

1 *Cohen Kennedy Dowd & Quigley*  
 2 *The Camelback Esplanade 1-2425 East Camelback Road-Suite 1100-Phoenix Arizona 85016*  
 3 *Telephone 602-252-8400-Facsimile 602-252-5339*

4 Ronald Jay Cohen (003041)  
 Daniel G. Dowd (012115)  
 Laura H. Kennedy (012173)  
 Attorneys for Plaintiff AMERCO

5  
 6 **IN THE UNITED STATES DISTRICT COURT**  
 7 **FOR THE DISTRICT OF ARIZONA**

8  
 9 AMERCO, a Nevada corporation,  
 10 Plaintiff,

11 vs.

12 PRICEWATERHOUSECOOPERS, LLP, a  
 13 Delaware limited liability partnership,  
 14 Defendant.

GIV. NO. 03 0736 PHX RCB

**VERIFIED COMPLAINT**

(Professional Negligence, Fraud,  
 Breach of Covenant of Good Faith  
 and Fair Dealing, and Tortious  
 Interference with Contract/Business  
 Expectancy)

15  
 16 Plaintiff AMERCO, for its Complaint against defendant PricewaterhouseCoopers, LLP  
 17 ("PwC"), alleges as follows:

18 **PARTIES, JURISDICTION, AND VENUE**

19 1. AMERCO is a corporation organized under the laws of the state of Nevada,  
 20 with its principal place of business located in Reno, Nevada. AMERCO, through its  
 21 subsidiary U-Haul International, Inc., is a leader in the self-moving and storage industry.

22 2. PwC is a limited liability partnership organized under the laws of Delaware,  
 23 with its principal place of business in New York, New York. PwC is the world's largest  
 24 professional services firm, providing its services to many of the world's largest public  
 25 companies.  
 26  
 27

3. This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1332 because the controversy is between citizens of different states and the amount in controversy exceeds the sum or value of \$75,000.00, exclusive of interest and costs.

4. Venue is proper in this District pursuant to 28 U.S.C. § 1391(a) in that the defendant, its agents, and employees caused acts and events to occur in Maricopa County, Arizona, out of which AMERCO's claims arise. Moreover, the PwC partner responsible for overseeing the AMERCO account works in PwC's Phoenix, Arizona office and the effects of PwC's and its partner's negligence are experienced most directly in this District.

#### **JURY DEMAND**

5. AMERCO demands trial by jury on all claims for relief.

#### **OVERVIEW OF DISPUTE**

6. This lawsuit seeks redress for the damages AMERCO has suffered because of PwC's materially deficient advice and performance in its capacity as AMERCO's auditor and consultant. AMERCO's investigation has further revealed a calculated pattern of behavior by PwC designed to protect and insulate PwC from liability and public exposure, at the great sacrifice and expense of AMERCO and its shareholders. As set forth below, PwC's wrongful and reckless advice concerning accounting practices, its inexcusable and lengthy delay in disclosing its errors to AMERCO, its punitive decision to sit silently as the business community has been misled to believe that AMERCO, rather than PwC, conceived and manipulated the erroneous accounting practices, and then its deceitful efforts to cover-up its

wrongdoing adversely affected AMERCO so severely that the future of one of America's most trusted companies was placed in serious jeopardy. For this PwC must now be held accountable.

## **FACTUAL ALLEGATIONS COMMON TO ALL CLAIMS**

### **THE HISTORY OF AMERCO AND ITS SUBSIDIARIES**

7. AMERCO was formed in 1969 as the holding company of the U-Haul family of companies, which include U-Haul International, Inc. ("U-Haul"), AMERCO's moving and self-storage business, and three other U-Haul related companies which primarily support core operations, moving and storage. AMERCO Real Estate Company ("AREC") is a real estate acquisition and development company. Oxford Life Insurance Company originates and reinsures annuities, credit life and disability insurance, life insurance, and supplemental health products. Republic Western Insurance Company provides property and casualty insurance to AMERCO and insures U-Haul's customers and others.

### **The Birth and Evolution of U-Haul**

8. After World War II, the United States population became increasingly mobile and migratory. Recognizing a need for do-it-yourself moving equipment on a one-way, nationwide basis, L.S. Shoen and his wife, Anna Mary Shoen, literally created an industry. In 1945, with \$5,000 and a vision, the first U-Haul trailer was built in a shed on Anna Mary's family's farm in Ridgefield, Washington.

9. The U-Haul identity was established early in the company's history. Trailers were painted bright orange and prominently displayed the "U-Haul Trailer Rental Company" name. Included on the trailers were sales messages so that, whether on the road or on display, the business was constantly advertised. The U-Haul enterprise grew as a result of ingenuity and hard work. U-Haul merchandised its trailers from service stations and established a commission structure for dealers. It recruited dealers by offering customers a discount on their trailer rental in exchange for establishing a U-Haul rental agency at their destination. By the end of 1949, it was possible to rent a U-Haul trailer one-way from city-to-city throughout most of the United States.

10. Until 1974, U-Haul rented trailers and trucks on a one-way or in-town round trip basis exclusively through independent dealers, most of which were full service gasoline stations. Beginning in 1974, as a result of the oil embargo and the precipitous disappearance of full service stations, U-Haul developed a network of company-owned rental centers through which U-Haul still today rents its trucks and trailers and provides related products, such as moving supplies.

11. In March 1974, in conjunction with developing company-owned rental centers, U-Haul entered the self-storage business. U-Haul both owns self-storage properties and manages self-storage properties held by others.

12. Today, U-Haul is the largest do-it-yourself moving and storage company in North America. U-Haul moving equipment is available for rent at over 15,000 locations in

the United States and Canada, twice the number of locations of its national competitors combined. U-Haul is one of the nation's largest operators of self-storage facilities with over 1300 owned or managed locations and over 28 million square feet of rentable self-storage space. Since 1995, revenues from AMERCO's core operations have grown by 50% to more than \$1.5 billion.

13. By the end of 2001, U-Haul was poised to further penetrate its markets given its mature distribution network, the breadth of its product and service offerings, its competitive pricing and its high level of customer service. U-Haul's recognizable brand name and broad geographic coverage make it uniquely positioned to take advantage of the synergies between the do-it-yourself moving and storage businesses (i.e., provide full service to the many self-storage facility customers who also rent moving equipment).

#### **AMERCO Real Estate Company ("AREC")**

14. As U-Haul's business grew and as the full service gas stations at which U-Haul historically parked and rented its equipment began to disappear, access to real property became a business necessity. Accordingly, AMERCO began to acquire properties for the development or conversion into company-owned centers and/or self-storage facilities. On June 4, 1985, AREC was formed to acquire, develop and manage AMERCO's land, allowing U-Haul executives to focus on AMERCO's core business: moving and storage.

## THE AMERCO/PWC RELATIONSHIP

15. From 1978 until July 2002, AMERCO retained Price Waterhouse, LLP and then PricewaterhouseCoopers, LLP as its independent public accountant. References herein to “PwC” should be construed to include both firms. PwC is the largest professional services firm in the world. PwC aggressively promotes its business by promising accounting services of the highest quality. PwC intentionally induces clients and prospective clients of the firm to believe that hiring PwC assures the client of receiving sound advice from professionals of unimpeachable integrity.

16. Since at least 1991, PwC Partner Terri M. Hulse worked on AMERCO’s audit and consulting account. Her PwC team was responsible for verifying the propriety of AMERCO’s accounting and its financial statements. AMERCO relied considerably and appropriately on Ms. Hulse’s and PwC’s advice and counsel.

17. PwC was involved in taking AMERCO from a publicly-held to a publicly-traded company. Thereafter, PwC audited and reviewed AMERCO’s financial statements for the relevant periods beginning June 30, 1994 through March 31, 2002. Each audit engagement letter between AMERCO and PwC required that PwC perform the audits in accordance with generally accepted auditing standards (“GAAS”). PwC designed, planned, and carried out the procedures used in connection with its independent auditing services.

18. PwC’s reports on AMERCO’s annual financial statements for the fiscal years ended 1995 through 2001 were unqualified or “clean” and PwC avowed that its work was

performed in accordance with GAAS. PwC consistently opined that the AMERCO financial statements presented fairly, in all material respects, the financial position and results of operations and cash flows of AMERCO in conformity with generally accepted accounting principles (“GAAP”).

19. AMERCO also engaged PwC annually to perform unaudited reviews of AMERCO’s interim financial statements in accordance with standards established by the American Institute of Certified Public Accountants (“AICPA”). PwC’s reviews were unqualified for the quarterly periods ended June 30, 1995 through December 31, 2001.

20. PwC consented to AMERCO’s use of PwC’s opinions in filings with the Securities and Exchange Commission (“SEC”) and in registration statements for the offering of AMERCO debt and equity securities to the public.

21. The AMERCO account was a lucrative one for both PwC and Ms. Hulse, whose compensation depends, in part, on fees generated. From 1994 to the present, PwC has collected from AMERCO more than \$5 million dollars in fees for auditing services.

