120 days after the close of the Company's 2017 fiscal year.

The Company has adopted a Code of Ethics that applies to all directors, officers and employees of the Company, including the Company's principal executive officer and principal financial officer. A copy of our Code of Ethics is posted on AMERCO's website at amerco.com/governance.aspx. We intend to satisfy the disclosure requirements of Current Report on Form 8-K regarding any amendment to, or waiver from, a provision of our Code of Ethics by posting such information on the Company's website, at the web address and location specified above, unless otherwise required to file a Current Report on Form 8-K by NASDAQ rules and regulations.

Item 11. Executive Compensation

The information required to be disclosed under this Item 11 is incorporated herein by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required to be disclosed under this Item 12 is incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required to be disclosed under this Item 13 is incorporated herein by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required to be disclosed under this Item 14 is incorporated herein by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Report:

Page

All other schedules are omitted because they are not required, inapplicable, or the information is otherwise shown in the financial statements or notes thereto.

Exhibits:

Exhibit Number	Description	Page or Method of Filing
3.1	Amended and Restated Articles of Incorporation of AMERCO	Incorporated by reference to AMERCO's Current Report on Form 8-K filed on June 9, 2016, file no. 1-11255
3.2	Restated Bylaws of AMERCO	Incorporated by reference to AMERCO's Current Report on Form 8-K filed on September 5, 2013, file no. 1-11255
4.1	Termination of Rights Agreement, dated as of March 5, 2008	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on March 11, 2008, file no. 1-11255
4.2	U-Haul Investors Club Base Indenture, dated February 12, 2011 by and between AMERCO and U. S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on February 22, 2011, file no. 1-11255
4.3	Second Supplemental Indenture, dated February 17, 2011, by and among AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on February 22, 2011, file no. 1-11255
4.4	Fourth Supplemental Indenture, dated March 15, 2011, by and among AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on March 22, 2011, file no. 1-11255
4.5	Seventh Supplemental Indenture, dated March 29, 2011, by and among AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on April 1, 2011, file no. 1-11255
4.6	Tenth Supplemental Indenture, dated June 7, 2011 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on June 23, 2011, file no. 1-11255
4.7	Eleventh Supplemental Indenture dated June 7, 2011 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on October 31, 2011, file no. 1-11255
4.8	Twelfth Supplemental Indenture dated June 14, 2011 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on June 23, 2011, file no. 1-11255
4.9	Fourteenth Supplemental Indenture dated July 20, 2011 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on August 17, 2011, file no. 1-11255
4.10	Fifteenth Supplemental Indenture dated July 27, 2011 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on August 17, 2011, file no. 1-11255
4.11	Sixteenth Supplemental Indenture dated August 31, 2011 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on September 28, 2011, file no. 1-11255
4.12	Seventeenth Supplemental Indenture dated November 8, 2011 by and between AMERCO and U.S. Bank	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on January 18, 2012,

National Association	file no. 1-11255

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4.13	Eighteenth Supplemental Indenture dated January 7, 2012 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on March 26, 2012, file no. 1-11255
4.14	Nineteenth Supplemental Indenture dated May 14, 2012 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on May 15, 2012, file no. 1-11255
4.15	Eighth Supplemental Indenture, dated April 12, 2011, by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year end March 31, 2012, file no. 1-11255
4.16	Twentieth Supplemental Indenture dated September 4, 2012 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K,

		filed on September 4, 2012, file no. 1-11255
4.17	Twenty-first Supplemental Indenture dated January 15, 2013 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO’s Current Report on Form 8-K, filed on January 15, 2013, file no. 1-11255
4.18	Twenty-second Supplemental Indenture, dated May 28, 2013 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on May 30, 2013, file no. 1-11255
4.19	Twenty-third Supplemental Indenture, dated November 26, 2013 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on November 26, 2013, file no. 1-11255
4.20	Twenty-fourth Supplemental Indenture, dated April 22, 2014 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on

		Form 8-K, filed on April 22, 2014, file no. 1-11255
4.21	Twenty-fifth Supplemental Indenture, dated July 7, 2015 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on July 7, 2015, file no. 1-11255
4.22	Twenty-sixth Supplemental Indenture, dated September 29, 2015 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on September 29, 2015, file no. 1-11255
4.23	Twenty-seventh Supplemental Indenture, dated December 15, 2015 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on December 15, 2015, file no. 1-11255
4.24	Twenty-eighth Supplemental Indenture, dated September 13, 2016 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current

		Report on Form 8-K, filed on September 13, 2016, file no. 1-11255
4.25	Twenty-ninth Supplemental Indenture, dated January 24, 2017 by and between AMERCO and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on January 24, 2017, file no. 1-11255
10.1	U-Haul Dealership Contract	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year end March 31, 1993, file no. 1-11255
10.2	ESOP Loan Credit Agreement	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 1990, file no. 1-11255
10.3	ESOP Loan Agreement	Incorporated by reference

to AMERCO's Annual Report on Form 10-K for the year ended March 31, 1990, file no. 1-11255

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10.4	Trust Agreement for the AMERCO Employee Savings, Profit Sharing and Employee Stock Ownership Plan	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 1990, file no. 1-11255
10.5	Amended Indemnification Agreement	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 1990, file no. 1-11255
10.6	Indemnification Trust Agreement	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 1990, file no. 1-11255
10.7	Management Agreement between Four SAC Self-Storage Corporation and subsidiaries of AMERCO	Incorporated by reference to AMERCO's Annual

		Report on Form 10-K for the year ended March 31, 1997, file no. 1-11255
10.8	Management Agreement between Five SAC Self-Storage Corporation and subsidiaries of AMERCO	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 1999, file no. 1-11255
10.9	Property Management Agreement	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2004, file no. 1-11255
10.10	U-Haul Dealership Contract between U-Haul Leasing & Sales Co., and U-Haul Moving Partners, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, file no. 1-11255
10.11		

	Property Management Agreement between Mercury Partners, LP, Mercury 99, LLC and U-Haul Self-Storage Management (WPC), Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, file no. 1-11255
10.12	Amended and Restated Credit Agreement, dated June 8, 2005, among Amerco Real Estate Company, Amerco Real Estate Company of Texas, Inc., Amerco Real Estate Company of Alabama Inc., U-Haul Co. of Florida, Inc., U-Haul International, Inc. and Merrill Lynch Commercial Finance Corp.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed June 14, 2005, file no. 1-11255
10.13	Security Agreement dated June 8, 2005, by Amerco Real Estate Company, Amerco Real Estate Company of Texas, Inc., Amerco Real Estate Company of Alabama, Inc., U-Haul Co. of Florida, Inc., U-Haul International, Inc. and the Marketing Grantors named therein in favor of Merrill Lynch Commercial Finance Corp.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed June 14, 2005, file no. 1-11255
10.14	Guarantee, dated June 8, 2005, by U-Haul International, Inc. in favor of Merrill Lynch Commercial Finance Corp.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed June 14, 2005, file no. 1-11255
10.15		

Promissory Note, dated June 8, 2005 by Amerco Real Estate Company, Amerco Real Estate Company of Texas, Inc., Amerco Real Estate Company of Alabama, Inc., U-Haul Co. of Florida, Inc. and U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed June 14, 2005, file no. 1-11255

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10.16	Amendment No. 1 to the Amended and Restated Credit Agreement and Security Agreement, dated as of August 18, 2006, to the Amended and Restated Credit Agreement, dated as of June 8, 2005, among Amerco Real Estate Company of Texas, Inc., Amerco Real Estate Company of Alabama, Inc., U-Haul Co. of Florida, Inc., U-Haul International, Inc. and the Marketing Grantors named therein in favor of Merrill Lynch Commercial Financial Corp.	Incorporated by reference to AMERCO's Current Report on Form 8-K filed August 23, 2006, file no. 1-11255
10.17	Amended and Restated Property Management Agreement among Eight SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.18	Amended and Restated Property Management Agreement among Nine SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.19	Amended and Restated Property Management Agreement among Ten SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's

		Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.20	Amended and Restated Property Management Agreement among Eleven SAC Self-Storage Corporation and Eleven SAC Self-Storage Odenton, Inc. and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.21	Amended and Restated Property Management Agreement among Twelve SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.22	Amended and Restated Property Management Agreement among Thirteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended

		September 30, 2007, file no. 1-11255
10.23	Amended and Restated Property Management Agreement among Fourteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.24	Amended and Restated Property Management Agreement among Fifteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.25	Amended and Restated Property Management Agreement among Sixteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255

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10.26	Amended and Restated Property Management Agreement among Seventeen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, file no. 1-11255
10.27	2010-1 BOX TRUCK BASE INDENTURE, dated as of October 1, 2010, among 2010 U-HAUL S FLEET, LLC, 2010 TM-1, LLC, 2010 DC-1, LLC, and 2010 TT-1, LLC, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, file number 1-11255
10.28	Schedule I to 2010-1 Base Indenture – Definitions List	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, file number 1-11255
10.29		

	SERIES 2010-1 SUPPLEMENT, dated as of October 1, 2010, among 2010 U-HAUL S FLEET, LLC, 2010 TM-1, LLC, 2010 DC-1, LLC, and 2010 TT-1, LLC, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee.	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, file number 1-11255
10.30	Pledge and Security Agreement, dated February 17, 2011, by and among AMERCO, U-Haul Leasing and Sales Co. and U.S. Bank National Association	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on February 22, 2011, file no. 1-11255
10.31	Amended and Restated Property Management Agreement among Eighteen SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.32	Amended and Restated Property Management Agreement among Twenty SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K

		for the year ended March 31, 2012, file no. 1-11255
10.33	Amended and Restated Property Management Agreement among Twenty-One SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.34	Amended and Restated Property Management Agreement among Twenty-Two SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.35	Amended and Restated Property Management Agreement among Twenty-Three SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.36	Amended and Restated Property Management Agreement among Twenty-Four SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference

		to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.37	Amended and Restated Property Management Agreement among Twenty-Five SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255

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10.38	Amended and Restated Property Management Agreement among Twenty-Six SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.39	Amended and Restated Property Management Agreement among Twenty-Seven SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.40	Amended and Restated Property Management Agreement among Three-A SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on October 4, 2013, file no. 1-11255
10.41	Amended and Restated Property Management Agreement among Three-B SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on

		Form 8-K, filed on October 4, 2013, file no. 1-11255
10.42	Amended and Restated Property Management Agreement among Three-C SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on October 4, 2013, file no. 1-11255
10.43	Amended and Restated Property Management Agreement among Three-D SAC Self-Storage Corporation and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on October 4, 2013, file no. 1-11255
10.44	Amended and Restated Property Management Agreement among Galaxy Storage One, LP and subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on October 4, 2013, file no. 1-11255
10.45	U-Haul Dealership Contract Addendum	Incorporated by reference to AMERCO's Annual

		Report on Form 10-K for the year ended March 31, 2012, file no. 1-11255
10.46	Amendment to the Amended and Restated AMERCO Employee Savings and Profit and Sharing Plan*	Incorporated by reference to AMERCO's Quarterly Report on Form 10-Q, for the year ended December 31, 2012, file no. 1-11255
10.47	Loan Agreement, dated as of August 12, 2015 among U-Haul Co of Florida 8, LLC, U-Haul Co. of Florida 9, LLC, U-Haul Co. of Florida 10, UHIL 8, LLC, UHIL 9, LLC, UHIL 10, LLC, UHIL 13, LLC, AREC 8, LLC, AREC 9, LLC, AREC 10, LLC and AREC 13, LLC, each a Delaware limited liability company, collectively as Borrower, and Morgan Stanley Bank, N.A. and JP Morgan Chase Bank, National Association, collectively as Lender	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on August 14, 2015, file no. 1-11255
10.48	Property Management Agreement dated December 11, 2014 between Three SAC Self-Storage Corporation and U-Haul Co. (Canada), Ltd	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255
10.49		

Property Management Agreement dated December 16, 2014 among Galaxy Storage Two, L.P. and certain subsidiaries of AMERCO	Incorporated by reference to AMERCO’s Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255

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10.50	Property Management Agreement dated June 25, 2015 among 2015 SAC Self-Storage, LLC and certain subsidiaries of AMERCO	Incorporated by reference to AMERCO’s Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255
10.51	Property Management Agreement dated March 21, 2016 among Five SAC RW, LLC and certain subsidiaries of AMERCO	Incorporated by reference to AMERCO’s Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255
10.52	Amended and Restated AMERCO Employee Savings and Profit and Sharing Plan*	Incorporated by reference to AMERCO’s Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255
10.53	Amended and Restated AMERCO Employee Stock Ownership Plan*	Incorporated by reference to AMERCO’s Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255

10.57	ESOP Loan Agreement	Incorporated by reference to AMERCO's Annual Report on Form 10-K for the year ended March 31, 2016, file no. 1-11255
10.58	Property Management Agreement among Six-SAC Self-Storage Corporation and certain subsidiaries of U-Haul International, Inc.	Incorporated by reference to AMERCO's Current Report on Form 8-K, filed on June 27, 2016, file no. 1-11255
10.59	Stockholder Agreement dated September 12, 2016, between Edward J. Shoen, Mark V. Shoen, Foster Road LLC, Willow Grove Holdings LP, Blackwater Investments, Inc. and SAC Holdings Corporation	Incorporated by reference to Exhibit 99.1, filed with the Schedule 13-D/A, filed on September 12, 2016, file number 5-39669
10.60	2016 Stock Option Plan (Shelf Stock Option Plan)*	Incorporated by reference to Exhibit C to Definative Proxy for the Special Meeting of Stockholders filed on April 20, 2016
10.61	Purchase and Sale Agreement between Amerco Real Estate Company and 23rd and 11th Associates, LLC.	Filed herewith

10.62	First Amendment to Purchase and Sale Agreement between Amerco Real Estate Company and 23rd and 11th Associates, LLC.	Filed herewith
10.63	Second Amendment to Purchase and Sale Agreement between Amerco Real Estate Company and 23rd and 11th Associates, LLC.	Filed herewith
10.64	Third Amendment to Purchase and Sale Agreement between Amerco Real Estate Company and 23rd and 11th Associates, LLC.	Filed herewith
14	Code of Ethics	Incorporated by reference to AMERCO's Quarterly Report on Form 8-K, filed on April 15, 2014, file no. 1-11255
21	Subsidiaries of AMERCO	Filed herewith
23.1	Consent of BDO USA, LLP	Filed herewith
24	Power of Attorney	Refer to signature page

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31.1	Rule 13a-14(a)/15d-14(a) Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certificate of Jason A. Berg, Chief Financial Officer of AMERCO	Filed herewith
32.1	Certificate of Edward J. Shoen, President and Chairman of the Board of AMERCO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certificate of Jason A. Berg, Chief Financial Officer of AMERCO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101.INS	XBRL Instance Document	Furnished herewith
101.SCH	XBRL Taxonomy Extension Schema	Furnished herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Furnished herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Furnished herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Furnished herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Furnished herewith

* Indicates management plan or compensatory arrangement.

Item 16. Form 10-K Summary

None.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

AMERCO

Reno, Nevada

We have audited the accompanying consolidated balance sheets of AMERCO and consolidated subsidiaries (the “Company”) as of March 31, 2017 and 2016 and the related consolidated statements of operations, changes in stockholders’ equity, comprehensive income (loss), and cash flows for each of the three years in the period ended March 31, 2017. In connection with our audits of the financial statements, we have also audited the financial statement schedules listed in the accompanying index. These financial statements and schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at March 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 24, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Phoenix, Arizona

May 24, 2017

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Amerco and consolidated subsidiaries

Consolidated balance sheets

	March 31, 2017	2016
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$697,806	$600,646
Reinsurance recoverables and trade receivables, net	178,081	175,135
Inventories, net	82,439	79,756
Prepaid expenses	124,728	134,300
Investments, fixed maturities and marketable equities	1,663,768	1,490,789
Investments, other	367,830	311,821
Deferred policy acquisition costs, net	130,213	136,386
Other assets	117,072	77,210
Related party assets	86,168	85,734
	3,448,105	3,091,777
Property, plant and equipment, at cost:		
Land	640,938	587,347
Buildings and improvements	2,606,537	2,187,400
Furniture and equipment	510,415	399,943
Rental trailers and other rental equipment	492,280	462,379
Rental trucks	4,091,598	3,514,175
	8,341,768	7,151,244
Less: Accumulated depreciation	(2,384,033)	(2,133,733)
Total property, plant and equipment	5,957,735	5,017,511
Total assets	$9,405,840	$8,109,288
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$450,541	$502,538
Notes, loans and leases payable, net	3,262,880	2,647,396
Policy benefits and losses, claims and loss expenses payable	1,086,322	1,071,412
Liabilities from investment contracts	1,112,498	951,490
Other policyholders' funds and liabilities	10,150	8,650
Deferred income	28,696	22,784
Deferred income taxes, net	835,009	653,612
Total liabilities	6,786,096	5,857,882
Commitments and contingencies (notes 9, 16, 17, and 18)		
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 March 31, 2017 and 2016	–	–
Series B preferred stock, with no par value, 100,000 shares authorized; none issued and outstanding as of March 31, 2017 and 2016	–	–
Serial common stock, with or without par value, 250,000,000 shares authorized:		

Serial common stock of $0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of March 31, 2017 and 2016	–	–
Common stock, with $0.25 par value, 250,000,000 shares authorized:		
Common stock of $0.25 par value, 250,000,000 shares authorized; 41,985,700		
issued and 19,607,788 outstanding as of March 31, 2017 and 2016	10,497	10,497
Additional paid-in capital	452,172	451,629
Accumulated other comprehensive loss	(51,236)	(60,525)
Retained earnings	2,892,893	2,533,641
Cost of common shares in treasury, net (22,377,912 shares as of March 31, 2017 and 2016)	(525,653)	(525,653)
Cost of preferred shares in treasury, net (6,100,000 shares as of March 31, 2017 and 2016)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	(6,932)	(6,186)
Total stockholders' equity	2,619,744	2,251,406
Total liabilities and stockholders' equity	$9,405,840	$8,109,288

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

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amerco and consolidated subsidiaries

Consolidated statements of operations

	Years Ended March 31,		
	2017	2016	2015
	(In thousands, except share and per share data)		
Revenues:			
Self-moving equipment rentals	$2,362,833	$2,297,980	$2,146,391
Self-storage revenues	286,886	247,944	211,136
Self-moving and self-storage products and service sales	253,073	251,541	244,177
Property management fees	29,075	26,533	25,341
Life insurance premiums	163,579	162,662	156,103
Property and casualty insurance premiums	52,334	50,020	46,456
Net investment and interest income	102,276	86,617	84,728
Other revenue	171,711	152,171	160,199
Total revenues	3,421,767	3,275,468	3,074,531
Costs and expenses:			
Operating expenses	1,568,083	1,470,047	1,479,409
Commission expenses	267,230	262,627	249,642
Cost of sales	152,485	144,990	146,072
Benefits and losses	182,710	167,436	158,760
Amortization of deferred policy acquisition costs	26,218	23,272	19,661
Lease expense	37,343	49,780	79,798
Depreciation, net of (gains) losses on disposals of (($36,085), ($98,703) and ($74,631), respectively)	445,435	290,690	278,165
Total costs and expenses	2,679,504	2,408,842	2,411,507
Earnings from operations	742,263	866,626	663,024
Interest expense	(113,406)	(97,715)	(97,525)
Fees and amortization on early extinguishment of debt	(499)	–	(4,081)
Pretax earnings	628,358	768,911	561,418
Income tax expense	(229,934)	(279,910)	(204,677)
Earnings available to common stockholders	$398,424	$489,001	$356,741
Basic and diluted earnings per common share	$20.34	$24.95	$18.21
Weighted average common shares outstanding: Basic and diluted	19,586,606	19,596,110	19,586,633

Related party revenues for fiscal 2017, 2016 and 2015, net of eliminations, were $34.0 million, $32.6 million and $36.2 million, respectively.

Related party costs and expenses for fiscal 2017, 2016, and 2015, net of eliminations, were $59.9 million, $57.4 million and $54.7 million, respectively.

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

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Amerco and Consolidated Subsidiaries

Consolidated statements of comprehensive income (loss)

Fiscal Year Ended March 31, 2017	Pre-tax	Tax	Net
	(In thousands)		
Comprehensive income:			
Net earnings	$628,358	$(229,934)	$398,424
Other comprehensive income:			
Foreign currency translation	(5,862)	–	(5,862)
Unrealized net gain on investments	13,822	(4,838)	8,984
Change in fair value of cash flow hedges	9,916	(3,767)	6,149
Postretirement benefit obligations loss	28	(10)	18
Total comprehensive income	$646,262	$(238,549)	$407,713

Fiscal Year Ended March 31, 2016	Pre-tax	Tax	Net
	(In thousands)		
Comprehensive income:			
Net earnings	$768,911	$(279,910)	$489,001
Other comprehensive income:			
Foreign currency translation	(4,473)	–	(4,473)
Unrealized net loss on investments	(41,639)	14,573	(27,066)
Change in fair value of cash flow hedges	9,721	(3,694)	6,027
Postretirement benefit obligations loss	(1,029)	381	(648)
Total comprehensive income	$731,491	$(268,650)	$462,841

Fiscal Year Ended March 31, 2015	Pre-tax	Tax	Net
	(In thousands)		
Comprehensive income:			
Net earnings	$561,418	$(204,677)	$356,741
Other comprehensive income:			
Foreign currency translation	(19,883)	–	(19,883)
Unrealized net gain on investments	54,139	(18,949)	35,190
Change in fair value of cash flow hedges	8,203	(3,117)	5,086
Postretirement benefit obligations loss	(1,325)	490	(835)
Total comprehensive income	$602,552	$(226,253)	$376,299

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

Amerco and consolidated subsidiaries

consolidated statements of changes in stockholders' equity

Description	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Less: Treasury Common Stock	Less: Treasury Preferred Stock	Less: Unearned Employee Stock Ownership Plan Shares	Total Stockholders' Equity
	(In thousands)							
Balance as of March 31, 2014	$10,497	$444,210	$(53,923)	$1,805,453	$(525,653)	$(151,997)	$(1,219)	$1,527,368
Increase in market value of released ESOP shares	–	5,458	–	–	–	–	–	5,458
Release of unearned ESOP shares	–	–	–	–	–	–	2,767	2,767
Purchase of ESOP shares	–	–	–	–	–	–	(7,939)	(7,939)
Foreign currency translation	–	–	(19,883)	–	–	–	–	(19,883)
Unrealized net gain on investments, net of tax	–	–	35,190	–	–	–	–	35,190
Change in fair value of cash flow hedges, net of tax	–	–	5,086	–	–	–	–	5,086
Post retirement benefit obligations (loss)	–	–	(835)	–	–	–	–	(835)
Net earnings	–	–	–	356,741	–	–	–	356,741
Common stock dividends: ($1.00 per share for fiscal 2015)	–	–	–	(19,594)	–	–	–	(19,594)

Net activity	–	5,458	19,558	337,147	–	–	(5,172)	356,991
Balance as of March 31, 2015	$10,497	$449,668	$(34,365)	$2,142,600	$(525,653)	(151,997)	$(6,391)	$1,884,359
Increase in market value of released ESOP shares	–	1,961	–	–	–	–	–	1,961
Release of unearned ESOP shares	–	–	–	–	–	–	9,507	9,507
Purchase of ESOP shares	–	–	–	–	–	–	(9,302)	(9,302)
Foreign currency translation	–	–	(4,473)	–	–	–	–	(4,473)
Unrealized net loss on investments, net of tax	–	–	(27,066)	–	–	–	–	(27,066)
Change in fair value of cash flow hedges, net of tax	–	–	6,027	–	–	–	–	6,027
Post retirement benefit obligations (loss)	–	–	(648)	–	–	–	–	(648)
Net earnings	–	–	–	489,001	–	–	–	489,001
Common stock dividends: ($5.00 per share for fiscal 2016)	–	–	–	(97,960)	–	–	–	(97,960)
Net activity	–	1,961	(26,160)	391,041	–	–	205	367,047
Balance as of March 31, 2016	$10,497	$451,629	$(60,525)	$2,533,641	$(525,653)	$(151,997)	$(6,186)	$2,251,406
Increase in market value of released ESOP shares	–	543	–	–	–	–	–	543
Release of unearned ESOP shares	–	–	–	–	–	–	10,360	10,360
Purchase of ESOP shares	–	–	–	–	–	–	(11,106)	(11,106)
	–	–	(5,862)	–	–	–	–	(5,862)

Foreign currency translation								
Unrealized net gain on investments, net of tax	–	–	8,984	–	–	–	–	8,984
Change in fair value of cash flow hedges, net of tax	–	–	6,149	–	–	–	–	6,149
Post retirement benefit obligations (loss)	–	–	18	–	–	–	–	18
Net earnings	–	–	–	398,424	–	–	–	398,424
Common stock dividends: ($2.00 per share for fiscal 2017)	–	–	–	(39,172)	–	–	–	(39,172)
Net activity	–	543	9,289	359,252	–	–	(746)	368,338
Balance as of March 31, 2017	$10,497	$452,172	$(51,236)	$2,892,893	$(525,653)	$(151,997)	$(6,932)	$2,619,744

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

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amerco and consolidated subsidiaries

consolidated statements of cash flows

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Cash flows from operating activities:			
Net earnings	$398,424	$489,001	$356,741
Adjustments to reconcile net earnings to cash provided by operations:			
Depreciation	481,520	389,393	352,796
Amortization of deferred policy acquisition costs	26,218	23,272	19,661
Amortization of debt issuance costs	4,062	3,419	3,786
Interest credited to policyholders	25,020	20,465	18,110
Change in allowance for losses on trade receivables	(46)	(205)	(168)
Change in allowance for inventory reserves	1,330	(1,343)	(872)
Net gain on sale of real and personal property	(36,085)	(98,703)	(74,631)
Net gain on sale of investments	(5,284)	(4,491)	(3,925)
Deferred income taxes	173,112	138,075	76,500
Net change in other operating assets and liabilities:			
Reinsurance recoverables and trade receivables	(2,890)	14,765	9,632
Inventories	(4,072)	(9,009)	(1,579)
Prepaid expenses	9,386	(10,338)	(65,720)
Capitalization of deferred policy acquisition costs	(27,111)	(32,590)	(27,084)
Other assets	(40,546)	11,903	(51)
Related party assets	343	56,644	27,706
Accounts payable and accrued expenses	(5,056)	37,312	98,877
Policy benefits and losses, claims and loss expenses payable	15,378	9,626	(17,621)
Other policyholders' funds and liabilities	1,499	(349)	988
Deferred income	5,921	4,757	(13,181)
Related party liabilities	(1,062)	(616)	(866)
Net cash provided by operating activities	1,020,061	1,040,988	759,099
Cash flow from investing activities:			
Purchase of:			
Property, plant and equipment	(1,419,505)	(1,509,154)	(1,041,931)
Short term investments	(635,847)	(515,899)	(290,379)
Fixed maturity investments	(355,101)	(398,987)	(214,371)
Equity securities	(489)	(1,315)	(3,759)
Preferred stock	–	(1,005)	(2,006)
Real estate	(32,807)	(15,459)	(38,275)
Mortgage loans	(154,310)	(87,204)	(19,807)
Proceeds from sales and paydowns of:			
Property, plant and equipment	487,475	539,256	411,629
Short term investments	655,726	528,180	287,883
Fixed maturity investments	190,578	154,536	107,867
Equity securities	–	2,044	3,082

Preferred stock	4,181	1,126	2,427
Real estate	8,753	21,589	28,485
Mortgage loans	106,832	26,968	13,894
Net cash used by investing activities	(1,144,514)	(1,255,324)	(755,261)
Cash flow from financing activities:			
Borrowings from credit facilities	742,625	837,972	657,535
Principal repayments on credit facilities	(367,844)	(428,403)	(593,722)
Payment of debt issuance costs	(5,055)	(10,184)	(12,327)
Capital lease payments	(212,545)	(168,661)	(121,202)
Employee Stock Ownership Plan Shares	(11,106)	(9,302)	(7,939)
Securitization deposits	446	544	–
Common stock dividends paid	(58,757)	(78,374)	(19,594)
Investment contract deposits	285,148	358,237	105,019
Investment contract withdrawals	(149,159)	(112,957)	(54,108)
Net cash provided (used) by financing activities	223,753	388,872	(46,338)
Effects of exchange rate on cash	(2,140)	(15,740)	(10,762)
Increase (decrease) in cash and cash equivalents	97,160	158,796	(53,262)
Cash and cash equivalents at the beginning of period	600,646	441,850	495,112
Cash and cash equivalents at the end of period	$697,806	$600,646	$441,850

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

amerco and consolidated subsidiaries

notes to consolidated financial statements

Note 1. Basis of Presentation

AMERCO, a Nevada Corporation (“AMERCO”), has a fiscal year that ends on the 31st of March for each year that is referenced. Our insurance company subsidiaries have fiscal years that end on the 31st of December 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 2016, 2015 and 2014 correspond to fiscal 2017, 2016 and 2015 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.

Note 2. Principles of Consolidation

We apply ASC 810 - Consolidation (“ASC 810”) in our principles of consolidation. ASC 810 addresses arrangements where a company does not hold a majority of the voting or similar interests of a variable interest entity (“VIE”). A company is required to consolidate a VIE if it has determined it is the primary beneficiary. ASC 810 also addresses the policy when a company owns a majority of the voting or similar rights and exercises effective control.

As promulgated by ASC 810, a VIE is not self-supportive due to having one or both of the following conditions: (i) it has an insufficient amount of equity for it to finance its activities without receiving additional subordinated financial support or (ii) its owners do not hold the typical risks and rights of equity owners. This determination is made upon the creation of a variable interest and is re-assessed on an on-going basis should certain changes in the operations of a VIE, or its relationship with the primary beneficiary trigger a reconsideration under the provisions of ASC 810. After a triggering event occurs the most recent facts and circumstances are utilized in determining whether or not a company is a VIE, which other company(ies) have a variable interest in the entity, and whether or not the company’s interest is such that it is the primary beneficiary.

We will continue to monitor our relationships with the other entities regarding who is the primary beneficiary, which could change based on facts and circumstances of any reconsideration events.

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 terms “Company,” “we,” “us” or “our” refer 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.

Moving and Storage 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 portable moving and storage units 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 subsidiaries

notes to consolidated financial statements – (continued)

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 in the United States and Canada. Property and Casualty Insurance also underwrites components of the Safemove®, Safetow®, Safemove Plus®, Safestor® and Safestor Mobile® protection packages 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 our moving and storage business.

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.

Note 3. Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles ("GAAP") in the United States requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The accounting policies that we deem most critical to us and that require management's most difficult and subjective judgments include the principles of consolidation, the recoverability of property, plant and equipment, the adequacy of insurance reserves, the recognition and measurement of impairments for investments accounted for under ASC 320 - Investments - Debt and Equity Securities and the recognition and measurement of income tax assets and liabilities. The actual results experienced by us may materially differ from management's estimates.

Cash and Cash Equivalents

We consider cash equivalents to be highly liquid debt securities with insignificant interest rate risk with original maturities from the date of purchase of three months or less.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash deposits. Accounts at each United States financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Accounts at each Canadian financial institution are insured by the Canada Deposit Insurance Corporation up to $100,000 CAD per account. At March 31, 2017 and March 31, 2016, we held cash equivalents in excess of these insured limits. To mitigate this risk, we select financial institutions based on their credit ratings and financial strength.

Investments

Fixed Maturities and Marketable Equities. Fixed maturity investments consist of either marketable debt, equity or redeemable preferred stocks. As of the balance sheet dates, all of our investments in these securities were classified as available-for-sale. Available-for-sale investments are reported at fair value, with unrealized gains or losses recorded net of taxes and applicable adjustments to deferred policy acquisition costs in stockholders' equity. Fair value for these investments is based on quoted market prices, dealer quotes or discounted cash flows. The cost of investments sold is based on the specific identification method.

In determining if and when a decline in market value below carrying value is an other-than-temporary impairment, management makes certain assumptions or judgments in its assessment including but not limited to: our ability to hold the security, quoted market prices, dealer quotes, discounted cash flows, industry factors, financial factors, and issuer specific information. Other-than-temporary impairments, to the extent of the decline, as well as realized gains or losses on the sale or exchange of investments are recognized in the current period operating results.