**DEVELOPMENT OF THE SELF-STORAGE BUSINESS:  
THE BIRTH AND EVOLUTION OF SAC HOLDINGS CORPORATION**

22. In 1993, AMERCO was aggressively pursuing the expansion of its self-storage business. Committed to grow its operations, AMERCO chose to both enter licenses with third-parties and acquire real property upon which to build self-storage facilities. The acquisition-build formula presented obstacles, however, as AMERCO’s lenders preferred and historically granted financing based upon the characteristics of AMERCO’s primary assets,

that is, trucks and trailers. AMERCO's experience was that its capital creditors recognized a fundamental distinction between the three-to-five-year depreciable life of trucks and trailers and the primary asset of the self-storage business, real estate having a 20-30 year life. Lenders and ratings agencies favor a separate legal entity to be the owner and borrower on real estate.

23. In recognition of these considerations, AMERCO sought to legitimately expand its self-storage business through lawful strategies that did not require AMERCO to carry the real estate on its balance sheet. This approach permitted AMERCO to manage a large portfolio of self-storage properties without increasing its leverage. In fact, AMERCO could improve its credit ratings, and increase the availability and reduce the cost of debt. Beginning at least as early as 1993, PwC served as the architect of the plan to make AMERCO's goal a reality.

24. During AMERCO's fiscal year-ended March 31, 1995 (calendar year 1994), PwC advised AMERCO on the creation and formation of "off-balance sheet" entities known as Special Purpose Entities (SPEs), the financial results of which were not required to be consolidated with those of AMERCO. In December 1994, PwC advised AMERCO that the requirements for off-balance sheet treatment were: (1) substantial outside risk capital (3% minimum); (2) control resting in the hands of someone other than AMERCO; and (3) the risk and rewards of ownership accruing to someone other than AMERCO.



25. As AMERCO has now learned, the actual critical criteria for non-consolidation of an SPE are: (1) an “independent” owner must exercise control of the SPE; and (2) the independent owner must make a substantive equity investment of at least 3% of the SPE’s assets, and that 3% must remain at risk throughout the transaction.

**The Original SPEs:  
SAC Self-Storage Corporation & TWO SAC Self-Storage Corporation**

26. SAC Self-Storage Corporation and TWO SAC Self-Storage Corporation were formed on December 13, 1993. SAC and TWO SAC did not transact any business until fiscal year 1995.

27. Having served as AMERCO’s public accountants since 1978, PwC was intimately familiar with AMERCO, the familial relationships between its various directors and shareholders, and AMERCO’s primary desire to expand its self-storage business without adversely impacting AMERCO’s balance sheet or results of operations from real estate ownership.

28. In December 1994, following PwC’s advice, Mark V. Shoen, a U-Haul executive officer and 13% shareholder and director of AMERCO became the sole shareholder of SAC Self-Storage Corporation (“SAC Shareholder”). Based upon PwC’s advice that SAC and TWO SAC were qualified SPEs, during fiscal year 1995, an AMERCO subsidiary loaned SAC Self-Storage Corporation funds for the purchase of 44 self-storage properties. Of the 44 properties, SAC acquired 24 from AMERCO or its subsidiaries. The properties were sold to SAC for an amount equal to AMERCO’s acquisition cost plus capitalized costs. The notes

taken back by AMERCO in the sale of these and all other properties sold to SAC by AMERCO contained features that returned 90% of the excess cash flow and appreciation to AMERCO.

29. Similarly, during fiscal years 1995 and 1996, an AMERCO subsidiary loaned TWO SAC funds to purchase thirty eight self-storage properties. Of those properties, TWO SAC acquired 27 from AMERCO or its subsidiaries at a purchase price equal to AMERCO's acquisition cost plus capitalized costs.

30. In addition, SAC Self-Storage Corporation and TWO SAC entered into Management Agreements with various AMERCO subsidiaries pursuant to which the subsidiaries managed the properties in return for a management fee equal to 6% of the gross receipts from the properties.

#### **SAC Holding Corporation and Its Subsidiaries**

31. On December 26, 1995, SAC Holding Corporation ("SAC Holding") was formed and became the holding company for the various SAC entities with which AMERCO or its subsidiaries conducted business. The voting common stock of SAC Holding is held by the SAC Shareholder, a major AMERCO stockholder, and blood relative of directors, officers, and major shareholders of AMERCO. The SAC Shareholder had also been an AMERCO director and officer at various times.

### **Three SAC**

32. On March 5, 1996, SAC and TWO SAC merged to form a new corporation, Three SAC Self-Storage Corporation (“Three SAC”). Three SAC’s voting common stock is held by SAC Holding, which, as described above, is owned by the SAC Shareholder. The promissory notes of SAC and TWO SAC were combined as part of these transactions.

### **Four SAC**

33. Four SAC Self-Storage Corporation was formed on February 22, 1996 and is owned by SAC Holding. During fiscal year 1996, an AMERCO subsidiary funded the purchase of five properties by Four SAC. Four SAC acquired one property from an AMERCO subsidiary at a purchase price equal to AMERCO’s acquisition cost plus capitalized costs.

34. As with the other SAC entities, Four SAC entered into a Management Agreement, whereby AMERCO subsidiaries manage the properties and receive a management fee equal to 6% of the properties’ gross receipts.

### **Other SAC Transactions**

35. From the formation of Four SAC and through December 31, 2001, SAC Holding formed additional subsidiaries to enter the self-storage marketplace. Since fiscal year 1996, a subsidiary of AMERCO has loaned SAC Holding or its subsidiaries funds to purchase additional self-storage properties and/or construction costs for self-storage facilities. In each

case, pursuant to management agreements, AMERCO subsidiaries manage the SAC properties and receive a management fee equal to 6% of the properties' gross receipts.

36. From 1994 to the present, the SAC Shareholder, the sole owner of the all of the voting stock of the two original SAC SPE entities and the holding companies which own every subsequent SAC entity, has owned at least 10% of AMERCO voting stock and is a blood relative of major owners and directors of AMERCO.

### **PwC's Advice Regarding The SAC Transactions**

37. PwC's intimate involvement in the conceptualization and formation of the SAC SPE entities included: (a) providing advice on how to structure the transactions; (b) reviewing transaction terms; (c) reviewing transaction agreements; and (d) providing technical consultation on GAAP matters. PwC partners, including the audit engagement partner, an SPE technical specialist partner and a concurring partner, and staff examined the transactions.

38. PwC ignored or somehow overlooked the SAC Shareholder's lack of independence in applying SPE accounting rules in fiscal year 1995 and advised AMERCO that the SAC entities could be excluded from consolidation with AMERCO's financial statements. PwC internally revisited this issue in 1999 and again determined that AMERCO need not consolidate the SAC entities' financial results with those of AMERCO. From 1995 through 2001, in reasonable reliance on its auditor's analysis and advice, AMERCO did not consolidate the SAC entities on AMERCO's financial statements.

39. Based on PwC's advice, the SAC structure appeared to AMERCO to be the ideal and proper approach to achieving AMERCO's goal of expanding its self-storage business. AMERCO fully intended to pursue growth in its self-storage business. The SPE technique, developed, validated and audited by PwC, facilitated AMERCO's expansion in the self-storage sector without corresponding real estate implications on AMERCO's balance sheet.

### **PWC CONFESSES ITS GROSS ERROR**

40. In a Report to the AMERCO Audit Committee dated August 6, 2001, PwC confirmed that its fiscal 2001 audit had been conducted in accordance with GAAS and further represented that "there were no instances involving significant accounting policies in controversial areas for which there is a lack of authoritative guidance or consensus." Further, PwC affirmed that AMERCO's accounting principles were "appropriate and the quality of application of accounting principles satisfactory." PwC commented on related-party transactions and represented that it had tested them "for appropriate accounting and financial statement disclosure."

41. These statements by PwC both overtly and tacitly validated the integrity of AMERCO's non-consolidated relationship with the SAC entities. Six months later, however, PwC confessed the falsity of its representations to the Audit Committee. PwC completely withdrew and criticized its historic opinions and advice, and disclosed for the first time that

PwC had not examined the SAC SPE transactions since 1999 and that the accounting which had kept the SAC entities off AMERCO's balance sheet for seven years was wrong.

42. In February 2002, the PwC senior audit and engagement partner in charge of the AMERCO relationship, Terri M. Hulse, contacted AMERCO executives and requested a meeting to discuss "an issue" relating to SAC.

43. Accordingly, on February 5, 2002, just nine days before the deadline for filing AMERCO's Form 10-Q with the SEC, a team of PwC executives (Ms. Hulse, Randal S. Vallen – Office Managing Partner for PwC, and Paul Bigbee – PwC Assurance & Business Advisory Services) met with AMERCO executives in Phoenix.

44. During the meeting, Ms. Hulse distributed a memorandum and disclosed that PwC had committed error when it approved the accounting treatment for the SAC SPEs at inception in 1995: "[W]e advised the client [in 1995] that it would be appropriate to exclude the SAC entities from consolidation with the AMERCO financial statements." A true and correct copy of PwC's February 5, 2002 memorandum is attached as Exhibit 1.

45. Ms. Hulse's February 5 memorandum further disclosed that during December 2001, "as a result of Enron publicity..." including, presumably, the publicity which led to the criminal indictment and subsequent conviction of fellow Big 5 accounting firm Arthur Andersen LLP, PwC reexamined the SAC SPE accounting and found that it erred in determining the required accounting for the SAC SPE: "it appears that a mistake was made in the initial decision rendered in 1995 and a restatement may be necessary."

46. PwC's Hulse further concluded that the SAC SPEs did not qualify for exclusion from consolidation under GAAP because of the SAC Shareholder's "stock ownership in 1994 and subsequently, his position as a member of management, as well as the familial relationship . . . he did not satisfy the criteria as an independent third party at inception and subsequent." Of course, these facts were known to PwC since at least 1994 when AMERCO, in reasonable reliance on PwC's advice, consummated its first transaction with a SAC entity.

47. Moreover, PwC admitted that it had erroneously advised that the SAC Shareholder only needed to make an initial investment of 3% in the SPEs.

48. In fact, unknown to AMERCO until recently, none of the SAC entities met the independence requirements to qualify as a non-consolidated off-balance sheet entity.

49. On February 5, 2002, PwC further advised that AMERCO's financial statements had to be restated to reflect consolidation of the SAC entities retroactive to the date of PwC's initial error in fiscal year 1995. But, PwC confidently and thereafter repeatedly informed AMERCO that the consolidation of SAC would not impact AMERCO's net earnings.

50. PwC has not and cannot provide a credible explanation for its error. Given PwC's long-term relationship with AMERCO and the related parties, its extensive work to orchestrate and structure and its responsibility to review the SAC transactions, and its professed expertise in GAAP and SPE accounting, PwC knew in 1995, or certainly should

have then known, that the SAC entities were not qualified SPEs entitled to non-consolidated treatment.

51. The gravity of PwC's substantive error is equaled by its secretive machinations before meeting with AMERCO in February, 2002. In her February 5, 2002 memorandum, Ms. Hulse admits that for eight weeks, from December 2001 – February 2002, PwC consulted with "3 of the other Big 5 firms" and each firm concluded that neither the risk capital nor independence tests for a qualified SPE were satisfied with respect to SAC.

52. However, rather than make prompt disclosure of this critical issue to AMERCO and allow it adequate time to consider the matter and respond to it in an orderly fashion, PwC privately managed its own exposure and then "deposited" the bad news on AMERCO on the eve of a significant SEC filing deadline. Moreover, in a transparent effort to shift focus from itself, PwC then contacted the SEC to seek its position on SAC consolidation. The SEC opined that consolidation was required.

#### **PwC's Repeated Opportunities To Discover and Reveal Its Error**

53. PwC's mistake is not isolated. By act and omission, it repeated and compounded its error many times. After the formation of the original SAC SPEs, PwC audited AMERCO's financial statements for the fiscal year-ended March 31, 1995. PwC issued an unqualified report and consented to the use of its report in the Form 10-K filed with the SEC on June 30, 1995.



54. Following the March 31, 1995 audit of AMERCO, PwC had numerous opportunities to examine the accounting treatment of the SAC entities. PwC performed audits or reviews of the financial statements for each annual and quarterly period beginning June 30, 1995 through September 30, 2001. In addition, PwC performed procedures for AMERCO in connection with public debt or equity offerings and public filings with the SEC that required PwC to consent to the use of its reports. In total, from March 31, 1995 through December 31, 2001, PwC had nearly sixty (60) opportunities to examine the accounting for the SAC entities. PwC reviewed financial statements thirty (30) times in connection with AMERCO's Form 10-Qs or amended Form 10-Qs, and consented to the use of its reports for seven (7) Form 10-Ks, fourteen (14) registration statements or amended registration statements, one (1) Rule 424(b)(4) prospectus, and six (6) prospectus supplements.

55. PwC not only failed to discover (or certainly to reveal) its error through regular reviews and audits, PwC failed again when it specifically revisited the SAC issue in 1999. As reported by Ms. Hulse in her February 5, 2002 memorandum, "an additional consultation occurred in 1999, where the facts were revisited and the same answer was received re: the structure and the appropriateness of the non-consolidation of SAC...."

56. PwC also lacked independence insofar as it conceptualized and designed the SAC structure and transactions and, thus, was essentially auditing its own work. PwC engaged in the precise conduct that prompted the AICPA to establish an Independence Standards Board, upon which former PwC CEO James J. Schiro served. PwC's palpable

conflict in connection with SAC belies the mantra of independence espoused in PwC's promotional literature:

Independence is the cornerstone of our training and professional ethic. It is supported by policies and procedures throughout the profession, nowhere more stringently than at PricewaterhouseCoopers. Maintaining our independence from the companies we audit is critically important to us.

Contrary to these aspirations, independence was not as "critically important" to PwC as were the lucrative fees being paid by a trusting and reliant AMERCO.

### **THE IMMEDIATE IMPACT OF PwC'S ERRORS ON AMERCO**

#### **Late Form 10-Q Filing and Delisting Proceedings**

57. As a result of PwC's intentionally delayed disclosure to AMERCO of PwC's SAC error until just nine days before the deadline for filing AMERCO's Form 10-Q for the quarter ending December 31, 2001, AMERCO missed its February 14, 2002 filing date. Despite diligent efforts, AMERCO could not complete the preparation of the restated consolidated financial statements in the compressed time frame imposed by PwC. Accordingly, on February 14, 2002, AMERCO filed a Form 12b-25, Notification of Late Filing with the SEC, which extended the Form 10-Q deadline to February 19, 2002.

58. PwC's work with respect to SAC consolidation and AMERCO restatement was not complete by February 19, 2002. AMERCO had no reasonable alternative but to timely file its Form 10-Q without consolidating the SAC entities and without PwC's review report. Instead, AMERCO included the following disclosure:

A review of the Condensed Consolidated Financial Statements herein was not completed by the Company's independent public accountant prior to the deadline for filing this Form 10-Q, as required by Rule 10-01(d) of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended.

### **NASDAQ Delisting Proceedings**

59. By letter dated February 25, 2002, NASDAQ advised AMERCO that because its Form 10-Q did not include a review of its interim financial statements, NASDAQ considered the filing incomplete and AMERCO in violation of Rule 10-01(d) under Regulation S-X (interim financial information) and Marketplace Rule 4310(c)(14).

60. NASDAQ informed AMERCO that its securities were subject to delisting, which would make it impossible for investors to trade AMERCO stock. NASDAQ further stated that an "E," indicating that AMERCO had not satisfied its regulatory filings requirements would be appended to AMERCO's trading symbol on February 27, 2002.

61. On February 26, 2002, AMERCO asked NASDAQ to rescind the delisting letter for a period of two weeks to permit PwC additional time to review its determination as to whether consolidation of the SAC transactions was necessary. NASDAQ denied AMERCO's request and an "E" was appended on February 27, 2002.

62. On March 4, 2002, AMERCO requested a hearing before the NASDAQ Listing Qualification Panel. As required by Marketplace Rule 4815(b), on March 4, 2002, AMERCO was forced to issue a press release detailing NASDAQ's decisions. A true and correct copy of AMERCO's March 4, 2002 press release is attached as Exhibit 2.

## **AMERCO Publicly Announces that SAC Consolidation Has No Impact on Earnings**

63. AMERCO worked diligently to prepare its amended Form 10-Q for filing. It repeatedly implored PwC to complete all work necessary concerning the consolidation of SAC entities and review of consolidated financial statements so that AMERCO could file a compliant Form 10-Q as soon as possible. PwC's delays nevertheless continued. PwC engaged in numerous internal consultations, often requiring senior partner-level (and risk management) approvals in connection with the consolidation and restatement.

64. Throughout this period, PwC repeatedly represented that the restatement would not impact AMERCO's net earnings. For example, PwC made this statement in writing to AMERCO by memorandum dated February 5, 2002, and in other communications on March 1 and on or near March 26, 2002.

65. Ms. Hulse, on behalf of PwC, told ratings analysts that there would be no impact on AMERCO net earnings. Ms. Hulse participated in a ratings conference call with Fitch Ratings ("Fitch") during this period and confirmed PwC's unequivocal advice that the restatement and consolidation would not impact AMERCO's net earnings. In addition, on March 1, 2002, and on or near March 26, 2002, PwC told AMERCO that the consolidation would not interfere with AMERCO's debt covenant compliance. Relying on the accuracy of PwC's repeated statements, AMERCO announced this information to the public.

66. On March 26, 2002, AMERCO issued a critical press release. In the press release, AMERCO introduced amendments to the upcoming Form 10-Q. PwC approved the

press release, which was consistent with PwC's advice on February 5, 2002, March 1, 2002, and March 26, 2002:

AMERCO's Chief Financial Officer said, "The presentation of a combination of the financials of AMERCO and SAC Holding does not effect [sic] the earnings or credit agreement compliance of the Company."

A true and correct copy of the press release is attached as Exhibit 3.