Mortgage Loans and Notes on Real Estate. Mortgage loans and notes on real estate are reported at their unpaid balance, net of any allowance for possible losses and any unamortized premium or discount.

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Recognition of Investment Income. Interest income from bonds and mortgage notes is recognized when earned. Dividends on common and preferred stocks are recognized on the ex-dividend dates. Realized gains and losses on the sale or exchange of investments are recognized at the trade date.

Derivative Financial Instruments

Our objective for holding derivative financial instruments is to manage interest rate risk exposure primarily through entering interest rate swap agreements. An interest rate swap is a contractual exchange of interest payments between two parties. A standard interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for a receiving floating rate times the same notional amount from another party. As interest rates change, the difference to be paid or received is accrued and recognized as interest expense or income over the life of the agreement. We do not enter into these instruments for trading purposes. Counterparties to the interest rate swap agreements are major financial institutions. In accordance with ASC 815 - Derivatives and Hedging, we recognize interest rate swap agreements on the balance sheet at fair value, which are classified as prepaid expenses (asset) or accrued expenses (liability). Derivatives that are not designated as cash flow hedges for accounting purposes must be adjusted to fair value through income. If the derivative qualifies and is designated as a cash flow hedge, changes in its fair value will either be offset against the change in fair value of the hedged item through earnings or recorded in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. See Note 11, Derivatives, of the Notes to Consolidated Financial Statements.

Inventories, net

Inventories, net were as follows:

	March 31,	
	2017	2016
	(In thousands)	
Truck and trailer parts and accessories (a)	$71,918	$68,665
Hitches and towing components (b)	17,799	17,483
Moving supplies and propane (b)	9,112	8,668
Subtotal	98,829	94,816
Less: LIFO reserves	(14,340)	(13,463)
Less: excess and obsolete reserves	(2,050)	(1,597)
Total	$82,439	$79,756

(a) Primarily held for internal usage, including equipment manufacturing and repair
(b) Primarily held for retail sales

Inventories consist primarily of truck and trailer parts and accessories used to manufacture and repair rental equipment as well as products and accessories available for retail sale. Inventory is held at our owned locations; our independent dealers do not hold any of our inventory.

Inventory cost is primarily determined using the last-in first-out method (“LIFO”). Inventories valued using LIFO consisted of approximately 94% and 97% of the total inventories for March 31, 2017 and 2016, respectively. Had we utilized the first-in first-out method (“FIFO”), stated inventory balances would have been $14.3 million and $13.5 million higher at March 31, 2017 and 2016, respectively. In fiscal 2017, the negative effect on income due to liquidation of a portion of the LIFO inventory was $0.1 million.

amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Property, Plant and Equipment

Our Property, plant and equipment is stated at cost. Interest expense incurred during the initial construction of buildings and rental equipment is considered part of cost. Depreciation is computed for financial reporting purposes using the straight line or an accelerated method based on a declining balance formula over the following estimated useful lives: rental equipment 2-20 years and buildings and non-rental equipment 3-55 years. We follow the deferral method of accounting based on ASC 908 - Airlines for major overhauls in which engine and transmission overhauls are capitalized and amortized over three years. Routine maintenance costs are charged to operating expense as they are incurred. Gains and losses on dispositions of property, plant and equipment are netted against depreciation expense when realized. The net amount of (gains) or losses netted against depreciation expense were ($36.1) million, ($98.7) million and ($74.6) million during fiscal 2017, 2016 and 2015, respectively. Equipment depreciation is recognized in amounts expected to result in the recovery of estimated residual values upon disposal, i.e., minimize gains or losses. In determining the depreciation rate, historical disposal experience, holding periods and trends in the market for vehicles are reviewed. As a result of changes in IRS regulations regarding the capitalization of assets, beginning in the first quarter of fiscal 2017, we raised the value threshold before certain assets are capitalized within our depreciation policy. This change in threshold, results in the immediate recognition of reported operating costs with a lagging decrease in depreciation expense over the term that these assets would have been depreciated. Due to this change, we had additional operating expenses of $23.9 million in fiscal 2017. This change in threshold is expected to benefit us through the immediate recognition of tax deductible costs.

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

Management determined that additions to the fleet resulting from purchases should be depreciated on an accelerated method based upon a declining formula. Under the declining balances method (2.4 times declining balance), the book value of a rental truck is reduced approximately 16%, 13%, 11%, 9%, 8%, 7%, and 6% during years one through seven, respectively and then reduced on a straight line basis to a salvage value of 20% by the end of year fifteen. Beginning in October 2012, new purchased rental equipment subject to this depreciation schedule is depreciated to a salvage value of 15%. Comparatively, a standard straight line approach would reduce the book value by approximately 5.7% per year over the life of the truck.

Although we intend to sell our used vehicles for prices approximating book value, the extent to which we realize a gain or loss on the sale of used vehicles is dependent upon various factors including, but not limited to, the general state of the used vehicle market, the age and condition of the vehicle at the time of its disposal and the depreciation rates with respect to the vehicle. We typically sell our used vehicles at our sales centers throughout the United States and Canada, on our website at uhaul.com/trucksales or by phone at 1-866-404-0355. Additionally, we sell a large portion of our pickup and cargo van fleet at automobile dealer auctions.

In addition to our property, plant and equipment, we had real estate held for investment of $66.2 million and $34.4 million for fiscal 2017 and 2016, respectively and is included in Investments, other.

Receivables

Trade receivables include trade accounts from moving and self-storage customers and dealers, insurance premiums and amounts due from re-insurers, less management's estimate of uncollectible accounts.

amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Insurance premiums receivable for policies that are billed through contracted agents are recorded net of commissions payable. A commission payable is recorded as a separate liability for those premiums that are billed direct.

Reinsurance recoverables include case reserves and actuarial estimates of claims incurred but not reported ("IBNR"). These receivables are not expected to be collected until after the associated claim has been adjudicated and billed to the re-insurer. The reinsurance recoverables may have little or no allowance for doubtful accounts due to the fact that reinsurance is typically procured from carriers with strong credit ratings. Furthermore, we do not cede losses to a re-insurer if the carrier is deemed financially unable to perform on the contract. Reinsurance recoverables also include insurance ceded to other insurance companies.

Notes and mortgage receivables include accrued interest and are reduced by discounts and amounts considered by management to be uncollectible.

Policy Benefits and Losses, Claims and Loss Expenses Payable

Life Insurance’s liabilities for life insurance and certain annuity and health policies are established to meet the estimated future obligations of policies in force, and are based on mortality, morbidity and withdrawal assumptions from recognized actuarial tables which contain margins for adverse deviation. Liabilities for health, disability and other policies include estimates of payments to be made on insurance claims for reported losses and estimates of IBNR losses. Oxford’s liabilities for deferred annuity contracts consist of contract account balances that accrue to the benefit of the policyholders.

Property and Casualty Insurance’s liability for reported and unreported losses is based on Repwest’s historical data along with industry averages. The liability for unpaid loss adjustment expenses is based on historical ratios of loss adjustment expenses paid to losses paid. Amounts recoverable from re-insurers on unpaid losses are estimated in a manner consistent with the claim liability associated with the re-insured policy. Adjustments to the liability for unpaid losses and loss expenses as well as amounts recoverable from re-insurers on unpaid losses are charged or credited to expense in the periods in which they are made.

Due to the nature of the underlying risks and high degree of uncertainty associated with the determination of the liability for future policy benefits and claims, the amounts to be ultimately paid to settle these liabilities cannot be precisely determined and may vary significantly from the estimated liability, especially for long-tailed casualty lines of business such as excess workers’ compensation. As a result of the long-tailed nature of the excess workers’ compensation policies written by Repwest during 1983 through 2001, it may take a number of years for claims to be fully reported and finally settled.

On a regular basis insurance reserve adequacy is reviewed by management to determine if existing assumptions need to be updated. In determining the assumptions for calculating workers’ compensation reserves, management considers multiple factors including the following:

- Claimant longevity
- Cost trends associated with claimant treatments
- Changes in ceding entity and third party administrator reporting practices
- Changes in environmental factors including legal and regulatory
- Current conditions affecting claim settlements
- Future economic conditions including inflation

We have reserved each claim based upon the accumulation of current claim costs projected through each claimant's life expectancy and then adjusted for applicable reinsurance arrangements. Management reviews each claim bi-annually to determine if the estimated life-time claim costs have increased and then adjusts the reserve estimate accordingly at that time. We have factored in an estimate of what the potential cost increases could be in our IBNR liability. We have not assumed settlement of the existing claims in calculating the reserve amount, unless it is in the final stages of completion.

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notes to consolidated financial statements – (continued)

Continued increases in claim costs, including medical inflation and new treatments and medications could lead to future adverse development resulting in additional reserve strengthening. Conversely, settlement of existing claims or if injured workers return to work or expire prematurely, could lead to future positive development.

Self-Insurance Reserves

U-Haul retains the risk for certain public liability and property damage programs related to our rental equipment. The consolidated balance sheets include $399.2 million and $386.4 million of liabilities related to these programs as of March 31, 2017 and 2016, respectively. These liabilities are recorded in Policy benefits and losses, claims and loss expenses payable. Management takes into account losses incurred based upon actuarial estimates, past experience, current claim trends, as well as social and economic conditions. This liability is subject to change in the future based upon changes in the underlying assumptions including claims experience, frequency of incidents, and severity of incidents.

Additionally, as of March 31, 2017 and 2016, the consolidated balance sheets include liabilities of $13.7 million and $9.5 million, respectively, related to medical plan benefits we provide for eligible employees. We estimate this liability based on actual claims outstanding as of the balance sheet date as well as an actuarial estimate of IBNR claims. This liability is reported net of estimated recoveries from excess loss reinsurance policies with unaffiliated insurers of $0.1 million and $0.2 million as of March 31, 2017 and 2016, respectively. These amounts are recorded in Accounts payable and accrued expenses on the consolidated balance sheets.

Revenue Recognition

Self-moving rentals are recognized for the period that trucks and moving equipment are rented. Self-storage revenues, based upon the number of paid storage contract days, are recognized as earned during the period. Sales of self-moving and self-storage related products are recognized at the time that title passes and the customer accepts delivery. Property and casualty, traditional life and Medicare supplement insurance premiums are recognized as revenue over the policy periods. For products where premiums are due over a significantly shorter duration than the period over which benefits are provided, such as our single premium whole life product, premiums are recognized when received and excess profits are deferred and recognized in relation to the insurance in force. Interest and investment income are recognized as earned.

Amounts collected from customers for sales tax are recorded on a net basis.

Advertising

All advertising costs are expensed as incurred. Advertising expense was $8.7 million, $9.6 million and $7.5 million in fiscal 2017, 2016 and 2015, respectively.

Deferred Policy Acquisition Costs

Commissions and other costs that fluctuate with and are primarily related to the acquisition or renewal of certain insurance premiums are deferred. For our Life Insurance’s life and health insurance products, these costs are amortized, with interest, in relation to revenue such that costs are realized as a constant percentage of revenue. For its annuity insurance products the costs are amortized, with interest, in relation to the present value of actual and expected gross profits.

Starting in fiscal 2014, new annuity contract holders were provided with a sales inducement in the form of a premium bonus (the "Sales Inducement Asset"). Sales inducements are recognized as an asset with a corresponding increase to the policyholder liability and are amortized in a similar manner to Deferred Acquisition Cost. As of December 31, 2016 and 2015, the Sales Inducement Asset included with Deferred Acquisition Costs amounted to $23.0 million and $24.6 million, respectively on the consolidated balance sheet and amortization expense totaled $3.3 million $3.0 million and $2.4 million for the periods ended December 31, 2016, 2015 and 2014, respectively.

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Environmental Costs

Liabilities are recorded when environmental assessments and remedial efforts, if applicable, are probable and the costs can be reasonably estimated. The amount of the liability is based on management's best estimate of undiscounted future costs. Certain recoverable environmental costs related to the removal of underground storage tanks or related contamination are capitalized and amortized over the estimated useful lives of the properties. These costs are capitalized if they improve the safety or efficiency of the property or are incurred in preparing the property for sale.

Income Taxes

AMERCO files a consolidated tax return with all of its legal subsidiaries. In accordance with ASC 740 - Income Taxes ("ASC 740"), the provision for income taxes reflects deferred income taxes resulting from changes in temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net earnings, foreign currency translation adjustments, unrealized gains and losses on investments, the change in fair value of cash flow hedges and the change in postretirement benefit obligations.

Debt Issuance Costs

We defer costs directly associated with acquiring third-party financing. Debt issuance costs are deferred and amortized. Debt issuance costs related to our long-term debt are reflected as a direct deduction from the carrying amount of the debt in accordance with our adoption of Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs. Please see Note 9, Borrowings, of the Notes to Consolidated Financial Statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers, an updated standard on revenue recognition. The standard creates a five-step model for revenue recognition that requires companies to exercise judgment when considering contract terms and relevant facts and circumstances. The standard requires expanded disclosure surrounding revenue recognition. Early application is not permitted. The standard was initially to be effective for fiscal periods beginning after December 15, 2016 and allows for either full retrospective or modified retrospective adoption. In July 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers, Deferral of Effective Date, which delays the effective date of ASU 2014-09 by one year to fiscal periods beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations and the effective date is the same as requirements in ASU 2015-14. We do not expect adoption of ASU 2014-09 to have a material effect on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions, the new guidance requires the fair value measurement of investments in certain equity securities. For investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. All changes in measurement will be recognized in net income. The guidance is effective for interim periods and annual period beginning after December 15, 2017. Early adoption is not permitted, except for certain provisions relating to financial liabilities. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

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In February 2016, the FASB issued ASU 2016-02, Leases – (Topic 842). This update will require lessees to recognize all leases with terms greater than 12 months on their balance sheet as lease liabilities with a corresponding right-of-use asset. This update maintains the dual model for lease accounting, requiring leases to be classified as either operating or finance, with lease classification determined in a manner similar to existing lease guidance. The basic principle is that leases of all types convey the right to direct the use and obtain substantially all the economic benefits of an identified asset, meaning they create an asset and liability for lessees. Lessees will classify leases as either finance leases (comparable to current capital leases) or operating leases (comparable to current operating leases). Costs for a finance lease will be split between amortization and interest expense, with a single lease expense reported for operating leases. This update also will require both qualitative and quantitative disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for interim periods and annual period beginning after December 15, 2018; however, early adoption is permitted. We have determined that the provisions of ASU 2016-02 may result in an increase in assets to recognize the present value of the lease obligations with a corresponding increase in liabilities. We are still in the process of determining the impact on our consolidated financial statements. For the last ten years, we have reported a discounted estimate of the off-balance sheet lease obligations in our MD&A.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This update will require that financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected credit losses during the period. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security. This update will become effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The effective date of ASU 2016-15 is for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory, which will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. This update will become effective for the Company for fiscal years beginning after December 31, 2017, and interim periods within those fiscal years with early adoption permitted. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, Interests Held through Related Parties That Are under Common Control, which modifies existing guidance with respect to how a decision maker that holds an indirect interest in a VIE through a common control party determines whether it is the primary beneficiary of the VIE as part of the analysis of whether the VIE would need to be consolidated. Under ASU 2016-17, a decision maker would need to consider only its proportionate indirect interest in the VIE held through a common control party. Previous guidance had required the decision maker to treat the common control party's interest in the VIE as if the decision maker held the interest itself. As a result of ASU 2016-17, in certain cases, previous consolidation conclusions may change. This update will become effective for the Company for fiscal years beginning after December 31, 2016, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

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In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash. The new guidance requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statements of cash flows include restricted cash and restricted cash equivalents. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, companies will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. Companies will also need to disclose information about the nature of the restrictions. This update will become effective for the Company for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) Clarifying the Definition of a Business. This update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. This update will become effective for the Company for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost which changes how companies that sponsor defined benefit pension plans present the related net periodic benefit cost in the income statement. The service cost component of the net periodic benefit cost will continue to be presented in the same income statement line items, however other components of the net periodic benefit cost will be presented as a component of other income and excluded from operating profit. ASU 2017-07 will become effective for public companies during interim and annual reporting periods beginning after December 15, 2017 with early adoption permitted. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables – Nonrefundable Fees and Other Cost (Subtopic 310-20), Premium Amortization on Purchased Callable Debit Securities. These amendments shorten the amortization period for certain callable debit securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of this standard on our consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB or the SEC that are adopted by us as of the specified effective date. Unless otherwise discussed, these ASUs entail technical corrections to existing guidance or affect guidance related to specialized industries or entities and therefore will have minimal, if any, impact on our financial position or results of operations upon adoption.