67. During this period, PwC's focus was not on working with AMERCO to mitigate the severe problems caused by PwC's seven years of erroneous advice and dilatory conduct. Instead, PwC immediately began to misleadingly distance itself from AMERCO and falsely image its own accounting errors as an AMERCO management problem. For example, although PwC approved the March 26, 2002 press release, it insisted that its name be deleted, leaving the public to conclude that the restatement came as a result of an AMERCO defalcation. A true and correct copy of PwC's e-mail is attached as Exhibit 4.

68. Two days later, on March 28, 2002, AMERCO filed its amended Form 10-Q, after review and approval by PwC. But, again, PwC refused to allow AMERCO to truthfully disclose that the restatement resulted from an error by PwC. PwC mandated that AMERCO report that the change was due to "a revised interpretation of EITF 90-15 by the Company's independent public accountants." A true and correct copy of AMERCO's Form 10-Q/A is attached as Exhibit 5.

69. Significantly, the amended Form 10-Q consolidated AMERCO and the SAC entities and again announced without equivocation to the financial markets that:

The consolidation of AMERCO with SAC Holdings had no impact on the consolidated net earnings.

[Id.]

70. NASDAQ did not moot the delisting hearing scheduled for May 2, 2002 because it determined that, given the consolidation, AMERCO was required to restate its financial results for the fiscal year-ended March 31, 2001, and quarters-ended June 30 and September 30, 2001. Nevertheless, based upon the March 28 filing, NASDAQ removed the appended "E" from AMERCO's trading symbol. NASDAQ ultimately determined not to delist AMERCO.

**PWC's UNEQUIVOCAL ADMISSIONS TO THE  
AMERCO AUDIT COMMITTEE**

71. On April 4, 2002, the Audit Committee of the AMERCO Board of Directors met at U-Haul headquarters in Phoenix. PwC's Ms. Hulse attended the meeting and responded to questions concerning the changed treatment of the SAC entities. Without equivocation, Ms. Hulse confessed that PwC possessed total responsibility for the errors.

72. Ms. Hulse admitted that PwC had given AMERCO the wrong advice seven years earlier concerning the non-consolidation of the SAC entities. She told the Audit Committee that, in 1995, the PwC National SPE partner had reviewed the accounting for the SAC transactions and advised that the erroneous accounting treatment was "fine." Ms. Hulse explained to the Committee that the SPE partner had retired but, when subsequently confronted about the error, admitted lacking technical knowledge about SPEs. The riveting

words of Ms. Hulse describe her partner's admission of wrongdoing: "I wasn't aware of that component of the rules, and you're absolutely right, I gave them wrong advice."

73. Ms. Hulse's confessions to the audit committee continued and were unambiguous: "it was completely our fault that the company had consistently followed [PwC's] advice...." Ms. Hulse later added: "You know what, we've been very upfront about this, the company [AMERCO] asked the right questions. They were very thorough in the questions that they asked back then and we gave them the wrong answers. We can't say it any other way. They were not trying to hide anything. Everything's been disclosed."

74. During the April, 2002, AMERCO Audit Committee Meeting, Ms. Hulse also confirmed yet again that the consolidation of SAC and AMERCO would not impact AMERCO's net earnings and that she had so informed a rating agency.

75. Ms. Hulse then disclosed to the members of the Audit Committee that she had met with upper level PwC management. She described this as an experience she did not wish to repeat in her career given PwC's defalcations; however, she acknowledged that she deserved to take "a lot of heat" for PwC's error.

76. On May 8, 2002 and May 20, 2002, the Company filed amended Forms 10-Q (Form 10-Q/A) for the quarters ended June 30, 2001 and September 30, 2001, respectively, to reflect the mandated restatements for those periods. True to the prior private and public statements by PwC, both 10-Q/As represented to the market that the consolidation does not impact AMERCO's consolidated net earnings.

**THE IMPACT OF SAC CONSOLIDATION**  
**ON AMERCO'S LENDING RELATIONSHIPS: A LIQUIDITY CRISIS**

77. The belated disclosure by PwC of its error could not have occurred at a worse time for AMERCO. As PwC knew, AMERCO's five-year, \$400 million revolving credit line with its consortium of lenders (The Chase Manhattan, N.A. as administrative agent) was expiring on June 30, 2002.

78. AMERCO had begun negotiations to renew the credit line in February 2002. By the end of March, while AMERCO was still in discussions but had not yet reached a renewal agreement, the landscape and public perception of a more than fifty year-old company began to change dramatically: AMERCO had filed its 3rd-quarter Form 10-Q late, was the subject of NASDAQ delisting proceedings, and was unexpectedly forced to consolidate the financial results of its self-moving and storage business with the results of a real estate business that it did not own.

79. These events and their resulting stigma significantly interfered with AMERCO's ability to negotiate a new revolving credit line on terms similar to the expiring credit line. A credibility crisis caused exclusively by PwC's actions quickly developed.

80. The consolidation process caused by PwC's errors prevented AMERCO from presenting its existing and prospective lenders with adequate financial information to enable them to make informed credit decisions about AMERCO. For example, AMERCO could not timely present its lenders with competent, consolidated financial statements for the third



quarter-ended December 31, 2001. During this time, its lenders would no longer rely upon AMERCO's financial statements to determine its financial condition.

81. Moreover, the lenders expressed serious reservations and concerns (as did AMERCO management) over the virtually unintelligible consolidated financial statements prepared by or under PwC's direction. It was nearly impossible to determine the results of AMERCO's core operations from SAC's operations.

82. Confusing financial statements render it extremely difficult even for sophisticated lenders to determine loan risk. The financial statements formatted by PwC and presented to AMERCO's lenders were confusing because, among other reasons, the balance sheet included SAC liabilities and the income statement included SAC losses. As consolidated with SAC, AMERCO's financial statements did not readily reveal the entity which the banks would be lending against.

83. AMERCO's lenders also expressed concern over the combination of AMERCO's short-term assets with SAC's long-term assets. Lending against a financial statement that combines AMERCO's core business with the risks and long term nature of SAC's real estate development is incompatible with industry accepted bank modeling and lending formulas.

84. Despite years of excellent working relationships and credit with its lenders, in this new environment, AMERCO could not renew the \$400 million revolving credit line.

AMERCO could secure only a three year, \$205 million credit line from a reduced consortium of lenders (JP Morgan as administrative agent).

85. The new credit facility reduced AMERCO's access to working capital by \$195 million, and had terms much less favorable to AMERCO. AMERCO's access to additional capital is constrained because the new revolving credit line prevents AMERCO from borrowing against its subsidiaries' assets. Moreover, reflecting its lenders' growing concerns about the integrity of AMERCO's financial information, AMERCO was required to pursue an additional \$150 million in capital by September 30, 2002. PwC's defalcations, however, would render AMERCO unable to satisfy this requirement.

86. Had PwC timely disclosed its error (i.e., sufficiently in advance of an SEC filing deadline and comfortably before expiration of the revolving credit line), AMERCO could have mitigated the injury that ultimately occurred. AMERCO could have announced the consolidation in an orderly manner, produced stand-alone financial statements for the SAC entities, and had time to proactively explain the changes to its lenders. Had that orderly process occurred, rather than the frenetic scramble that actually ensued, AMERCO would have been able to renew its revolving credit line on substantially better terms than it did.

### **AMERCO'S CREDIBILITY CRISIS**

#### **Form 10-K Filing For Fiscal Year-Ended March 31, 2002**

87. On June 5, 2002, PwC delivered its Report to the Audit Committee concerning PwC's audit of the March 31, 2002 financial statements. The report included "a summary of

the expectations [AMERCO has] of PricewaterhouseCoopers, as [its] independent auditors and business advisors.”

88. PwC promised AMERCO “an experienced service team,” and “open and candid communications,” including “24/7 access.” PwC also acknowledged that it would be consolidating SAC Holding and that an audit of SAC was being completed concurrently with AMERCO’s audit. PwC confirmed its plan to complete the audit by the July 1, 2002 deadline for filing AMERCO’s Form 10-K. PwC affirmed its “ultimate accountability” to the AMERCO Board of Directors and the Audit Committee.

89. Just one business day before the Form 10-K was due and, unbeknownst to AMERCO, before a disclosure that would shake AMERCO to its core, PwC Partner Hulse required AMERCO to wire transfer \$195,000 to PwC. She wanted to ensure that the funds were received in time to be considered in her annual compensation. AMERCO complied with her request. Regrettably, while Ms. Hulse was careful to ensure her own financial future, she was recklessly indifferent to AMERCO’s future.

90. On July 1, 2002, AMERCO filed a Form 12b-25, securing additional time to file its Form 10-K for the year-ended March 31, 2002. On July 8, 2002, PwC arranged a conference call for July 12, 2002 between PwC and AMERCO executives. PwC’s stated pretense for the conference call was to discuss the press release to accompany the 10-K filing. Ms. Hulse refused to disclose the identities of the PwC representatives who would participate in the call.

91. On July 9, 2002, AMERCO was forced to again delay announcement of its financial results because PwC was still working on the results. Then, on the heels of AMERCO's announcement of these disconcerting delays to the investment community, on Friday, July 12, 2002, just two business days before the Form 10-K for the year-ended March 31, 2002 was due, PwC and AMERCO representatives participated in the scheduled conference call.

92. Ms. Hulse and Doug Tanner, a PwC Partner in SEC and Accounting Services in New York, called into the conference, along with AMERCO executives. Despite Ms. Hulse's earlier explanation of the purpose of the call, PwC never mentioned the press release. Instead, Mr. Tanner, whom AMERCO had known when he worked at the SEC, advised AMERCO for the first time that PwC had made yet another mistake. PwC suddenly disclosed that consolidation of the SAC entities would result in a multi-million dollar decrease in AMERCO's net earnings and require AMERCO to restate yet again. This revelation was devastating to AMERCO.

93. PwC's lack of candor with those participating in key decisions about the future of the AMERCO/PwC relationship is indefensible. As PwC was supposedly finalizing the 10-K, AMERCO's CEO was out-of-state on business. He nevertheless made arrangements to participate in the July 12 conference call between AMERCO and PwC. On the day of the scheduled call, PwC contacted AMERCO and said that AMERCO's CEO need not participate in the call. The CEO nevertheless dialed into the conference call. Despite PwC's efforts to

avoid his participation in the call when PwC's error would be confessed, he learned for the first time of the massive earnings impact resulting from consolidation and the need for another restatement. PwC's belated disclosure caused AMERCO to file its restated consolidated financial statements and Form 10-K for the year-ended March 31, 2002 on July 17, 2002, one day late (again).

94. Contrary to the Company's March 28, 2002 Form 10-Q disclosure (which was reasonably based on PwC's avowals to AMERCO), and PwC's repeated representations, the restatement to consolidate the SAC entities did, in fact, materially impact earnings. AMERCO's credibility with analysts, lenders and the public continued to disintegrate, as did its previously reported net earnings for fiscal year 2001, which fell \$12 million, or 92%.

95. Furthermore, although AMERCO filed its Form 10-K with PwC's audit report, PwC relied in its report on Ernst & Young, L.L.P.'s ("E&Y") audit of the SAC entities for earlier years. PwC did not, however, timely seek or obtain the required consent from E&Y. In fact, PwC advised E&Y on July 12, 2002 that E&Y's report would be referenced; however, PwC did not seek consent to use the report until July 22, 2002, ten days after PwC signed its audit report to be included in the Form 10-K and five days after the Form 10-K was actually filed.

96. On July 26, 2002, E&Y refused consent to PwC's untimely request. Accordingly, AMERCO was forced to engage PwC to re-audit the financial statements of the SAC entities for the fiscal years 2000 and 2001 to eliminate the need for consent from E&Y.

Because of its misstatement, PwC was required to re-issue its report to delete the improper and unauthorized reference to E&Y. PwC's new opinion was included in the amended Form 10-K not filed until September 26, 2002.

### **Disengagement of PwC**

97. Soon after the July 12, 2002 revelation, and as a result of PwC's numerous errors, missed deadlines and misrepresentations, AMERCO advised PwC that AMERCO was beginning a search for a new auditor. AMERCO also reasonably advised PwC that AMERCO expected PwC to assist in the transition. In the same moment that Ms. Hulse promised to effect a smooth transition, she and PwC essentially abandoned AMERCO.

98. On July 17, 2002, AMERCO announced that it had begun the process to select a new auditor and filed the appropriate Form 8-K with the SEC. A true and correct copy of AMERCO's July 17, 2002 Form 8-K is attached as Exhibit 6.

99. Immediately upon learning that AMERCO was changing auditors, Ms. Hulse advised AMERCO that there had been "significant overruns" with respect to the audit for fiscal year end 2002, overruns no doubt caused by the massive reconstruction necessary to correct PwC's own errors.

100. On August 2, 2002, PwC sent the SAC Shareholder a letter setting forth the terms of its engagement to audit the SAC entities for the periods audited by E&Y and upon which PwC had improperly relied, without consent, on E&Y. PwC confirmed that the audit

would be conducted for the benefit of both SAC and AMERCO. PwC estimated that its fees would be \$150,000.

101. In performing the SAC audits, PwC shunned its historical commitments to AMERCO (i.e., 24/7 access, fair and reasonable fees). PwC was dilatory, unfocused, uncommitted and self-consumed as it prepared the SAC audits. The audit lingered as PwC devoted time to other clients (even while working at AMERCO's office) and no doubt secretly devised damage control to try to defend its defalcations or mischaracterize their impact.

102. While PwC performance plummeted, costs skyrocketed. On August 9, 2002, AMERCO was forced to pay PwC approximately \$400,000 for its work in connection with the SAC audits, \$250,000 more than originally estimated. PwC did not complete the SAC audits until the end of September, two months late at triple the original cost estimate.

**PWC's INTERNAL DILEMMA: CORE VALUES vs. SALE OF PWC  
CONSULTING/SELF-PRESERVATION**

103. Throughout relevant periods of time, PwC was negotiating the sale of its consulting division, PwC Consulting, to IBM. Although the definitive agreement to pay PwC \$3.5 billion in cash and stock was not reached with IBM until July 30, 2002, PwC was in negotiations with IBM and possibly others during the first half of 2002. Disclosure of its "off-balance sheet" AMERCO error in the post-Enron environment and its resultant exposure may have jeopardized, or at least disadvantaged, PwC in its efforts to sell its consulting division.

104. Accordingly, PwC selfishly permitted, and by its silence promoted, perpetuation of the completely false implication that PwC had caught AMERCO doing something wrong. PwC sat silent as the media harshly criticized AMERCO and misperceived the true sequence of events. For example, as reported in the *Arizona Tribune*, one analyst opined:

“A rule of thumb is it always raises a red flag when they fire an auditor who looks like they’re doing a decent job,” said Alan Willenbrock, vice-president and investment manager at Northern Trust Bank. “The reality is, the most likely scenario is that the audit company made them consolidate (financial statements)...they didn’t want to do it...they didn’t like it so they fired them.”

A true and correct copy of the news article is attached as Exhibit 7.

105. Exhibiting the weakest and most disingenuous character of leadership, PwC permitted creditors, analysts, institutional investors and the public to conclude that AMERCO orchestrated secret transactions, manufactured misleading financial statements, and manipulated its auditor in a post-Enron, post-WorldCom, post-Tyco, post-Xerox environment. It was entirely predictable that once the market received this false perception, it would severely punish AMERCO. Prediction became reality.

**CONTINUING EFFECT OF PWC’S DEFALCATIONS:**  
**AMERCO’S CAPITAL CONSTRAINTS AND**  
**PLUNGE IN MARKET CAPITALIZATION**

106. PwC turned a healthy, billion dollar public company, the common stock of which was trading at \$17.18 per share on February 14, 2002, into a company that defaulted on over \$100 million in bond payments, aborted a debt offering, lost \$195 million in working



capital, had its credit downgraded to junk, and watched its stock plummet to an all time low of \$1.85 per share in late October 2002.

### **February 2002: Discovery of The Error Stock Price Drops to \$15.85 Per Share**

107. PwC's belated announcement that it had made an error concerning the consolidation of the SAC entities turned AMERCO into a late and incomplete filer with the SEC, thereby subjecting AMERCO to NASDAQ delisting proceedings and branding a scarlet "E" on its ticker symbol. These events were not lost on the investment community.

108. On February 27, 2002, when the "E" was appended to AMERCO's trading symbol, AMERCO's common stock price dropped from \$17.88 per share to \$17.03 per share. On March 6, 2002, two days following AMERCO's press release regarding the NASDAQ violations, its stock price dropped from \$16.51 per share to \$15.85 per share.

### **Spring 2002: The Liquidity Crisis Begins**

109. On June 14, 2002, Fitch placed AMERCO's 'BBB' (investment grade) senior debt and 'F-2' commercial paper on Rating Watch Negative, reflecting Fitch's concern that AMERCO might not be able to fully refinance current loans outstanding under its existing unsecured revolving credit line. A true and correct copy of the press release is attached as Exhibit 8.

**July 2002: More Late Filings and  
Termination of the PwC Relationship;  
Stock Price Drops to \$9.39 Per Share**

110. On July 1, 2002, AMERCO announced that it was unable to file its Form 10-K for the period ending March 31, 2002 and postponed its conference call to announce fourth quarter results to July 9, 2002. Yet, July 9 arrived and PwC still had not completed its work. AMERCO was forced to again delay announcement of fourth quarter earnings.

111. Standard & Poors ("S&P") immediately placed AMERCO on credit watch. On July 11, 2002, Moody's also placed AMERCO on credit watch. True and correct copies of the S&P and Moody's announcements are attached as Exhibits 9 and 10, respectively. By July 12, 2002, AMERCO's stock price had dropped to \$11.90 per share.

112. On July 17, 2002, AMERCO finally filed its Form 10-K indicating that, despite its prior representations, the SAC consolidation did have an earnings impact including eliminating 92% of fiscal year 2001 net earnings. That same day, AMERCO announced it had begun the process to select a new auditor. Within one week, AMERCO's common stock price dropped to \$9.39 per share.

**September/October 2002: AMERCO's Bond Offering Fails  
And Its Stock Price Plummets to \$1.85 Per Share**

113. On August 12, 2002, PwC promised to complete the 2002 audit report (one without the improper reliance "on others" (E&Y)) within ten to fifteen days. PwC failed to meet this deadline. Repeated efforts by AMERCO to encourage PwC's completion of the re-audits were met by PwC's threats to withdraw its audit opinion.