Note 4. 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 20,226; 21,883; and 12,470 as of March 31, 2017, 2016, and 2015, respectively.

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Note 5. Reinsurance Recoverables and Trade Receivables, Net

Reinsurance recoverables and trade receivables, net were as follows:

	March 31,	
	2017	2016
	(In thousands)	
Reinsurance recoverable	$111,433	$115,653
Trade accounts receivable	41,062	34,350
Paid losses recoverable	544	1,697
Accrued investment income	20,145	18,722
Premiums and agents' balances	1,294	1,163
Independent dealer receivable	493	390
Other receivables	3,649	3,745
	178,620	175,720
Less: Allowance for doubtful accounts	(539)	(585)
	$178,081	$175,135

Note 6. 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 $16.8 million and $17.3 million at December 31, 2016 and 2015, respectively.

Available-for-Sale Investments

Available-for-sale investments at March 31, 2017 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	$123,474	$2,892	$–	$(1,675)	$124,691
U.S. government agency mortgage-backed securities	27,908	1,070	(6)	(377)	28,595
Obligations of states and political subdivisions	159,417	9,466	(23)	(424)	168,436
Corporate securities	1,263,703	32,901	(5,731)	(13,837)	1,277,036
Mortgage-backed securities	26,577	515	–	(5)	27,087
Redeemable preferred stocks	13,789	168	–	(468)	13,489

Common stocks	15,732	8,728	(10)	(16)	24,434
	$1,630,600	$55,740	$(5,770)	$(16,802)	$1,663,768

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Available-for-sale investments at March 31, 2016 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	$85,861	$3,791	$–	$(193)	$89,459
U.S. government agency mortgage-backed securities	21,845	1,596	(6)	(39)	23,396
Obligations of states and political subdivisions	166,725	10,660	(81)	(414)	176,890
Corporate securities	1,143,125	26,861	(8,013)	(28,181)	1,133,792
Mortgage-backed securities	24,991	475	–	(62)	25,404
Redeemable preferred stocks	17,977	556	–	(105)	18,428
Common stocks	15,983	7,822	(10)	(375)	23,420
	$1,476,507	$51,761	$(8,110)	$(29,369)	$1,490,789

The available-for-sale tables 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 $190.2 million, $150.7 million and $109.1 million in fiscal 2017, 2016 and 2015, respectively. The gross realized gains on these sales totaled $5.1 million, $4.2 million and $4.6 million in fiscal 2017, 2016 and 2015, respectively. We realized gross losses on these sales of $2.2 million, $0.6 million and $0.7 million in fiscal 2017, 2016 and 2015, respectively.

The unrealized losses of more than twelve months in the available-for-sale tables 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 fiscal 2017, 2016 and 2015.

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 loss for fiscal 2017, 2016 or 2015.

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

	March 31, 2017		March 31, 2016	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
	(In thousands)			
Due in one year or less	$35,399	$35,795	$48,679	$49,146
Due after one year through five years	324,286	333,016	250,576	256,597
Due after five years through ten years	598,232	607,184	557,984	557,961
Due after ten years	616,585	622,763	560,317	559,833
	1,574,502	1,598,758	1,417,556	1,423,537
Mortgage backed securities	26,577	27,087	24,991	25,404
Redeemable preferred stocks	13,789	13,489	17,977	18,428
Equity securities	15,732	24,434	15,983	23,420
	$1,630,600	$1,663,768	$1,476,507	$1,490,789

Investments, other

The carrying value of other investments was as follows:

	March 31,	
	2017	2016
	(In thousands)	
Mortgage loans, net	$262,875	$217,198
Short-term investments	15,149	34,798
Real estate	66,174	34,416
Policy loans	17,112	17,091
Other equity investments	6,520	8,318
	$367,830	$311,821

Mortgage loans are carried at the unpaid balance, less an allowance for probable losses net of any unamortized premium or discount. The portfolio of mortgage loans is principally collateralized by self-storage facilities and commercial properties. The interest rate range on the mortgage loans is 4.3% to 6.9% with maturities between 2017 and 2036. The allowance for probable losses was $0.5 million and $0.4 million as of March 31, 2017 and 2016, respectively. The estimated fair value of these loans as of March 31, 2017 and 2016 approximated the carrying value. These loans represent first lien mortgages held by us.

Short-term investments consist primarily of investments in money market funds, mutual funds and any other investments with short-term characteristics that have original maturities of less than one year at acquisition. These investments are recorded at cost, which approximates fair value.

Real estate obtained through foreclosure and held for sale is carried at the lower of fair value at time of foreclosure or current estimated fair value less cost to sell. Other equity investments are carried at cost and assessed for impairment.

Insurance policy loans are carried at their unpaid balance.

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Note 7. Other Assets

Other assets were as follows:

	March 31,	
	2017	2016
	(In thousands)	
Deposits (debt-related)	$32,182	$30,660
Cash surrender value of life insurance policies	32,070	31,619
Deposits (real estate related)	47,302	9,244
Other	5,518	5,687
	$117,072	$77,210

Note 8. Net Investment and Interest Income

Net investment and interest income, were as follows:

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Fixed maturities	$73,041	$63,453	$58,716
Real estate	5,189	3,775	2,669
Insurance policy loans	1,212	1,188	1,072
Mortgage loans	20,617	14,631	10,677
Short-term, amounts held by ceding reinsurers, net and other investments	1,157	208	2,724
Investment income	101,216	83,255	75,858
Less: investment expenses	(3,820)	(2,724)	(1,962)
Investment income - related party	4,880	6,086	10,832
Net investment and interest income	$102,276	$86,617	$84,728

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Note 9. Borrowings

Long-Term Debt

Long-term debt was as follows:

	2017 Rate (a)	Maturities	March 31, 2017	2016
			(In thousands)	
Real estate loan (amortizing term)	2.36% - 6.93%	2023	$169,289	$205,000
Senior mortgages	2.83% - 5.50%	2017 - 2038	1,292,160	1,103,897
Working capital loan (revolving credit)	2.48%	2018	85,000	–
Fleet loans (amortizing term)	1.95% - 4.76%	2017 - 2024	324,977	218,998
Fleet loan (securitization)	4.90%	2017	52,112	62,838
Fleet loans (revolving credit)	1.93% - 2.63%	2018 - 2021	417,000	347,000
Capital leases (rental equipment)	1.92% - 4.86%	2017 - 2024	876,828	672,825
Other obligations	3.00% - 8.00%	2017 - 2045	69,867	60,200
Notes, loans and leases payable			$3,287,233	$2,670,758
Less: Debt issuance costs			(24,353)	(23,362)
Total notes, loans and leases payable, net			$3,262,880	$2,647,396

(a) Interest rate as of March 31, 2017, taking into account 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 March 31, 2017, the outstanding balance on the Real Estate Loan was $169.3 million. 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.

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 March 31, 2017, the applicable LIBOR was 0.86% and the applicable margin was 1.50%, the sum of which was 2.36%, which was applied to $39.9 million of the Real Estate Loan. The rate of the remaining balance of $129.4 million of the Real Estate Loan is hedged with an interest rate swap fixing the rate at 6.93% based on current margin. The interest rate swap expires in August 2018, after which date the remaining balance will incur interest at a rate of LIBOR plus a margin of 1.50%. The default provisions of the Real Estate Loan include non-payment of principal or interest and other standard reporting and change-in-control covenants. There are limited restrictions regarding our use of the funds.

Senior Mortgages

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under certain senior mortgages. These senior mortgage loan balances as of March 31, 2017 were in the aggregate amount of

$1,292.2 million and mature between 2017 and 2038. The senior mortgages require monthly principal and interest payments. 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 3.72% and 5.50%. Certain senior mortgages have an anticipated repayment date and a maturity date. If these senior mortgages are not repaid by the anticipated repayment date, the interest rate on these mortgages would increase from the current fixed rate. We are using the anticipated repayment date for our maturity schedule. Additionally, $157.3 million of these loans have variable interest rates comprised of applicable LIBOR base rates between 0.83% and 0.86% plus margins between 2.00% and 2.50%, the sums of which were between 2.83% and 3.36%. 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.

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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 $50.0 million. At March 31, 2017 the full $50.0 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. The final maturity of this loan is September 2018. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The interest rate is the applicable LIBOR plus a margin of 1.25%. AMERCO is the guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

Various subsidiaries of Amerco Real Estate Company and U-Haul International, Inc. are borrowers under an asset backed working capital loan. The maximum amount that can be drawn at any one time is $85.0 million. At March 31, 2017, the outstanding balance was $85.0 million. This loan is secured by certain properties owned by the borrower. This loan agreement provides for term loans, subject to the terms of the loan agreement. The final maturity of the loan is November 2018. This loan requires monthly interest payments with the unpaid loan balance and accrued and unpaid interest due at maturity. The interest rate, per the provision of the loan agreement, is the applicable LIBOR plus the applicable margin. At March 31, 2017, the applicable LIBOR was 0.98% and the margin was 1.50%, the sum of which was 2.48%. AMERCO is the guarantor of this loan. The default provisions of the loan include non-payment of principal or interest and other standard reporting and change-in-control covenants.

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 March 31, 2017 was $325.0 million with the final maturities between July 2017 and March 2024.

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 March 31, 2017, the applicable LIBOR was between 0.78% and 0.91% and applicable margins were between 1.72% and 2.50%. The interest rates are hedged with interest rate swaps fixing the rates between 2.82% and 4.76% based on current margins. Additionally, $257.5 million of these loans are carried at fixed rates ranging between 1.95% and 3.94%.

AMERCO and, in some cases, 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”). 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 March 31, 2017, the outstanding balance was $52.1 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.

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notes to consolidated financial statements – (continued)

Rental Truck Revolvers

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $150 million, which can be increased to a maximum of $225 million. This loan matures in September 2018. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus the applicable margin. At March 31, 2017, the applicable LIBOR was 0.78% and the margin was 1.15%, the sum of which was 1.93%. Only interest is paid on the loan until the last nine months when principal is due monthly. As of March 31, 2017, the outstanding balance was $142.0 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 $215 million. This loan matures in March 2020. The interest rate, per the provision of the Loan Agreement, is the applicable LIBOR plus the applicable margin. At March 31, 2017, the applicable LIBOR was 0.78% and the margin was 1.15%, the sum of which was 1.93%. Only interest is paid on the loan until the last nine months when principal is due monthly. As of March 31, 2017, the outstanding balance was $140.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $50 million. The loan matures in May 2019. This agreement contains an option to extend the maturity through January 2020. The interest rate, per the provision of the Loan Agreement is the applicable LIBOR plus the applicable margin. At March 31, 2017, the applicable LIBOR was 0.78% and the margin was 1.85%, the sum of which was 2.63%. Only interest is paid during the first five years of the loan with principal due upon maturity. As of March 31, 2017, the outstanding balance was $25.0 million.

Various subsidiaries of U-Haul International, Inc. entered into a revolving fleet loan for $150 million. The loan matures in November 2021. The interest rate, per the provision of the Loan Agreement is the applicable LIBOR plus the applicable margin. At March 31, 2017, the applicable LIBOR was 0.78% and the margin was 1.15%, the sum of which was 1.93%. Only interest is paid on the loan until the last nine months when principal is due monthly. As of March 31, 2017, the outstanding balance was $110.0 million.

Capital Leases

We regularly enter into capital leases for new equipment with the terms of the leases between five and seven years. During fiscal 2017, we entered into $446.8 million of new capital leases. At March 31, 2017 and 2016, the balance of our capital leases was $876.8 million and $672.8 million, respectively. The net book value of the corresponding capitalized assets was $1,233.3 million and $900.6 million at March 31, 2017 and 2016, respectively.

Other Obligations

In February 2011, AMERCO and U.S. Bank, NA (the "Trustee") entered into the U-Haul Investors Club® Indenture. AMERCO 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 March 31, 2017, the aggregate outstanding principal balance of the U-Notes® issued was $74.3 million of which $4.4 million is held by our insurance subsidiaries and eliminated in consolidation. Interest rates range between 3.00% and 8.00% and maturity dates range between 2017 and 2045.

Oxford is a member of the Federal Home Loan Bank ("FHLB") and, as such, the FHLB has made a deposit with Oxford. As of December 31, 2016, the deposit balance was $30.0 million, for which Oxford pays a fixed interest rate of 0.57%, due on the maturity date of March 30, 2017. As of December 31, 2016, available-for-sale investments held with the FHLB totaled $92.0 million, of which $33.7 million was pledged as collateral to secure the outstanding deposit. On March 30, 2017, the deposit agreement was amended, the balance was increased to $45.0 million, the maturity was extended to September 29, 2017, and the interest rate was increased to 1.0%. In addition on this date, another deposit agreement for $15 million was entered into with a maturity of March 30, 2020 at an interest rate of 1.75%. The balances of these deposits are included within Liabilities from investment contracts on the consolidated balance sheet.

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notes to consolidated financial statements – (continued)

Annual Maturities of Notes, Loans and Leases Payable

The annual maturities of long-term debt as of March 31, 2017 for the next five years and thereafter are as follows:

	Years Ended March 31,					
	2018	2019	2020	2021	2022	Thereafter
	(In thousands)					
Notes, loans and leases payable, secured	$488,925	$540,437	$496,833	$239,707	$285,384	$1,235,947

Note 10. Interest on Borrowings

Interest Expense

Components of interest expense include the following:

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Interest expense	$106,221	$85,404	$80,905
Capitalized interest	(4,863)	(3,623)	(1,204)
Amortization of transaction costs	3,445	3,235	3,495
Interest expense resulting from derivatives	8,603	12,699	14,329
Total interest expense	113,406	97,715	97,525
Write-off of transaction costs related to early extinguishment of debt	499	–	298
Fees on early extinguishment of debt	–	–	3,783
Fees and amortization on early extinguishment of debt	499	–	4,081
Total	$113,905	$97,715	$101,606

Interest paid in cash, including payments related to derivative contracts, amounted to $113.7 million, $95.1 million and $95.0 million for fiscal 2017, 2016 and 2015, respectively. In addition, during fiscal 2015, we paid $3.8 million of fees associated with the early extinguishment of debt.

Interest Rates

Interest rates and our revolving credit borrowings were as follows:

	Revolving Credit Activity		
	Years Ended March 31,		
	2017	2016	2015
	(In thousands, except interest rates)		
Weighted average interest rate during the year	1.83%	1.67%	1.70%
Interest rate at year end	2.06%	1.82%	1.65%
Maximum amount outstanding during the year	$597,000	$347,000	$232,000
Average amount outstanding during the year	$477,888	$237,372	$187,004
Facility fees	$158	$201	$336

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Note 11. 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 its 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 and lease amount (In millions)		Agreement Date	Effective Date	Expiration Date	Designated cash flow hedge date
$ 300.0		8/16/2006	8/18/2006	8/10/2018	8/4/2006
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 March 31, 2017, the total notional amount of our variable interest rate swaps on debt and an operating lease was $236.8 million and $7.8 million, respectively.

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

	Liability Derivative Fair Value as of	
	March 31, 2017	March 31, 2016
	(In thousands)	
Interest rate contracts designated as hedging instruments	$4,903	$14,845

	The Effect of Interest Rate Contracts on the Statements of Operations Years Ended March 31,		
	2017	2016	2015

	(In thousands)		
Loss recognized in income on interest rate contracts	$8,603	$12,699	$14,329
Gain recognized in AOCI on interest rate contracts (effective portion)	$(9,916)	$(9,721)	$(8,203)
Loss reclassified from AOCI into income (effective portion)	$8,628	$12,616	$14,358
(Gain) loss recognized in income on interest rate contracts (ineffective portion and amount excluded from effectiveness testing)	$(25)	$83	$(29)

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notes to consolidated financial statements – (continued)

Gains or losses recognized in income on derivatives are recorded as interest expense in the statements of operations. During fiscal 2017, we recognized an increase in the fair value of our cash flows hedges of $6.1 million, net of taxes. Embedded in this change was $8.6 million of losses reclassified from accumulated other comprehensive income (loss) to interest expense during the year. At March 31, 2017, we expect to reclassify $4.6 million of net losses on interest rate contracts from accumulated other comprehensive income (loss) to earnings as interest expense over the next twelve months. Please see Note 3, Accounting Policies, in the Notes to Consolidated Financial Statements.