114. Moreover, PwC's delay prevented AMERCO from filing a compliant Form 10-K/A, which forced AMERCO to delay its planned \$275 million senior notes offering. AMERCO intended to use the proceeds of this offering to satisfy the requirement under the June 2002 revolving credit line that AMERCO raise \$150 million in additional capital by September 30, 2002, and to pay over \$100 million that would soon be due on bond obligations.

115. PwC's failure to complete the re-audit of the SAC entities until September 25, 2002 caused AMERCO to delay until September 30, 2002 its announcement to issue approximately \$275 million in senior notes due 2009 in a Rule 144-A offering. A true and correct copy of AMERCO's press release is attached as Exhibit 12. By this time, AMERCO had failed to complete a \$150 million refinancing as required under its revolving credit line. AMERCO obtained a one week extension of this deadline. The clock was now ticking on AMERCO's future.

116. By October 1, 2002, AMERCO, unable to comply with its debt covenant, was at the mercy of its lenders. Less than one week later, on October 4, 2002, S&P lowered its long-term corporate credit rating on AMERCO to non-investment grade (BB+ from investment grade (BBB)) and lowered its short-term corporate credit rating on the company to "highly speculative" (B) from investment grade (A-3), based on heightened financial flexibility and liquidity concerns. A true and correct copy of S&P's announcement is attached as Exhibit 12.

117. On October 10, 2002, AMERCO announced that it had postponed its \$275 million bond offering. A true and correct copy of AMERCO's October 10, 2002 press release is attached as Exhibit 13. As a direct result, S&P lowered its corporate credit rating on AMERCO from non-investment grade to "speculative" (BB- from BB+), citing AMERCO's failure to complete the bond offering. A true and correct copy of S&P's October 10, 2002 announcement is attached as Exhibit 14. The market reacted accordingly; AMERCO's common stock price dropped to \$6.49 per share.

118. On October 15, 2002, AMERCO's extension under its revolving credit line expired. AMERCO failed to comply with its obligation to raise \$150 million in capital and, thus, defaulted under the \$205 million revolving credit line, subjecting AMERCO to termination of the line, acceleration of the debt, and significantly increasing the interest rate charges to AMERCO. AMERCO then failed to make a required \$100 million principal payment on its Series 1997-C Bond Backed Asset Trust ("BBAT"). The default also caused cross-defaults on approximately \$1 billion of other AMERCO debt instruments.

119. On October 15, 2002, AMERCO announced that it had retained workout specialist Crossroads, LLC to assess AMERCO's strategic alternatives to strengthen its financial position. A true and correct copy of AMERCO's October 15, 2002 press release is attached as Exhibit 15. The next day, on October 16, 2002, Fitch lowered AMERCO's senior unsecured debt and preferred stock ratings to its second lowest default rating (DD) and lowest default rating (D), respectively. A true and correct copy of Fitch's October 16, 2002

announcement is attached as Exhibit 16. S&P lowered its corporate credit rating on AMERCO to a default rating. A true and correct copy of S&P's October 16, 2002 announcement is attached as Exhibit 17.

120. S&P also lowered various other ratings and withdrew its commercial paper rating. Likewise, Moody's downgraded the debt ratings of AMERCO's senior unsecured debt to "in poor standing." A true and correct copy of Moody's October 16, 2002 announcement is attached as Exhibit 18. That very day, AMERCO's stock price plummeted 55% (to \$3.38 per share). Reuters reported that bankruptcy was feared for AMERCO. A true and correct copy of the Reuters October 16, 2002 report is attached as Exhibit 19.

121. On October 17, 2002, AMERCO announced that bankruptcy speculation was unfounded. On October 23, 2002, various news organizations reported that AMERCO was in discussions with bondholders and lenders over a reorganization of the company's balance sheet. True and correct copies of AMERCO's October 17 and 23, 2002 press releases are attached as Exhibits 20 and 21, respectively. AMERCO's common stock then plummeted to \$1.85 per share.

#### **November 2002: More of the Same**

122. After a brief market rebound, on November 5, 2002, AMERCO announced that it would not timely make a dividend payment to the company's Series A, 8.5% preferred stockholders due December 1, 2002. By November 8, 2002, AMERCO's common stock price had dropped to \$3.51.

## **THE PROFOUND AND DEBILITATING DAMAGE TO AMERCO**

123. The financial damages suffered by AMERCO as a result of the severe breaches and defalcations by PwC are substantial and continuing. The harm to AMERCO's integrity is immeasurable and perhaps permanent. AMERCO, its leaders and their families have devoted generations to earning the trust, loyalty and respect of the public. In literally a matter of weeks, PwC destroyed the goodwill AMERCO achieved through decades of devotion to hard work.

124. AMERCO has endured damage in several distinct and measurable ways: (1) AMERCO's lost profits, as measured by the lost capitalization attributable to PwC's actions, are not less than \$599 million; (2) AMERCO's increased capital costs and forgone return on investments are at least \$3.5 million and likely much more; (3) the cost of AMERCO's diverted company resources is at least \$5 million; (4) AMERCO is entitled to a refund of fees paid to PwC of at least \$5 million; (5) AMERCO's professional fees and associated out-of-pocket costs as a result of PwC's performance failures are at least \$3 million; and (6) the lost goodwill and reputational damages, while not yet calculated, are catastrophic.

125. PwC's conduct and the resulting financial statements have also spawned shareholder and investor suits against AMERCO, creating a substantial drain on resources and impeding AMERCO's ability to obtain refinancing.

126. In selfishly managing the "discovery" of its fundamental errors concerning SAC and in its subsequent dealings with AMERCO, PwC ignored or simply did not care about the

predictably draconian effect of PwC's actions on the well being of the men and women of AMERCO and its shareholders. PwC carefully timed the disclosure of its errors, recklessly mischaracterized the impact of its errors and transparently tried to shift blame to AMERCO. As AMERCO's resulting challenges intensified, PwC sat silently as the uninformed public was wrongfully led to believe that PwC was the victim and AMERCO the villain.

127. AMERCO is entitled to punitive damages in an amount that will severely punish the world's largest (and multi-billion dollar) professional services organization and motivate actual performance that mirrors the lofty and salutary promises PwC so eagerly makes to those who entrust their very well being to PwC.

#### **PWC SEEKS TO AVOID EXPOSURE OF ITS WRONGFUL CONDUCT**

128. On September 26, 2002, AMERCO filed an amended Form 10-K/A for its fiscal year ending March 31, 2002. This Form 10-K/A merely restated prior results but omitted the "reliance on E&Y" language. In its September 24, 2002 audit letter accompanying AMERCO's 10-K/A, PwC opined that AMERCO's financial statements presented fairly, in all material respects the financial position and results of operations and cash flows of AMERCO in conformity with GAAP.

129. During the fall of 2002, in response to an SEC comment letter, further work was required. PwC worked slowly to complete its audit of AMERCO's financial statements to be included in its second amended Form 10-K/A, the original of which was due to be filed months before, in July 2002. Although AMERCO had supplied PwC with every document

PwC requested to complete the audit, PwC continued to make additional demands for documents and other information, all of which AMERCO promptly produced.

130. Ironically, based upon the very precarious position in which the PwC inspired events had placed AMERCO, in connection with its audit, PwC concluded that it could not verify that AMERCO remained a “going concern.” Moreover, it was the highest executives in PwC’s New York Risk Management Department that reviewed, revised and finally approved the going concern language to be included in its audit report, finally signed on January 6, 2003. In that letter, PwC also verified and re-confirmed its status as an independent auditor during the time in which it conducted the audit of AMERCO’s second amended Form 10-K/A.

131. The only new information contained in the second amended Form 10-K/A related to notes 1, 21 and 22 to the financial statements. PwC’s audit report included in the January 2003 second amended Form 10-K/A is dated September 23, 2002 except for footnotes 1, 21 and 22, for which the report is dated January 6, 2003. Thus, except for the subject of footnotes, PwC had opined on the propriety of the other positions of the financial statements on September 23, 2002, when AMERCO filed its first amended Form 10-K/A.

132. On January 10, 2003, after PwC issued its audit report and consented to the inclusion of the report in connection with AMERCO’s second amended Form 10-K/A and after it was filed with the SEC, AMERCO delivered to PwC a comprehensive letter dated January 8, 2003, detailing PwC’s wrongdoing, PwC’s legal responsibilities and the resultant



damages to AMERCO and inviting PwC to agree to mediation to resolve the matter (the “Mediation Package”).

133. Rather than responsibly considering and fairly responding to the Mediation Package, PwC continued its prior pattern of seeking to exculpate itself at the expense of AMERCO and its shareholders. This time, PwC used its recently issued audit opinion to put AMERCO to the Hobson’s choice of either absolving PwC or face revocation by PwC of its audit letter, which would render AMERCO’s seriously delinquent second amended form 10-K/A non-compliant, negatively impact AMERCO’s restructuring effort and threaten to place AMERCO’s future in severe jeopardy. PwC’s actions are the essence of bad faith.