Note 12. Stockholders' Equity

Common Stock Dividends

Declared Date	Per Share Amount	Record Date	Dividend Date
February 8, 2017	$ 1.00	February 23, 2017	March 9, 2017
October 5, 2016	1.00	October 20, 2016	November 3, 2016
March 15, 2016	1.00	April 5, 2016	April 21, 2016
August 28, 2015	3.00	September 16, 2015	October 2, 2015
June 4, 2015	1.00	June 19, 2015	July 1, 2015
February 4, 2015	1.00	March 6, 2015	March 17, 2015

On June 8, 2016, the stockholder's approved the 2016 AMERCO Stock Option Plan (Shelf Stock Option Plan). As of March 31, 2017, no awards had been issued under this plan.

Note 13. Provision for Taxes

Earnings before taxes and the provision for taxes consisted of the following:

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Pretax earnings:			
U.S.	$ 609,589	$ 745,194	$ 541,371
Non-U.S.	18,769	23,717	20,047
Total pretax earnings	$ 628,358	$ 768,911	$ 561,418
Current provision (benefit)			
Federal	$ 38,723	$ 118,974	$ 112,634
State	10,818	15,988	14,248
Non-U.S.	3,334	3,303	2,599
	52,875	138,265	129,481
Deferred provision (benefit)			
Federal	160,527	125,950	67,306
State	15,210	12,561	5,256
Non-U.S.	1,322	3,134	2,634
	177,059	141,645	75,196
Provision for income tax expense	$ 229,934	$ 279,910	$ 204,677

Income taxes paid (net of income tax refunds received)	$36,880	$141,901	$195,072

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The difference between the tax provision at the statutory federal income tax rate and the tax provision attributable to income before taxes was as follows:

	Years Ended March 31,		
	2017	2016	2015
Statutory federal income tax rate	35.00%	35.00%	35.00%
Increase (reduction) in rate resulting from:			
State taxes, net of federal benefit	2.66%	2.34%	2.21%
Foreign rate differential	(0.31)%	(0.24)%	(0.32)%
Federal tax credits	(0.41)%	(0.19)%	(0.29)%
Dividend received deduction	(0.03)%	(0.02)%	(0.03)%
Other	(0.32)%	(0.49)%	(0.11)%
Actual tax expense of operations	36.59%	36.40%	36.46%

Significant components of our deferred tax assets and liabilities were as follows:

	March 31,	
	2017	2016
	(In thousands)	
Deferred tax assets:		
Net operating loss and credit carry forwards	$1,948	$1,462
Accrued expenses	168,331	185,088
Policy benefit and losses, claims and loss expenses payable, net	21,287	21,911
Unrealized losses	–	–
Total deferred tax assets	$191,566	$208,461
Deferred tax liabilities:		
Property, plant and equipment	$986,334	$831,914
Deferred policy acquisition costs	20,901	20,557
Unrealized gains	19,140	9,593
Other	200	9
Total deferred tax liabilities	1,026,575	862,073
Net deferred tax liability	$835,009	$653,612

The net operating loss and credit carry-forwards in the above table are primarily attributable to $29.0 million of state net operating losses that will begin to expire March 31, 2018 if not utilized.

ASC 740 prescribes a minimum recognition and measurement methodology that a tax position is required to meet before being recognized in the financial statements. The total amount of unrecognized tax benefits at March 31, 2016 was $23.9 million. This entire amount of unrecognized tax benefits if resolved in our favor, would favorably impact our effective tax rate. During the current year we recorded tax expense (net of settlements), resulting from uncertain tax positions in the amount of $2.8 million. At March 31, 2017, the amount of unrecognized tax benefits and the amount that would favorably affect our effective tax rate was $26.7 million.

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notes to consolidated financial statements – (continued)

A reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period are as follows:

	Unrecognized Tax Benefits March 31, 2017	Unrecognized Tax Benefits March 31, 2016
	(In thousands)	
Unrecognized tax benefits beginning balance	$23,912	$19,929
Additions based on tax positions related to the current year	2,964	4,313
Reductions for tax positions of prior years	(156)	(327)
Settlements	–	(3)
Unrecognized tax benefits ending balance	$26,720	$23,912

We recognize interest related to unrecognized tax benefits as interest expense, and penalties as operating expenses. At March 31, 2016, the amount of interest and penalties accrued on unrecognized tax benefits was $5.9 million, net of tax. During the current year we recorded expense from interest and penalties in the amount of $0.8 million, net of tax. At March 31, 2017, the amount of interest and penalties accrued on unrecognized tax benefits was $6.7 million, net of tax.

We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With some exceptions, we are no longer subject to audit for years prior to the fiscal year ended March 31, 2014. No provision was made for U.S. taxes payable on undistributed foreign earnings since these amounts are permanently reinvested; the amount of this unrecognized deferred tax liability is not practical to determine at this time.

Note 14. Employee Benefit Plans

Profit Sharing Plans

We provide tax-qualified profit sharing retirement plans for the benefit of eligible employees, former employees and retirees in the United States and Canada. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis and provide for annual discretionary employer contributions. Amounts to be contributed are determined by the President and Chairman of the Board of the Company under the delegation of authority from the Board, pursuant to the terms of the Profit Sharing Plan. No contributions were made to the profit sharing plan during fiscal 2017, 2016 or 2015.

We also provide an employee savings plan which allows participants to defer income under Section 401(k) of the Internal Revenue Code of 1986.

ESOP Plan

We sponsor a leveraged ESOP that generally covers all employees with one year or more of service. The ESOP shares initially were pledged as collateral for its debt which was originally funded by U-Haul. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year. ESOP shares are committed to be released monthly and ESOP compensation expense is recorded based on the current market price at the end of the month. These shares then become outstanding for the earnings per share computations.

ESOP compensation expense was $10.7 million, $11.6 million and $6.9 million for fiscal 2017, 2016 and 2015, respectively. Listed below is a summary of these financing arrangements as of fiscal year-end:

Financing Date	Outstanding as of March 31, 2017	Interest Payments 2017	2016	2015
	(In thousands)			
June, 1991	$31	$2	$10	$48
July, 2009	775	36	33	31
February, 2016	5,245	–	–	–

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Leveraged contributions to the Plan Trust during fiscal 2017, 2016 and 2015 were $0.2 million, $0.4 million and $1.0 million, respectively. In fiscal 2017, 2016 and 2015, the Company made non-leveraged contributions of $11.0 million, $4.0 and $8.0 million, respectively to the Plan Trust. In fiscal 2017, $0.1 million of dividends from unallocated shares were applied to debt.

Shares held by the Plan were as follows:

	Years Ended March 31,	
	2017	2016
	(In thousands)	
Allocated shares	1,160	1,203
Unreleased shares - leveraged	21	22
Fair value of unreleased shares - leveraged	$8,127	$8,072
Unreleased shares - non-leveraged	9	8
Fair value of unreleased shares - non-leveraged	$3,539	$2,756

The fair value of unreleased shares issued prior to 1992 is defined as the historical cost of such shares. The fair value of unreleased shares issued subsequent to December 31, 1992 is defined as the trading value of such shares as of March 31, 2017 and March 31, 2016, respectively.

Post Retirement and Post Employment Benefits

We provide medical and life insurance benefits to our eligible employees and their dependents upon retirement from the Company. The retirees must have attained age sixty-five and earned twenty years of full-time service upon retirement for coverage under the medical plan. The medical benefits are capped at a $20,000 lifetime maximum per covered person. The benefits are coordinated with Medicare and any other medical policies in force. Retirees who have attained age sixty-five and earned at least ten years of full-time service upon retirement from the Company are entitled to group term life insurance benefits. The life insurance benefit is $2,000 plus $100 for each year of employment over ten years. The plan is not funded and claims are paid as they are incurred. We use a March 31 measurement date for our post retirement benefit disclosures.

The components of net periodic post retirement benefit cost were as follows:

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Service cost for benefits earned during the period	$1,026	$961	$827
Interest cost on accumulated postretirement benefit	814	752	720
Other components	88	35	14
Net periodic postretirement benefit cost	$1,928	$1,748	$1,561

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notes to consolidated financial statements – (continued)

The fiscal 2017 and fiscal 2016 post retirement benefit liability included the following components:

	Years Ended March 31,	
	2017	2016
	(In thousands)	
Beginning of year	$20,791	$18,554
Service cost for benefits earned during the period	1,026	961
Interest cost on accumulated post retirement benefit	814	752
Net benefit payments and expense	(443)	(541)
Actuarial loss	59	1,065
Accumulated postretirement benefit obligation	22,247	20,791
Current liabilities	737	658
Non-current liabilities	21,510	20,133
Total post retirement benefit liability recognized in statement of financial position	22,247	20,791
Components included in accumulated other comprehensive income (loss):		
Unrecognized net loss	(2,817)	(2,847)
Cumulative net periodic benefit cost (in excess of employer contribution)	$19,430	$17,944

The discount rate assumptions in computing the information above were as follows:

	Years Ended March 31,		
	2017	2016	2015
	(In percentages)		
Accumulated postretirement benefit obligation	3.94%	3.89%	3.99%

In December 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 became law. Net periodic post retirement benefit cost above includes the effect of the subsidy. The discount rate represents the expected yield on a portfolio of high grade (AA to AAA rated or equivalent) fixed income investments with cash flow streams sufficient to satisfy benefit obligations under the plan when due. Fluctuations in the discount rate assumptions primarily reflect changes in U.S. interest rates. The assumed health care cost trend rate used to measure the accumulated postretirement benefit obligation as of the end of fiscal 2017 was 7.1% in the initial year and was projected to decline annually to an ultimate rate of 4.5% in fiscal 2038. The assumed health care cost trend rate used to measure the accumulated post retirement benefit obligation as of the end of fiscal 2016 (and used to measure the fiscal 2017 net periodic benefit cost) was 7.3% in the initial year and was projected to decline annually to an ultimate rate of 4.5% in fiscal 2029.

If the estimated health care cost trend rate assumptions were increased by one percent, the accumulated post retirement benefit obligation as of fiscal year-end would increase by $266,574 and the total of the service cost and interest cost components would increase by $23,834. A decrease in the estimated health care cost trend rate assumption of one percent would decrease the accumulated post retirement benefit obligation as of fiscal year-end by $300,642 and the total of the service cost and interest cost components would decrease by $27,302.

Post employment benefits provided by us, other than upon retirement, are not material.

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notes to consolidated financial statements – (continued)

Future net benefit payments are expected as follows:

	Future Net Benefit Payments (In thousands)
Year-ended:	
2018	$737
2019	871
2020	1,033
2021	1,208
2022	1,422
2023 through 2027	9,936
Total	$15,207

Note 15. Fair Value Measurements

Fair values of cash equivalents approximate carrying value due to the short period of time to maturity. Fair values of short-term investments, investments available-for-sale, long-term investments, mortgage loans and notes on real estate, and interest rate swap contracts are based on quoted market prices, dealer quotes or discounted cash flows. Fair values of trade receivables approximate their recorded value.

Our financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments, trade receivables, reinsurance recoverables and notes receivable. Limited credit risk exists on trade receivables due to the diversity of our customer base and their dispersion across broad geographic markets. We place our temporary cash investments with financial institutions and limit the amount of credit exposure to any one financial institution.

We have mortgage receivables, which potentially expose us to credit risk. The portfolio of notes is principally collateralized by self-storage facilities and commercial properties. We have not experienced any material losses related to the notes from individual or groups of notes in any particular industry or geographic area. The estimated fair values were determined using the discounted cash flow method and using interest rates currently offered for similar loans to borrowers with similar credit ratings.

The carrying amount of long-term debt and short-term borrowings are estimated to approximate fair value as the actual interest rate is consistent with the rate estimated to be currently available for debt of similar term and remaining maturity.

Other investments including short-term investments are substantially current or bear reasonable interest rates. As a result, the carrying values of these financial instruments approximate fair value.

Assets and liabilities are recorded at fair value on the consolidated balance sheets and are measured and classified based upon a three tiered approach to valuation. ASC 820, Fair Value Measurements and Disclosures, requires that financial assets and liabilities recorded at fair value be classified and disclosed in one of the following three categories:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for identical or similar financial instruments in markets that are not considered to be active, or similar financial instruments for which all significant inputs are observable, either directly or indirectly, or inputs other than quoted prices that are observable, or inputs that are derived principally from or corroborated by observable market data through correlation or other means; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable. These reflect management's assumptions about the assumptions a market participant would use in pricing the asset or liability.

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notes to consolidated financial statements – (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following tables represent the financial assets and liabilities on the condensed consolidated balance sheet at March 31, 2017 and 2016, that are subject to ASC 820 and the valuation approach applied to each of these items.

Year Ended March 31, 2017	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets				
Short-term investments	$521,911	$521,710	$201	$–
Fixed maturities - available for sale	1,625,845	6,491	1,619,024	330
Preferred stock	13,489	13,489	–	–
Common stock	24,434	24,434	–	–
Derivatives	4,260	4,260	–	–
Total	$2,189,939	$570,384	$1,619,225	$330
Liabilities				
Guaranteed residual values of TRAC leases	$–	$–	$–	$–
Derivatives	4,903	–	4,903	–
Total	$4,903	$–	$4,903	$–

Year Ended March 31, 2016	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets				
Short-term investments	$499,491	$499,491	$–	$–
Fixed maturities - available for sale	1,448,941	96,328	1,352,275	338
Preferred stock	18,428	18,428	–	–
Common stock	23,420	23,420	–	–
Derivatives	3,344	3,344	–	–
Total	$1,993,624	$641,011	$1,352,275	$338
Liabilities				
Guaranteed residual values of TRAC leases	$–	$–	$–	$–
Derivatives	14,845	–	14,845	–
Total	$14,845	$–	$14,845	$–

In light of our definition of an active market, we reclassified $86.3 million and $1,079.0 million of fixed maturities – available for sale from Level 1 to Level 2 due to a review of their trading activity for fiscal 2017 and 2016, respectively.

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notes to consolidated financial statements – (continued)

The following tables represent the fair value measurements for our assets at March 31, 2017 using significant unobservable inputs (Level 3).

	Fixed Maturities - Asset Backed Securities
	(In thousands)
Balance at March 31, 2015	$1,004
Fixed Maturities - Asset Backed Securities - redeemed	(753)
Fixed Maturities - Asset Backed Securities - net gain (realized)	34
Fixed Maturities - Asset Backed Securities - net gain (unrealized)	53
Balance at March 31, 2016	$338
Fixed Maturities - Asset Backed Securities - redeemed	(12)
Fixed Maturities - Asset Backed Securities - net gain (unrealized)	4
Balance at March 31, 2017	$330

Note 16. Reinsurance and Policy Benefits and Losses, Claims and Loss Expenses Payable

During their normal course of business, our insurance subsidiaries assume and cede reinsurance on both a coinsurance and a risk premium basis. They also obtain reinsurance for that portion of risks exceeding their retention limits. The maximum amount of life insurance retained on any one life is $110,000.

	Direct Amount (a)	Ceded to Other Companies	Assumed from Other Companies	Net Amount (a)	Percentage of Amount Assumed to Net
	(In thousands)				
Year ended December 31, 2016					
Life insurance in force	$937,779	$249	$915,769	$1,853,299	49%
Premiums earned:					
Life	$50,251	$–	$10,626	$60,877	17%
Accident and health	99,450	310	2,263	101,403	2%
Annuity	505	–	794	1,299	61%
Property and casualty	52,329	–	5	52,334	0%
Total	$202,535	$310	$13,688	$215,913	
Year ended December 31, 2015					
Life insurance in force	$927,647	$397	$949,413	$1,876,663	51%
Premiums earned:					
Life	$49,126	$8	$11,310	$60,428	19%
Accident and health	99,354	312	2,545	101,587	3%
Annuity	392	–	255	647	39%
Property and casualty	50,012	–	8	50,020	0%
Total	$198,884	$320	$14,118	$212,682	
Year ended December 31, 2014					

Life insurance in force	$905,987	$402	$990,406	$1,895,991	52%
Premiums earned:					
Life	$47,298	$–	$12,337	$59,635	21%
Accident and health	93,319	345	2,796	95,770	3%
Annuity	386	–	312	698	45%
Property and casualty	46,417	–	39	46,456	0%
Total	$187,420	$345	$15,484	$202,559	

(a) Balances are reported net of inter-segment transactions.