#### **PwC Threatens To Withdraw Its Audit Report**

134. On January 13, 2003, PwC’s Randal S. Vallen sent a letter to AMERCO’s Chairman and Chief Executive Officer advising him that PwC believed that its auditor independence may have been impaired as a result of the contents of the Mediation Package. Mr. Vallen was overt in his threat: PwC might “be required to withdraw [its] opinion on the most recently filed financial statements.” A true and correct copy of Mr. Vallen’s January 13, 2003 letter is attached as Exhibit 22.

135. AMERCO responded that same day. It asserted that PwC threatened withdrawal of its opinion was a “harsh punishment for posing hard questions about how AMERCO was treated” by PwC. AMERCO advised PwC that the threatened withdrawal of PwC’s opinion was unjustified and irresponsible and would result in catastrophic

consequences to AMERCO. A true and correct copy of the January 14, 2003 letter is attached as Exhibit 23.

136. At the same time PwC was threatening to withdraw its opinion with respect to AMERCO's second amended Form 10-K/A, AMERCO management consulted with Crossroads regarding the impact to AMERCO should PwC withdraw its opinion to the second amended Form 10-K/A. Crossroads informed AMERCO that if PwC withdrew its opinion to AMERCO's second amended Form 10-K/A at this time, AMERCO would have only a minimal chance of obtaining the replacement financing it desperately required. AMERCO and, upon information and belief PwC, fully knew that if AMERCO did not obtain replacement financing, it would be forced to file for protection under the bankruptcy laws.

137. On January 15, 2003, AMERCO through securities counsel, wrote to Mr. Vallen and explained with abundant and persuasive support, that PwC's independence was not impaired during the relevant period of PwC's engagement, which ended with respect to the great majority of the financial statements when PwC signed the September 23, 2002 audit report and with respect to footnotes 1, 21 and 22 on January 6, 2003. AMERCO's counsel explained that the assertion of claims after the engagement ended could not impair independence as the SEC and AICPA interpretations of the applicable rules make clear that it is the commencement of litigation *during the engagement period*, the expressed threat of litigation *during the engagement period* or circumstances that lead an auditor to conclude *during the engagement* that litigation is likely to be brought, that can result in impairment of

independence. AMERCO correctly concluded that because independence was not impaired, PwC had no basis for or duty to withdraw its audit report. A true and correct copy of AMERCO's counsel's letter to Mr. Vallen is attached as Exhibit 24.

138. Later that day, PwC partners, along with attorneys from PwC's General Counsel's office and AMERCO principals and counsel engaged in a telephone conference to discuss the purported independence issue. During that conference call, PwC in-house attorney Erica Baird repeatedly threatened to take action which would almost certainly result in PwC withdrawing the audit report accompanying the financial statements in AMERCO's second amended Form 10-K/A.

139. The parties participated in a second conference call on Thursday, January 16, 2003. During that call, Ms. Baird continued to pressure AMERCO. She made it clear that PwC intended, the next day, to raise with the SEC the issue of whether PwC should withdraw its audit report. However, PwC also hinted that it was willing to "bargain" with AMERCO to avoid this result.

140. On January 17, 2003, AMERCO counsel again wrote to PwC, explaining in additional and compelling detail the reasons why PwC's independence was not impacted by AMERCO's conduct of due diligence and preparation of the Mediation Package during the audit period. AMERCO also stated that PwC's withdrawal of its audit report in this situation was unjustifiable and would be devastating to AMERCO. A true and correct copy of AMERCO's January 17, 2003 letter is attached as Exhibit 25.

**PwC Attempts to Commercially Extort AMERCO In an Effort to Avoid Liability  
and Conceal PwC's Conduct From the SEC and the Public**

141. On January 17, 2003, AMERCO and PwC representatives participated in several telephone calls. Michael Gagnon, introduced as the head of PwC's "Independence Committee" in New York, directed that a "written communication" from the AMERCO Board of Directors and Audit Committee containing the following information would "go an extremely long way" towards curing any independence issues: (1) that the Board members were unaware of the submission of the Mediation Package; (2) that they did not authorize the submission of the Mediation Package; (3) that they withdraw the Mediation Package and the claims and assertions therein; (4) that they would never re-assert those claims and assertions; and (5) a reaffirmation by AMERCO of the representations in its disclosure letter to PwC associated with the March 2002 audit (i.e., that AMERCO believed PwC to be independent during the audit period). Tellingly, these representations demanded by PwC did not, in any manner, address or in any way ameliorate PwC's supposed independence issue that AMERCO management may not have been candid with PwC during the period of the audit engagement.

142. Faced with serious and imminent financial consequences if PwC acted on its threat to wrongly withdraw its audit report, the AMERCO Board of Directors and Audit Committee were coerced into providing PwC with the "written communication" it dictated, in the form of a resolution.

143. AMERCO's Resolution did not logically or meaningfully respond to or cure the problem which PwC claimed critical to the issue of its independence (i.e., that AMERCO

management was conducting due diligence and preparing the Mediation Package during the time in which PwC was conducting its audit of AMERCO's second amended Form 10-K/A). On January 22, 2003, upon PwC's receipt of the resolution in which PwC had forced AMERCO to resolve that it withdrew and would not "re-assert" the claims set forth in the Mediation Package, PwC informed AMERCO that it had conveniently "determined" that it would not need to contact the SEC and would not withdraw its audit report.

144. Then, on February 7, 2003, PwC advised AMERCO that PwC intended to send all copies of the Mediation Package to AMERCO and that only PwC's outside counsel would retain a copy so that PwC could take the position, presumably with the SEC, that it did not possess a copy of the Mediation Package.

145. These events establish beyond cavil that PwC's supposed concerns about its independence and consternation over whether it must withdraw its audit report were false and manufactured to leverage from AMERCO a supposed defense (the resolution) to otherwise defenseless claims. If PwC truly believed its independence was affected by the Mediation Package, nothing contained in the coerced resolution from AMERCO cured the supposed problem. Rather, the largest professional services company in the world, whose work as an auditor is relied upon to serve as the foundation for integrity in the financial marketplace, feigned an independence crisis to attempt to achieve absolution for its misconduct. No punishment is too severe to ensure that such duplicity never occurs again.

146. On April 9, 2003, the AMERCO Board of Directors revoked the coerced January 17, 2003 Resolution.

**FIRST CLAIM FOR RELIEF**  
**(Professional Negligence)**

147. AMERCO incorporates by reference each and every allegation in paragraphs 1 to 146 as though fully set forth herein.

**PwC Owed A Duty Of Due Care To AMERCO**

148. An accountant owes a duty to its client to render services with the degree of skill and competence exercised by members of the accounting profession and in accordance with accepted professional standards. Specifically, a public accountant must exercise the care and competence expected of persons in his or her profession to ascertain the facts on which his or her report is made, to draw inferences from facts not stated in his or her report, and to communicate the information so that it may be understood.

149. The Auditing Standards Board (“ASB”) of the American Institute of Certified Public Accountants (“AICPA”) establishes the generally accepted auditing standards (“GAAS”) for the accounting profession. The ASB also develops and issues standards in the form of Statements on Accounting Standards (“SASs”). Rule 202 of the AICPA Code of Professional Conduct requires auditors to comply with the standards promulgated by the ASB – including GAAS and related SASs. Additional professional standards are found in the generally accepted accounting principles (“GAAP”). GAAP is comprised of conventions, rules and procedures that describe accepted accounting practice at a particular time. Financial

Accounting Standards (“FAS”) issued by the Financial Accounting Standards Board (“FASB”) and, together with SEC rules and regulations, opinions of the Accounting Principles Board (“APB”) and Accounting Research Bulletins (“ARB”) issued by the AICPA, represent applicable authoritative guidance for GAAP. The Emerging Issues Task Force (“EITF”) of the FASB represents another level of authoritative GAAP.

150. GAAS and GAAP, together with relevant interpretive materials, represent the accepted professional standards applicable to PwC. Indeed, PwC expressly promised in its engagement letters with AMERCO to provide services in accordance with GAAS and ensure the Company’s financial statements were presented in compliance with GAAP. Failure to comply with any of these standards constitutes a breach of the professional duty of care.

151. PwC, at a minimum, owed AMERCO a duty to perform the services under its engagements with AMERCO in accordance with accepted professional standards. Given its role as one of the “Big Four” accounting firms in the United States, and the fact that it is reputedly the world’s largest professional services firm, PwC will be held to an increased standard of care and duty.

### **PwC Breached Its Duty of Due Care To AMERCO**

152. As expressly admitted by PwC senior audit partner Terri M. Hulse, PwC failed in its responsibilities to AMERCO. PwC committed errors in violation of accepted industry standards. PwC’s conduct falls far below the general standards of due professional care in the accounting industry and constitutes an unequivocal breach of its duty to AMERCO.

***PwC Violated GAAP in Certifying SAC Entities as Qualifying SPEs***

153. GAAP for SPEs is established by FAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities,” issued by FASB. FAS 140 replaced FAS 125, “Qualifying Special-Purpose Entity,” in September 2000. Further standards for SPEs are established by EITF D-14, “Transactions Involving Special Purpose Entities,” among others.