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notes to consolidated financial statements – (continued)

To the extent that a reinsurer is unable to meet its obligation under the related reinsurance agreements, Repwest would remain liable for the unpaid losses and loss expenses. Pursuant to certain of these agreements, Repwest holds letters of credit as of December 31, 2016 in the amount of $0.1 million from re-insurers and has issued letters of credit in the amount of $1.9 million in favor of certain ceding companies.

Policy benefits and losses, claims and loss expenses payable for Property and Casualty Insurance were as follows:

	December 31,	
	2016	2015
	(In thousands)	
Unpaid losses and loss adjustment expense	$244,400	$251,964
Reinsurance losses payable	580	855
Total	$244,980	$252,819

Activity in the liability for unpaid losses and loss adjustment expenses for Property and Casualty Insurance is summarized as follows:

	December 31,		
	2016	2015	2014
	(In thousands)		
Balance at January 1	$251,964	$271,609	$295,126
Less: reinsurance recoverable	107,311	120,894	136,535
Net balance at January 1	144,653	150,715	158,591
Incurred related to:			
Current year	13,297	11,713	11,690
Prior years	107	585	(694)
Total incurred	13,404	12,298	10,996
Paid related to:			
Current year	7,777	7,007	6,155
Prior years	9,832	11,353	12,717
Total paid	17,609	18,360	18,872
Net balance at December 31	140,448	144,653	150,715
Plus: reinsurance recoverable	103,952	107,311	120,894
Balance at December 31	$244,400	$251,964	$271,609

The liability for incurred losses and loss adjustment expenses (net of reinsurance recoverable of $104.0 million) decreased by $4.2 million in 2016.

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notes to consolidated financial statements – (continued)

The information about property and casualty incurred and paid loss and loss adjustment expense development for the years end December 31, 2012 through 2015, and the average annual percentage payout of incurred claims by age as of December 31, 2016, is presented as supplementary information. Claims data for 2012 through 2015 is unaudtied.

Accident Year	2012	2013	2014	2015	2016	As of December 31, 2016 Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(In thousands, except claim counts)						
2012	$8,971	$8,903	$8,831	$8,788	$8,753	$2	6,888
2013		9,861	9,853	9,914	9,741	100	7,640
2014			11,691	10,907	10,720	338	9,696
2015				12,214	12,459	1,779	10,700
2016					13,297	3,486	10,932
					Total	5,705	

The following table presents paid claims development as of December 31, 2016, net of reinsurance. Claims data for 2012 through 2015 are unaudited.

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					
	(In thousands)				
Accident Year	2012	2013	2014	2015	2016
2012	$4,415	$6,345	$8,179	$8,410	$8,734
2013		5,227	7,608	8,718	9,462
2014			6,154	8,087	9,270
2015				7,509	9,601
2016					7,777
				Total	44,844
	All outstanding liabilities before 2012, net of reinsurance				130,323
Liabilities for claims and claim adjustment expenses, net of reinsurance					140,448

The reconciliation of the net incurred and paid claims development tables for the liability for claims and claims adjustment expenses is as follows:

December 31, 2016
(In thousands)

Liabilities for unpaid Property and Casualty claims and claim adjustment expenses, net of reinsurance	$140,448
Total reinsurance recoverable on unpaid Property and Casualty claims	$103,952
Total gross liability for unpaid Property and Casualty claims and claim adjustment expense	$244,400

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notes to consolidated financial statements – (continued)

The following is supplementary information about average historical claims duration as of December 31, 2016.

Average Annual Percentage Payout of Incurred Claims by Age, net of Reinsurance					
Years	1	2	3	4	5
Property and Casualty Insurance	56.1%	20.3%	14.5%	5.1%	3.7%

Note 17. 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 March 31, 2017, we have guaranteed $16.5 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.

Lease expenses were as follows:

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Lease expense	$37,343	$49,780	$79,798

Operating lease commitments and a ground lease commitment for leases having terms of more than one year were as follows:

	Property, Plant and Equipment		Rental Equipment	
	Ground	Operating	Operating	Total
	(In thousands)			
Year-ended March 31:				
2018	$957	$15,214	$10,967	$27,138
2019	991	13,923	9,040	23,954
2020	1,024	14,854	1,308	17,186
2021	1,024	14,966	–	15,990
2022	1,030	14,814	–	15,844
Thereafter	46,911	34,350	–	81,261
Total	$51,937	$108,121	$21,315	$181,373

Note 18. Contingencies

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. Real Estate is aware of issues regarding hazardous substances on some of its properties. Real Estate regularly makes capital and operating expenditures to stay in compliance with environmental laws and has put in place a remedial plan at each site where it believes such a plan is necessary. Since 1988, Real Estate has managed a testing and removal program for underground storage tanks.

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

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notes to consolidated financial statements – (continued)

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.

Note 19. Related Party Transactions

As set forth in the Company's 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 and in accordance to GAAP. 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 that 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 third party, arm's-length transactions.

SAC Holdings was established in order to acquire and develop self-storage properties. These properties are being managed by us pursuant to management agreements. In the past, we sold real estate and various self-storage properties to SAC Holdings, and such sales provided significant cash flows to us.

Related Party Revenues

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
U-Haul interest income revenue from SAC Holdings	$4,880	$4,960	$5,914
U-Haul interest income revenue from Private Mini	–	1,126	4,918
U-Haul management fee revenue from SAC Holdings	19,635	18,657	18,472
U-Haul management fee revenue from Private Mini	3,495	3,330	2,614
U-Haul management fee revenue from Mercury	5,945	4,546	4,255
	$33,955	$32,619	$36,173

During fiscal 2017, a subsidiary of ours held a junior unsecured note of SAC Holdings. Substantially all of the equity interest of SAC Holdings is controlled by Blackwater Investments, Inc. ("Blackwater"). Blackwater is wholly-owned by Willow Grove Holdings LP, which is owned by Mark V. Shoen (a significant shareholder), and various trusts associated with Edward J. Shoen (our Chairman of the Board, President and a significant shareholder) and Mark V. Shoen. We do not have an equity ownership interest in SAC Holdings. We received cash interest payments of $4.5 million, $4.6 million and $5.7 million, from SAC Holdings during fiscal 2017, 2016 and 2015, respectively. The largest aggregate amount of notes receivable outstanding during fiscal 2017 was $49.3 million and the aggregate notes receivable balance at March 31, 2017 was $48.1 million. In accordance with the terms of this note, SAC Holdings may prepay the note without penalty or premium at any time. The scheduled maturity of this note is 2017.

During fiscal 2016, AMERCO held a junior note issued by Private Mini Storage Realty, L.P. ("Private Mini"). In July 2015, Private Mini repaid its note and all outstanding interest due AMERCO totaling \$56.8 million. The equity interests of Private Mini are ultimately controlled by Blackwater. We received cash interest payments of \$1.5 million from Private Mini during fiscal 2016.

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notes to consolidated financial statements – (continued)

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 $27.8 million, $27.1 million and $25.8 million from the above mentioned entities during fiscal 2017, 2016 and 2015, 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. Mark V. Shoen controls the general partner of Mercury. The limited partner interests of Mercury are indirectly owned by Mark V. Shoen, James P. Shoen (a significant shareholder), and a trust benefitting the children and a grandchild of Edward J. Shoen.

Related Party Costs and Expenses

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
U-Haul lease expenses to SAC Holdings	$2,740	$2,648	$2,618
U-Haul commission expenses to SAC Holdings	53,334	51,036	48,833
U-Haul commission expenses to Private Mini	3,779	3,684	3,258
	$59,853	$57,368	$54,709

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 March 31, 2017, 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 $28.0 million, expenses of $2.7 million and cash flows of $26.1 million during fiscal 2017. Revenues and commission expenses related to the Dealer Agreements were $265.1 million and $57.1 million, respectively for fiscal 2017.

Pursuant to the variable interest entity model under ASC 810 – Consolidation (“ASC 810”), Management determined that the junior note of SAC Holdings 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 VIEs using a two-step approach in which management (i) identified all other parties that hold interests in the VIEs, and (ii) determined if any variable interest holder has the power to direct the activities of the VIEs 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, Private Mini, 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 with the holding entity SAC Holdings which represents a variable interest in the entity. Though we have certain protective rights within this debt agreement, we have no present influence or control over this holding entity unless the 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 this entity.

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notes to 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 fiscal years ended March 31, 2017 and 2016, respectively 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

	March 31, 2017	2016
	(In thousands)	
U-Haul note receivable from SAC Holdings	$48,098	$49,322
U-Haul interest receivable from SAC Holdings	5,397	4,970
U-Haul receivable from SAC Holdings	23,202	23,127
U-Haul receivable from Mercury	9,195	8,016
Other (a)	276	299
	$86,168	$85,734

(a) Timing differences for intercompany balances with insurance subsidiaries resulting from the three month difference in reporting periods.

Note 20. Statutory Financial Information of Insurance Subsidiaries

Applicable laws and regulations of the States of Arizona and Nevada require Property and Casualty Insurance and Life Insurance to maintain minimum capital and surplus determined in accordance with statutory accounting principles. Audited statutory net income (loss) and statutory capital and surplus for the years ended are listed below:

	Years Ended December 31, 2016	2015	2014
	(In thousands)		
Repwest:			
Audited statutory net income	$19,580	$22,308	$21,287
Audited statutory capital and surplus	176,009	158,376	155,835
ARCOA:			
Audited statutory net income	1,451	1,391	1,358
Audited statutory capital and surplus	6,798	5,386	4,175
Oxford:			
Audited statutory net income	17,473	12,150	12,115

Audited statutory capital and surplus	189,279	172,282	158,512
CFLIC:			
Audited statutory net income	8,139	9,217	9,157
Audited statutory capital and surplus	28,011	28,892	28,551
NAI:			
Audited statutory net income	1,039	1,161	886
Audited statutory capital and surplus	12,691	12,685	11,589

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notes to consolidated financial statements – (continued)

The amount of dividends that can be paid to shareholders by insurance companies domiciled in the State of Arizona is limited. Any dividend in excess of the limit requires prior regulatory approval. The statutory surplus for Repwest at December 31, 2016 that could be distributed as ordinary dividends was $17.6 million. The statutory surplus for Oxford at December 31, 2016 that could be distributed as ordinary dividends was $18.6 million. Oxford did not pay a dividend to AMERCO in fiscal 2017, 2016 or 2015. After receiving approval from the Arizona Department of Insurance, Repwest paid a $19.6 million non-cash dividend to AMERCO in fiscal 2016, but did not pay a dividend in fiscal 2017 or 2015.

Note 21. Financial Information by Geographic Area

	United States	Canada	Consolidated
	(All amounts are in thousands U.S. $'s)		
Fiscal Year Ended March 31, 2017			
Total revenues	$3,271,563	$150,204	$3,421,767
Depreciation and amortization, net of (gains) losses on disposal	466,378	5,275	471,653
Interest expense	112,834	572	113,406
Pretax earnings	609,589	18,769	628,358
Income tax expense	225,278	4,656	229,934
Identifiable assets	9,030,528	375,312	9,405,840

	United States	Canada	Consolidated
	(All amounts are in thousands U.S. $'s)		
Fiscal Year Ended March 31, 2016			
Total revenues	$3,129,909	$145,559	$3,275,468
Depreciation and amortization, net of (gains) losses on disposal	313,099	863	313,962
Interest expense	97,551	164	97,715
Pretax earnings	745,194	23,717	768,911
Income tax expense	273,473	6,437	279,910
Identifiable assets	7,859,928	249,360	8,109,288

	United States	Canada	Consolidated
	(All amounts are in thousands U.S. $'s)		
Fiscal Year Ended March 31, 2015			
Total revenues	$2,916,027	$158,504	$3,074,531
Depreciation and amortization, net of (gains) losses on disposal	292,345	5,481	297,826
Interest expense	96,979	546	97,525
Pretax earnings	541,371	20,047	561,418
Income tax expense	199,444	5,233	204,677
Identifiable assets	6,668,997	186,603	6,855,600

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notes to consolidated financial statements – (continued)

Note 21A. 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 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.

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notes to consolidated financial statements – (continued)

Note 21A. Financial Information by Consolidating Industry Segment:

Consolidating balance sheets by industry segment as of March 31, 2017 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Assets:						
Cash and cash equivalents	$671,665	$12,725	$13,416	$–		$697,806
Reinsurance recoverables and trade receivables, net	41,234	107,757	29,090	–		178,081
Inventories, net	82,439	–	–	–		82,439
Prepaid expenses	124,728	–	–	–		124,728
Investments, fixed maturities and marketable equities	–	248,816	1,414,952	–		1,663,768
Investments, other	35,342	63,086	269,402	–		367,830
Deferred policy acquisition costs, net	–	–	130,213	–		130,213
Other assets	112,744	1,922	2,406	–		117,072
Related party assets	88,829	11,496	18,465	(32,622)	(c)	86,168
	1,156,981	445,802	1,877,944	(32,622)		3,448,105
Investment in subsidiaries	477,058	–	–	(477,058)	(b)	–
Property, plant and equipment, at cost:						
Land	640,938	–	–	–		640,938
Buildings and improvements	2,606,537	–	–	–		2,606,537
Furniture and equipment	510,415	–	–	–		510,415
Rental trailers and other rental equipment	492,280	–	–	–		492,280
Rental trucks	4,091,598	–	–	–		4,091,598
	8,341,768	–	–	–		8,341,768
Less: Accumulated depreciation	(2,384,033)	–	–	–		(2,384,033)
Total property, plant and equipment	5,957,735	–	–	–		5,957,735
Total assets	$7,591,774	$445,802	$1,877,944	$(509,680)		$9,405,840

(a) Balances as of December 31, 2016

(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

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notes to consolidated financial statements – (continued)

Consolidating balance sheets by industry segment as of March 31, 2017 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Liabilities:						
Accounts payable and accrued expenses	$441,667	$1,926	$6,948	$–		$450,541
Notes, loans and leases payable, net	3,262,880	–	–	–		3,262,880
Policy benefits and losses, claims and loss expenses payable	399,181	244,980	442,161	–		1,086,322
Liabilities from investment contracts	–	–	1,112,498	–		1,112,498
Other policyholders' funds and liabilities	–	4,184	5,966	–		10,150
Deferred income	28,696	–	–	–		28,696
Deferred income taxes	809,566	11,243	14,200	–		835,009
Related party liabilities	30,040	2,539	43	(32,622)	(c)	–
Total liabilities	4,972,030	264,872	1,581,816	(32,622)		6,786,096
Stockholders' equity :						
Series preferred stock:						
Series A preferred stock	–	–	–	–		–
Series B preferred stock	–	–	–	–		–
Series A common stock	–	–	–	–		–
Common stock	10,497	3,301	2,500	(5,801)	(b)	10,497
Additional paid-in capital	452,382	91,120	26,271	(117,601)	(b)	452,172
Accumulated other comprehensive income (loss)	(51,236)	6,166	16,933	(23,099)	(b)	(51,236)
Retained earnings	2,892,683	80,343	250,424	(330,557)	(b)	2,892,893
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	(6,932)	–	–	–		(6,932)
Total stockholders' equity	2,619,744	180,930	296,128	(477,058)		2,619,744
Total liabilities and stockholders' equity	$7,591,774	$445,802	$1,877,944	$(509,680)		$9,405,840

(a) Balances as of December 31, 2016

(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

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notes to consolidated financial statements – (continued)

Consolidating balance sheets by industry segment as of March 31, 2016 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Assets:						
Cash and cash equivalents	$585,666	$14,049	$931	$–		$600,646
Reinsurance recoverables and trade receivables, net	34,451	111,978	28,706	–		175,135
Inventories, net	79,756	–	–	–		79,756
Prepaid expenses	134,300	–	–	–		134,300
Investments, fixed maturities and marketable equities	–	238,570	1,252,219	–		1,490,789
Investments, other	21,431	47,374	243,016	–		311,821
Deferred policy acquisition costs, net	–	–	136,386	–		136,386
Other assets	71,719	3,088	2,403	–		77,210
Related party assets	88,022	12,465	18,688	(33,441)	(c)	85,734
	1,015,345	427,524	1,682,349	(33,441)		3,091,777
Investment in subsidiaries	432,277	–	–	(432,277)	(b)	–
Property, plant and equipment, at cost:						
Land	587,347	–	–	–		587,347
Buildings and improvements	2,187,400	–	–	–		2,187,400
Furniture and equipment	399,943	–	–	–		399,943
Rental trailers and other rental equipment	462,379	–	–	–		462,379
Rental trucks	3,514,175	–	–	–		3,514,175
	7,151,244	–	–	–		7,151,244
Less: Accumulated depreciation	(2,133,733)	–	–	–		(2,133,733)
Total property, plant and equipment	5,017,511	–	–	–		5,017,511
Total assets	$6,465,133	$427,524	$1,682,349	$(465,718)		$8,109,288

(a) Balances as of December 31, 2015
(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

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notes to consolidated financial statements – (continued)

Consolidating balance sheets by industry segment as of March 31, 2016 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Liabilities:						
Accounts payable and accrued expenses	$492,907	$1,535	$8,096	$–		$502,538
Notes, loans and leases payable, net	2,647,396	–	–	–		2,647,396
Policy benefits and losses, claims and loss expenses payable	386,366	252,819	432,227	–		1,071,412
Liabilities from investment contracts	–	–	951,490	–		951,490
Other policyholders' funds and liabilities	–	3,017	5,633	–		8,650
Deferred income	22,784	–	–	–		22,784
Deferred income taxes	633,061	7,526	13,025	–		653,612
Related party liabilities	31,213	2,067	161	(33,441)	(c)	–
Total liabilities	4,213,727	266,964	1,410,632	(33,441)		5,857,882
Stockholders' equity :						
Series preferred stock:						
Series A preferred stock	–	–	–	–		–
Series B preferred stock	–	–	–	–		–
Series A common stock	–	–	–	–		–
Common stock	10,497	3,301	2,500	(5,801)	(b)	10,497
Additional paid-in capital	451,839	91,120	26,271	(117,601)	(b)	451,629
Accumulated other comprehensive income (loss)	(60,525)	3,611	10,504	(14,115)	(b)	(60,525)
Retained earnings (deficit)	2,533,431	62,528	232,442	(294,760)	(b)	2,533,641
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	(6,186)	–	–	–		(6,186)
Total stockholders' equity (deficit)	$2,251,406	160,560	271,717	(432,277)		2,251,406
Total liabilities and stockholders' equity	6,465,133	$427,524	$1,682,349	$(465,718)		$8,109,288

(a) Balances as of December 31, 2015

(b) Eliminate investment in subsidiaries
(c) Eliminate intercompany receivables and payables

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notes to consolidated financial statements – (continued)

Consolidating statements of operations by industry segment for period ending March 31, 2017 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Revenues:						
Self-moving equipment rentals	$2,366,526	$–	$–	$(3,693)	(c)	$2,362,833
Self-storage revenues	286,886	–	–	–		286,886
Self-moving & self-storage products & service sales	253,073	–	–	–		253,073
Property management fees	29,075	–	–	–		29,075
Life insurance premiums	–	–	163,579	–		163,579
Property and casualty insurance premiums	–	52,334	–	–		52,334
Net investment and interest income	9,688	16,652	77,540	(1,604)	(b)	102,276
Other revenue	167,752	–	4,480	(521)	(b)	171,711
Total revenues	3,113,000	68,986	245,599	(5,818)		3,421,767
Costs and expenses:						
Operating expenses	1,521,408	28,421	22,429	(4,175)	(b,c)	1,568,083
Commission expenses	267,230	–	–	–		267,230
Cost of sales	152,485	–	–	–		152,485
Benefits and losses	–	13,404	169,306	–		182,710
Amortization of deferred policy acquisition costs	–	–	26,218	–		26,218
Lease expense	37,529	–	–	(186)	(b)	37,343
Depreciation, net of (gains) losses on disposals	445,435	–	–	–		445,435
Total costs and expenses	2,424,087	41,825	217,953	(4,361)		2,679,504
Earnings from operations before equity in earnings of subsidiaries	688,913	27,161	27,646	(1,457)		742,263
Equity in earnings of subsidiaries	35,797	–	–	(35,797)	(d)	–
Earnings from operations	724,710	27,161	27,646	(37,254)		742,263
Interest expense	(114,863)	–	–	1,457	(b)	(113,406)
Fees and amortization on early extinguished of debt	(499)	–	–	–		(499)
Pretax earnings	609,348	27,161	27,646	(35,797)		628,358
Income tax expense	(210,924)	(9,346)	(9,664)	–		(229,934)
Earnings available to common shareholders	$398,424	$17,815	$17,982	$(35,797)		$398,424

(a) Balances for the year ended December 31, 2016
(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 consolidated financial statements – (continued)

Consolidating statements of operations by industry segment for period ending March 31, 2016 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Revenues:						
Self-moving equipment rentals	$2,301,586	$–	$–	$(3,606)	(c)	$2,297,980
Self-storage revenues	247,944	–	–	–		247,944
Self-moving & self-storage products & service sales	251,541	–	–	–		251,541
Property management fees	26,533	–	–	–		26,533
Life insurance premiums	–	–	162,662	–		162,662
Property and casualty insurance premiums	–	50,020	–	–		50,020
Net investment and interest income	8,801	14,783	63,999	(966)	(b)	86,617
Other revenue	148,099	–	4,559	(487)	(b)	152,171
Total revenues	2,984,504	64,803	231,220	(5,059)		3,275,468
Costs and expenses:						
Operating expenses	1,423,107	27,958	23,037	(4,055)	(b,c)	1,470,047
Commission expenses	262,627	–	–	–		262,627
Cost of sales	144,990	–	–	–		144,990
Benefits and losses	–	12,298	155,138	–		167,436
Amortization of deferred policy acquisition costs	–	–	23,272	–		23,272
Lease expense	49,966	–	–	(186)	(b)	49,780
Depreciation, net of (gains) losses on disposals	290,690	–	–	–		290,690
Total costs and expenses	2,171,380	40,256	201,447	(4,241)		2,408,842
Earnings from operations before equity in earnings of subsidiaries	813,124	24,547	29,773	(818)		866,626
Equity in earnings of subsidiaries	35,522	–	–	(35,522)	(d)	–
Earnings from operations	848,646	24,547	29,773	(36,340)		866,626
Interest expense	(98,533)	–	–	818	(b)	(97,715)
Pretax earnings	750,113	24,547	29,773	(35,522)		768,911
Income tax expense	(261,112)	(8,379)	(10,419)	–		(279,910)
Earnings available to common shareholders	$489,001	$16,168	$19,354	$(35,522)		$489,001

(a) Balances for the year ended December 31, 2015
(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 consolidated financial statements – (continued)

Consolidating statements of operations by industry segment for period ending March 31, 2015 are as follows:

	Moving & Storage Consolidated (In thousands)	Property & Casualty Insurance (a)	Life Insurance (a)	Eliminations		AMERCO Consolidated
Revenues:						
Self-moving equipment rentals	$2,149,986	$–	$–	$(3,595)	(c)	$2,146,391
Self-storage revenues	211,136	–	–	–		211,136
Self-moving & self-storage products & service sales	244,177	–	–	–		244,177
Property management fees	25,341	–	–	–		25,341
Life insurance premiums	–	–	156,103	–		156,103
Property and casualty insurance premiums	–	46,456	–	–		46,456
Net investment and interest income	13,644	12,819	59,051	(786)	(b)	84,728
Other revenue	156,154	–	4,502	(457)	(b)	160,199
Total revenues	2,800,438	59,275	219,656	(4,838)		3,074,531
Costs and expenses:						
Operating expenses	1,436,145	24,802	22,476	(4,014)	(b,c)	1,479,409
Commission expenses	249,642	–	–	–		249,642
Cost of sales	146,072	–	–	–		146,072
Benefits and losses	–	10,996	147,764	–		158,760
Amortization of deferred policy acquisition costs	–	–	19,661	–		19,661
Lease expense	79,984	–	–	(186)	(b)	79,798
Depreciation, net of (gains) losses on disposals	278,165	–	–	–		278,165
Total costs and expenses	2,190,008	35,798	189,901	(4,200)		2,411,507
Earnings from operations before equity in earnings of subsidiaries	610,430	23,477	29,755	(638)		663,024
Equity in earnings of subsidiaries	34,783	–	–	(34,783)	(d)	–
Earnings from operations	645,213	23,477	29,755	(35,421)		663,024
Interest expense	(98,163)	–	–	638	(b)	(97,525)
Fees and amortization on early extinguished of debt	(4,081)	–	–	–		(4,081)
Pretax earnings	542,969	23,477	29,755	(34,783)		561,418
Income tax expense	(186,228)	(8,060)	(10,389)	–		(204,677)
Earnings available to common shareholders	$356,741	$15,417	$19,366	$(34,783)		$356,741

(a) Balances for the year ended December 31, 2014
(b) Eliminate intercompany lease/interest income
(c) Eliminate intercompany premiums
(d) Eliminate equity in earnings of subsidiaries

amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Consolidating cash flow statements by industry segment for the year ended March 31, 2017, are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(In thousands)				
Cash flows from operating activities:					
Net earnings	$398,424	$17,815	$17,982	$(35,797)	$398,424
Earnings from consolidated subsidiaries	(35,797)	–	–	35,797	–
Adjustments to reconcile net earnings to the cash provided by operations:					
Depreciation	481,520	–	–	–	481,520
Amortization of deferred policy acquisition costs	–	–	26,218	–	26,218
Amortization of debt issuance costs	4,062	–	–	–	4,062
Interest credited to policyholders	–	–	25,020	–	25,020
Change in allowance for losses on trade receivables	31	–	(77)	–	(46)
Change in allowance for inventory reserve	1,330	–	–	–	1,330
Net gain on sale of real and personal property	(36,085)	–	–	–	(36,085)
Net gain on sale of investments	–	(2,636)	(2,648)	–	(5,284)
Deferred income taxes	173,059	2,340	(2,287)	–	173,112
Net change in other operating assets and liabilities:					
Reinsurance recoverables and trade receivables	(6,806)	4,221	(305)	–	(2,890)
Inventories	(4,072)	–	–	–	(4,072)
Prepaid expenses	9,386	–	–	–	9,386
Capitalization of deferred policy acquisition costs	–	–	(27,111)	–	(27,111)
Other assets	(41,885)	1,341	(2)	–	(40,546)
Related party assets	(872)	1,215	–	–	343
Accounts payable and accrued expenses	(14,793)	392	9,345	–	(5,056)
Policy benefits and losses, claims and loss expenses payable	13,283	(7,838)	9,933	–	15,378
Other policyholders' funds and liabilities	–	1,167	332	–	1,499
Deferred income	5,921	–	–	–	5,921
Related party liabilities	(1,170)	226	(118)	–	(1,062)
Net cash provided (used) by operating activities	945,536	18,243	56,282	–	1,020,061

Cash flows from investing activities:

Purchases of:					
Property, plant and equipment	(1,419,505)	–	–	–	(1,419,505)
Short term investments	–	(77,693)	(558,154)	–	(635,847)
Fixed maturities investments	–	(42,628)	(312,473)	–	(355,101)
Equity securities	–	–	(489)	–	(489)
Real estate	(19,406)	(4,648)	(8,753)	–	(32,807)
Mortgage loans	–	(21,021)	(133,289)	–	(154,310)
Proceeds from sales and paydowns of:					
Property, plant and equipment	487,475	–	–	–	487,475
Short term investments	–	80,225	575,501	–	655,726
Fixed maturities investments	–	32,127	158,451	–	190,578
Preferred stock	–	4,181	–	–	4,181
Real estate	6,275	–	2,478	–	8,753
Mortgage loans	–	9,890	96,942	–	106,832
Net cash provided (used) by investing activities	(945,161)	(19,567)	(179,786)	–	(1,144,514)

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(a) Balance for the period ended December 31, 2016

amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Continuation of consolidating cash flow statements by industry segment for the year ended March 31, 2017, are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(In thousands)				
Cash flows from financing activities:					
Borrowings from credit facilities	715,625	–	27,000	–	742,625
Principal repayments on credit facilities	(340,844)	–	(27,000)	–	(367,844)
Payment of debt issuance costs	(5,055)	–	–	–	(5,055)
Capital lease payments	(212,545)	–	–	–	(212,545)
Employee Stock Ownership Plan Shares	(11,106)	–	–	–	(11,106)
Securitization deposits	446	–	–	–	446
Common stock dividends paid	(58,757)	–	–	–	(58,757)
Investment contract deposits	–	–	285,148	–	285,148
Investment contract withdrawals	–	–	(149,159)	–	(149,159)
Net cash provided (used) by financing activities	87,764	–	135,989	–	223,753
Effects of exchange rate on cash	(2,140)	–	–	–	(2,140)
Decrease in cash and cash equivalents	85,999	(1,324)	12,485	–	97,160
Cash and cash equivalents at beginning of period	585,666	14,049	931	–	600,646
Cash and cash equivalents at end of period	$671,665	$12,725	$13,416	$–	$697,806
	(page 2 of 2)				

(a) Balance for the period ended December 31, 2016

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amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Consolidating cash flow statements by industry segment for the year ended March 31, 2016, are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination		AMERCO Consolidated
	(In thousands)					
Cash flows from operating activities:						
Net earnings	$489,001	$16,168	$19,354	$(35,522)		$489,001
Earnings from consolidated subsidiaries	(35,522)	–	–	35,522		–
Adjustments to reconcile net earnings to the cash provided by operations:						
Depreciation	389,393	–	–	–		389,393
Amortization of deferred policy acquisition costs	–	–	23,272	–		23,272
Amortization of debt issuance costs	3,419	–	–	–		3,419
Interest credited to policyholders	–	–	20,465	–		20,465
Change in allowance for losses on trade receivables	7	–	(212)	–		(205)
Change in allowance for inventory reserve	(1,343)	–	–	–		(1,343)
Net gain on sale of real and personal property	(98,703)	–	–	–		(98,703)
Net gain on sale of investments	–	(1,317)	(3,174)	–		(4,491)
Deferred income taxes	124,838	9,311	3,926	–		138,075
Net change in other operating assets and liabilities:						
Reinsurance recoverables and trade receivables	(2,169)	13,528	3,406	–		14,765
Inventories	(9,009)	–	–	–		(9,009)
Prepaid expenses	(10,338)	–	–	–		(10,338)
Capitalization of deferred policy acquisition costs	–	–	(32,590)	–		(32,590)
Other assets	12,812	(1,050)	141	–		11,903
Related party assets	55,962	682	(18,075)	18,075	(b)	56,644
Accounts payable and accrued expenses	26,018	1,533	9,761	–		37,312
Policy benefits and losses, claims and loss expenses payable	23,215	(18,925)	5,336	–		9,626
Other policyholders' funds and liabilities	–	(1,056)	707	–		(349)
Deferred income	4,757	–	–	–		4,757
Related party liabilities	17,296	115	48	(18,075)	(b)	(616)
Net cash provided (used) by operating activities	989,634	18,989	32,365	–		1,040,988

Cash flows from investing activities:

Purchases of:					
Property, plant and equipment	(1,509,154)	–	–	–	(1,509,154)
Short term investments	–	(44,735)	(471,164)	–	(515,899)
Fixed maturities investments	–	(45,048)	(353,939)	–	(398,987)
Equity securities	–	–	(1,315)	–	(1,315)
Preferred stock	–	(1,005)	–	–	(1,005)
Real estate	(15,384)	(36)	(39)	–	(15,459)
Mortgage loans	–	(1,800)	(85,404)	–	(87,204)
Proceeds from sales and paydowns of:					
Property, plant and equipment	539,256	–	–	–	539,256
Short term investments	–	44,756	483,424	–	528,180
Fixed maturities investments	–	26,193	128,343	–	154,536
Equity securities	–	1,236	808	–	2,044
Preferred stock	–	1,126	–	–	1,126
Real estate	21,589	–	–	–	21,589
Mortgage loans	–	5,878	21,090	–	26,968
Net cash provided (used) by investing activities	(963,693)	(13,435)	(278,196)	–	(1,255,324)

(page 1 of 2)

(a) Balance for the period ended December 31, 2015
(b) Eliminate intercompany investments

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amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Continuation of consolidating cash flow statements by industry segment for the year ended March 31, 2016, are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(In thousands)				
Cash flows from financing activities:					
Borrowings from credit facilities	790,972	–	47,000	–	837,972
Principal repayments on credit facilities	(381,403)	–	(47,000)	–	(428,403)
Payment of debt issuance costs	(10,184)	–	–	–	(10,184)
Capital lease payments	(168,661)	–	–	–	(168,661)
Employee Stock Ownership Plan Shares	(9,302)	–	–	–	(9,302)
Securitization deposits	544	–	–	–	544
Common stock dividends paid	(78,374)	–	–	–	(78,374)
Investment contract deposits	–	–	358,237	–	358,237
Investment contract withdrawals	–	–	(112,957)	–	(112,957)
Net cash provided (used) by financing activities	143,592	–	245,280	–	388,872
Effects of exchange rate on cash	(15,740)	–	–	–	(15,740)
Increase (decrease) in cash and cash equivalents	153,793	5,554	(551)	–	158,796
Cash and cash equivalents at beginning of period	431,873	8,495	1,482	–	441,850
Cash and cash equivalents at end of period	$585,666	$14,049	$931	$–	$600,646

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(a) Balance for the period ended December 31, 2015

amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Consolidating cash flow statements by industry segment for the year ended March 31, 2015 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination		AMERCO Consolidated
	(In thousands)					
Cash flows from operating activities:						
Net earnings	$356,741	$15,417	$19,366	$(34,783)		$356,741
Earnings from consolidated subsidiaries	(34,783)	–	–	34,783		–
Adjustments to reconcile net earnings to the cash provided by operations:						
Depreciation	352,796	–	–	–		352,796
Amortization of deferred policy acquisition costs	–	–	19,661	–		19,661
Amortization of debt issuance costs	3,786	–	–	–		3,786
Interest credited to policyholders	–	–	18,110	–		18,110
Change in allowance for losses on trade receivables	(179)	–	11	–		(168)
Change in allowance for inventory reserve	(872)	–	–	–		(872)
Net gain on sale of real and personal property	(74,631)	–	–	–		(74,631)
Net gain on sale of investments	–	(841)	(3,084)	–		(3,925)
Deferred income taxes	66,628	8,030	1,842	–		76,500
Net change in other operating assets and liabilities:						
Reinsurance recoverables and trade receivables	(3,213)	16,830	(3,985)	–		9,632
Inventories	(1,579)	–	–	–		(1,579)
Prepaid expenses	(65,720)	–	–	–		(65,720)
Capitalization of deferred policy acquisition costs	–	–	(27,084)	–		(27,084)
Other assets	651	102	(804)	–		(51)
Related party assets	27,753	(258)	–	211	(b)	27,706
Accounts payable and accrued expenses	91,409	22	7,446	–		98,877
Policy benefits and losses, claims and loss expenses payable	(4,327)	(23,472)	10,178	–		(17,621)
Other policyholders' funds and liabilities	–	317	671	–		988
Deferred income	(13,181)	–	–	–		(13,181)
Related party liabilities	(1,016)	428	(67)	(211)	(b)	(866)
Net cash provided (used) by operating activities	700,263	16,575	42,261	–		759,099

Cash flows from investing activities:

Purchases of:					
Property, plant and equipment	(1,041,931)	–	–	–	(1,041,931)
Short term investments	–	(40,583)	(249,796)	–	(290,379)
Fixed maturities investments	–	(43,062)	(171,309)	–	(214,371)
Equity securities	–	(3,333)	(426)	–	(3,759)
Preferred stock	–	(1,006)	(1,000)	–	(2,006)
Real estate	(22,876)	(7,857)	(7,542)	–	(38,275)
Mortgage loans	–	(4,350)	(15,457)	–	(19,807)
Proceeds from sales and paydowns of:					
Property, plant and equipment	411,629	–	–	–	411,629
Short term investments	–	53,112	234,771	–	287,883
Fixed maturities investments	–	18,556	89,311	–	107,867
Equity securities	–	3,082	–	–	3,082
Preferred stock	–	400	2,027	–	2,427
Real estate	28,089	–	396	–	28,485
Mortgage loans	–	4,203	9,691	–	13,894
Net cash provided (used) by investing activities	(625,089)	(20,838)	(109,334)	–	(755,261)

(page 1 of 2)

(a) Balance for the period ended December 31, 2014
(b) Eliminate intercompany investments

amerco and consolidated subsidiaries

notes to consolidated financial statements – (continued)

Continuation of consolidating cash flow statements by industry segment for the year ended March 31, 2015 are as follows:

	Moving & Storage Consolidated	Property & Casualty Insurance (a)	Life Insurance (a)	Elimination	AMERCO Consolidated
	(In thousands)				
Cash flows from financing activities:					
Borrowings from credit facilities	657,535	–	–	–	657,535
Principal repayments on credit facilities	(593,722)	–	–	–	(593,722)
Payment of debt issuance costs	(12,327)	–	–	–	(12,327)
Capital lease payments	(121,202)	–	–	–	(121,202)
Employee Stock Ownership Plan Shares	(7,939)	–	–	–	(7,939)
Common stock dividends paid	(19,594)	–	–	–	(19,594)
Investment contract deposits	–	–	105,019	–	105,019
Investment contract withdrawals	–	–	(54,108)	–	(54,108)
Net cash provided (used) by financing activities	(97,249)	–	50,911	–	(46,338)
Effects of exchange rate on cash	(10,762)	–	–	–	(10,762)
Increase (decrease) in cash and cash equivalents	(32,837)	(4,263)	(16,162)	–	(53,262)
Cash and cash equivalents at beginning of period	464,710	12,758	17,644	–	495,112
Cash and cash equivalents at end of period	$431,873	$8,495	$1,482	$–	$441,850

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(a) Balance for the period ended December 31, 2014

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Note 22. Subsequent Events

Our management has evaluated subsequent events occurring after March 31, 2017. We do not believe any other subsequent events have occurred that would require further disclosure or adjustment to our financial statements other than those stated below.

Real Estate Agreement

On October 15, 2015, Real Estate entered into a Purchase and Sale Agreement with 23rd and 11th Associates, L.L.C., for the sale of a portion of Real Estate's real property and improvements thereon located in Manhattan, New York for $200.0 million. Such agreement has been amended from time to time and was subject to several material regulatory contingencies. Real Estate believes that as of April 26, 2017, the last significant local regulatory contingency has been resolved and the closing of the sale of such property is reasonably expected to occur in August 2017. Real Estate will maintain ownership of one building at the Manhattan location thus allowing U-Haul to serve the equipment rental needs of our customers in the area. Real Estate's book value of the property being sold is approximately $5 million. The Company intends to reinvest the proceeds into its self-storage holdings via a tax free exchange pursuant to Section 1031 of the Internal Revenue Code.

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF AMERCO

BALANCE SHEETS

	March 31,	
	2017	2016
	(In thousands)	
ASSETS		
Cash and cash equivalents	$361,231	$381,690
Investment in subsidiaries	1,522,083	1,185,021
Related party assets	1,474,948	1,249,835
Other assets	78,119	94,128
Total assets	$3,436,381	$2,910,674
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Other liabilities	$809,705	$653,082
	809,705	653,082
Stockholders' equity:		
Preferred stock	–	–
Common stock	10,497	10,497
Additional paid-in capital	452,382	451,839
Accumulated other comprehensive loss	(51,236)	(60,525)
Retained earnings:		
Beginning of period	2,533,431	2,142,390
Net earnings	398,424	489,001
Dividends	(39,172)	(97,960)

End of period	2,892,683	2,533,431
Cost of common shares in treasury	(525,653)	(525,653)
Cost of preferred shares in treasury	(151,997)	(151,997)
Total stockholders' equity	2,626,676	2,257,592
Total liabilities and stockholders' equity	$3,436,381	$2,910,674

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

CONDENSED FINANCIAL INFORMATION OF AMERCO

STATEMENTS OF OPERATIONS

	Years Ended March 31,		
	2017	2016	2015
	(In thousands, except share and per share data)		
Revenues:			
Net interest income and other revenues	$1,912	$2,420	$4,862
Expenses:			
Operating expenses	7,115	7,525	7,055
Other expenses	109	111	99
Total expenses	7,224	7,636	7,154
Equity in earnings of subsidiaries	327,773	417,087	300,566
Interest income	103,211	93,873	75,241
Pretax earnings	425,672	505,744	373,515
Income tax expense	(27,248)	(16,743)	(16,774)
Earnings available to common shareholders	$398,424	$489,001	$356,741
Basic and diluted earnings per common share	$20.34	$24.95	$18.21
Weighted average common shares outstanding: Basic and diluted	19,586,606	19,596,110	19,586,633

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

CONDENSED FINANCIAL INFORMATION OF AMERCO

STATEMENTS OF comprehensive income

	Years Ended March 31,		
	2017	2016	2015
	(In thousands, except share and per share data)		
Net earnings	$398,424	$489,001	$356,741
Other comprehensive income (loss)	9,289	(26,160)	19,558
Total comprehensive income	$407,713	$462,841	$376,299

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

CONDENSED FINANCIAL INFORMATION OF AMERCO

STATEMENTS OF CASH FLOW

	Years Ended March 31,		
	2017	2016	2015
	(In thousands)		
Cash flows from operating activities:			
Net earnings	$398,424	$489,001	$356,741
Change in investments in subsidiaries	(327,773)	(417,087)	(300,566)
Adjustments to reconcile net earnings to cash provided by operations:			
Depreciation	10	6	6
Net loss on sale of real and personal property	13	–	–
Deferred income taxes	173,059	124,838	66,628
Net change in other operating assets and liabilities:			
Prepaid expenses	16,021	(8,723)	(66,786)
Other assets	(20)	6	84
Related party assets	1	56,849	(539)
Accounts payable and accrued expenses	(297)	(14)	5,239
Net cash provided by operating activities	259,438	244,876	60,807
Cash flows from investing activities:			
Purchases of property, plant and equipment	(55)	(8)	–
Proceeds of property, plant and equipment	39	–	–
Net cash provided by investing activities	(16)	(8)	–
Cash flows from financing activities:			
Proceeds from (repayments) of intercompany loans	(221,124)	(76,354)	(71,207)
Common stock dividends paid	(58,757)	(78,374)	(19,594)
Net cash provided (used) by financing activities	(279,881)	(154,728)	(90,801)
Increase (decrease) in cash and cash equivalents	(20,459)	90,140	(29,994)
Cash and cash equivalents at beginning of period	381,690	291,550	321,544
Cash and cash equivalents at end of period	$361,231	$381,690	$291,550

Income taxes paid, net of income taxes refunds received, amounted to $36.9 million, $141.9 million and $195.1 million for fiscal 2017, 2016 and 2015, respectively.

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

CONDENSED FINANCIAL INFORMATION OF AMERCO

NOTES TO CONDENSED FINANCIAL INFORMATION

March 31, 2017, 2016, and 2015

1. Summary of Significant Accounting Policies

AMERCO, a Nevada corporation, was incorporated in April, 1969, and is the holding Company for U-Haul International, Inc., Amerco Real Estate Company, Repwest Insurance Company and Oxford Life Insurance Company. The financial statements of the Registrant should be read in conjunction with the Consolidated Financial Statements and notes thereto included in this Annual Report.

AMERCO is included in a consolidated Federal income tax return with all of its U.S. subsidiaries. Accordingly, the provision for income taxes has been calculated for Federal income taxes of AMERCO and subsidiaries included in the consolidated return of the Registrant. State taxes for all subsidiaries are allocated to the respective subsidiaries.

The financial statements include only the accounts of AMERCO, which include certain of the corporate operations of AMERCO. The interest in AMERCO's majority owned subsidiaries is accounted for on the equity method. The intercompany interest income and expenses are eliminated in the Consolidated Financial Statements.

2. Guarantees

AMERCO has guaranteed performance of certain long-term leases and other obligations. See Note 17, Contingent Liabilities and Commitments, and Note 19, Related Party Transactions, of the Notes to Consolidated Financial Statements.

SCHEDULE II

AMERCO AND CONSOLIDATED SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Balance at Year End
Year ended March 31, 2017	(In thousands)				
Allowance for doubtful accounts (deducted from trade receivable)	$585	$913	$–	$(959)	$539
Allowance for obsolescence (deducted from inventory)	$1,597	$1,218	$–	$(765)	$2,050
Allowance for LIFO (deducted from inventory)	$13,463	$877	$–	$–	$14,340
Allowance for probable losses (deducted from mortgage loans)	$368	$125	$–	$–	$493
Year ended March 31, 2016					
Allowance for doubtful accounts (deducted from trade receivable)	$790	$967	$–	$(1,172)	$585
Allowance for obsolescence (deducted from inventory)	$1,384	$213	$–	$–	$1,597
Allowance for LIFO (deducted from inventory)	$15,019	$–	$–	$(1,556)	$13,463
Allowance for probable losses (deducted from mortgage loans)	$370	$–	$–	$(2)	$368
Year ended March 31, 2015					
Allowance for doubtful accounts					

(deducted from trade receivable)	$958	$994	$–	$(1,162)	$790
Allowance for obsolescence (deducted from inventory)	$2,487	$–	$–	$(1,103)	$1,384
Allowance for LIFO (deducted from inventory)	$14,788	$231	$–	$–	$15,019
Allowance for probable losses (deducted from mortgage loans)	$370	$–	$–	$–	$370

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SCHEDULE V

AMERCO AND CONSOLIDATED SUBSIDIARIES
SUPPLEMENTAL INFORMATION (FOR PROPERTY-CASUALTY INSURANCE Operations)

Years Ended December 31, 2016, 2015, AND 2014

Fiscal Year	Affiliation with Registrant	Deferred Policy Acquisition Cost	Reserves for Unpaid Claims and Adjustment Expenses	Discount if any, Deducted	Unearned Premiums	Net Earned Premiums (1)	Net Investment Income (2)	Claim and Claim Adjustment Expenses Incurred Related to Current Year	Claim and Claim Adjustment Expenses Incurred Related to Prior Year	
(In thousands)										
2017	Consolidated property casualty entity	$–	$244,400	$N/A	$49	$52,334	$14,015	$13,297	$107	$
2016	Consolidated property casualty entity	$–	$251,964	$N/A	$59	$50,020	$13,491	$11,713	$585	$
2015	Consolidated property casualty entity	–	271,609	N/A	49	46,456	11,980	11,690	(694)	

(1) The earned and written premiums are reported net of intersegment transactions. There were no earned premiums eliminated for the years ended December 31, 2016, 2015 and 2014, respectively.

(2) Net Investment Income excludes net realized (gains) losses on investments of ($2.6) million, ($1.3) million and ($0.8) million for the years ended December 31, 2016, 2015 and 2014, respectively.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERCO

Date: May 24, 2017	/s/ Edward J. Shoen Edward J. Shoen President and Chairman of the Board (Duly Authorized Officer)
Date: May 24, 2017	/s/ Jason A. Berg Jason A. Berg Chief Financial Officer (Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edward J. Shoen his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act or things requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature

Title

Date

/s/ Jason A. Berg

Chief Financial Officer

May 24, 2017

Jason A. Berg

/s/ James E. Acridge

Director

May 24, 2017

James E. Acridge

/s/ Charles J. Bayer

Director

May 24, 2017

Charles J. Bayer

/s/ John P. Brogan

Director

May 24, 2017

John P. Brogan

/s/ John M. Dodds

Director

May 24, 2017

John M. Dodds

/s/ James J. Grogan

Director

May 24, 2017

James J. Grogan

/s/ Karl A. Schmidt

Director

May 24, 2017

Karl A. Schmidt

/s/ Samuel J. Shoen

Director

May 24, 2017

Samuel J. Shoen