154. In May 1990, well before PwC’s consulting and reporting related to SAC, upon the issuance of EITF D-14, GAAP established that to avoid consolidation an SPE must be owned and controlled by an unrelated, independent third party. Moreover, the independent owner must have made a substantive capital investment and have substantive risks and rewards of ownership throughout the entire term of the transaction.

155. Despite the fact that the SAC Shareholder, a major stockholder and officer of AMERCO, held the voting common stock of the original SAC entities as well as SAC Holding, PwC reported that the SAC entities qualified under GAAP for exclusion from the AMERCO financial statements. This was clearly an error and not in compliance with GAAP. PwC overlooked or ignored the SAC Shareholder’s lack of independence for purposes of the GAAP-mandated SPE accounting rules and, in fiscal year 1995, PwC erroneously advised AMERCO that it was appropriate to exclude the SAC entities from consolidation with AMERCO.



156. Moreover, PwC incorrectly advised the SAC Shareholder that he was not required to make additional capital investments equal to a 3% at risk threshold. PwC's advice in this regard was incorrect and negligent.

157. Thus, because of the fundamental errors in the SAC SPE structures, PwC's failure to identify the SAC-related accounting and reporting errors prior to February 2002 demonstrates a breach of the professional standard of due care.

***PwC Violated Professional Standards In Failing To Recognize  
The Net Earnings Effect At The Time Of Consolidation***

158. PwC's representations to AMERCO management in February 2002, and repeatedly for months thereafter, that the restatement and consolidation of the SAC entities would not impact AMERCO's net earnings and would not impact compliance with debt covenants, was an error. It should have been obvious to PwC in at least February 2002 that consolidation of the SAC entities would impact AMERCO's earnings. It is obvious that SAC had operational activity outside of AMERCO in the form of third party debt and associated interest charges and depreciation of property and equipment. PwC served as the Independent Public Accountant for both AMERCO and SAC and knew these facts. However, contrary to its knowledge, PwC misrepresented to AMERCO on multiple occasions that there would be no impact on earnings and AMERCO reasonably relied on this information in communicating with rating agencies, government regulators and the public.

159. PwC's representations that the restatement would not have an earnings impact were materially inaccurate and misleading and, as such, violated professional standards.

***PwC Violated Numerous Other Professional Standards***

160. By way of example only, PwC further violated its duty of due care owed in the following respects:

- (a) PwC failed to comply with the standards of GAAS defined in SAS No.1, “Generally Accepted Auditing Standards,” superceded December 20, 2001 by SAS No. 95, where it admitted its work contained material errors. PwC’s admission of error and failure to recognize on multiple occasions the proper accounting for the SAC SPE transactions considering the related party issues and GAAP standards is evidence that PwC did not utilize PwC personnel having or exercising adequate technical training on these matters. The errors further indicate that PwC’s work was not adequately planned.
- (b) PwC’s failure to identify material related-party GAAP SPE errors during the course of performing numerous audits and reviews of the financial statements of AMERCO and SAC indicates inadequate supervision and review, including insufficient concurring partner review required by the AICPA.
- (c) PwC had clear and obvious conflicts of interest that impaired independence and did not consider sufficient competent evidential matter to afford a reasonable basis for PwC’s opinions.

- (d) PwC issued materially inaccurate and misleading reports that improperly asserted its work was performed in accordance with GAAS and erroneously stated the financial statements were prepared in accordance with GAAP.
- (e) PwC violated SAS Nos. 22, 47 and 77, providing for planning and testing to be done in consideration of conditions that may require extension or modification of audit tests, such as the risk of material error or the existence of related party transactions.
- (f) PwC did not comply with SAS Nos. 47 and 82 regarding the auditor responsibility to properly identify material audit risk and to plan the audit to address such risks.
- (g) PwC failed to comply with SAS No. 45 that requires the auditor to place emphasis on testing material related-party transactions and to obtain sufficient competent evidential matter to understand the effects of the transactions on the financial statements.
- (h) PwC did not comply with SAS No. 69 requiring the audit report to state whether the financial statements are presented in conformity with GAAP.
- (i) PwC violated the provisions of SAS Nos. 61, 89 and 90 by erroneously assuring AMERCO's Audit Committee that PwC performed its audit in

accordance with GAAS and that the accounting principles of the Company were in compliance with GAAP.

- (j) PwC violated the AICPA Code of Professional Conduct by, among other actions or inactions,, failing to carry out its responsibilities as a professional, exercising moral judgments in all of its activities and demonstrating requisite integrity.
- (k) PwC did not exercise due professional care in performance of its examination of AMERCO's financial statements and failed to obtain sufficient competent evidential matter to afford a reasonable basis for its opinions.
- (l) PwC violated its duty to perform its responsibilities to reasonably assure AMERCO's compliance with NASDAQ listing requirements.
- (m) PwC failed to comply with the standards for performing a review of interim financial information as defined by standards established by the AICPA.
- (n) PwC belatedly admitted that it caused AMERCO to reveal that its financial statements for every period from PwC's initial error through September 30, 2001, were inaccurate and misleading as a result of PwC's failure to properly interpret GAAP and apply GAAS to prevent or timely discover, report and correct the error.

- (o) PwC improperly issued unqualified audit and unmodified review reports that were inaccurate and misleading and did not comply with GAAS.

***PwC Has Violated Its Professional and Ethical Duties***

161. PwC's conduct after receiving AMERCO's Mediation Package on January 10, 2003 violated numerous professional and ethical standards.

162. PwC's independence was not in any way implicated by AMERCO conducting due diligence and preparing the Mediation Package during the time in which PwC was engaged in connection with AMERCO's second amended Form 10-K/A. AMERCO provided all information requested by PwC during the engagement to the satisfaction of PwC. PwC signed the opinion letter accompanying AMERCO's second amended Form 10-K/A, evidencing PwC's belief that it was independent during the audit period. Only after PwC received AMERCO's Mediation Package did it question its independence and threaten to withdraw its opinion.

163. Even if PwC believed that its independence was somehow impacted (it was not), the January 17, 2003 AMERCO Resolution did nothing to cure the claimed cause of the independence issue. Prior to AMERCO enacting the Resolution, PwC insisted that it was ethically required to contact the SEC and/or withdraw its audit report because it felt that its independence had been compromised. AMERCO's January 17, 2003 Resolution, coerced by PwC imposing extreme duress, does not alter and of the underlying facts.

**PwC's Negligence Has Caused AMERCO To Suffer Significant Damages**

164. As alleged in paragraphs 147 through 163 above, AMERCO has suffered substantial damages as a result of PwC's professional negligence.

WHEREFORE, AMERCO respectfully demands judgment against PwC as follows:

- A. For compensable damages in an amount not less than \$16.5 million, plus pre-judgment and post-judgment interest thereon at the highest lawful rate;
- B. For lost profits in an amount not less than \$599 million;
- C. For lost goodwill and reputational damages in an amount to be determined at trial;
- D. For AMERCO's costs;
- E. For pre- and post-judgment interest on the awarded sum at the highest rate permitted by law; and
- F. For such other and relief as is appropriate.

**SECOND CLAIM FOR RELIEF**  
**(Fraud)**

165. AMERCO incorporates by reference each and every allegation in paragraphs 1 to 164 as though fully set forth herein.

166. As alleged herein, in February 2002, PwC disclosed to AMERCO for the first time that PwC had erroneously advised AMERCO with respect to off-balance sheet treatment of the SAC SPEs. PwC mandated at that time that AMERCO revise its financial statements for the fiscal years 1995 through 2001 to include the consolidation of the SAC entities.

Although PwC had been investigating the propriety of SPE accounting treatment of the SAC entities since at least December 2001, it intentionally failed to timely advise AMERCO during that time that SPE treatment was improper. AMERCO was entitled to know in December 2001 that PwC had made a mistake regarding the accounting treatment of the SAC transactions.

167. Moreover, PwC represented to AMERCO management that the restatement would not impact AMERCO's net earnings. Indeed, PwC so advised AMERCO management on at least three separate occasions (February 5, 2002, March 1, 2002, and on or near March 26, 2002). PwC senior audit partner Terri Hulse again confirmed this information during the April 4, 2002 meeting of the AMERCO Audit Committee at U-Haul headquarters in Phoenix.

168. PwC representations concerning net earnings in the past were false, as PwC ultimately confessed on July 12, 2002 when PwC partners Terri Hulse and Doug Tanner advised AMERCO that PwC had made another "mistake" and the SAC consolidation would materially impact AMERCO's earnings and debt compliance. The result was a multi-million dollar impact on AMERCO's net earnings, necessitating a second restatement by AMERCO.

169. PwC knew its representations were false and intended that AMERCO would rely upon PwC's false representations. PwC plainly recognized its original accounting error in December 2001 and knew or recklessly failed to know that the SAC SPE consolidation would affect AMERCO's earnings. PwC deliberately concealed the fact of its error from AMERCO from at least December 2001 to February 2002. PwC also secretly decided to hide

the effect of the SAC consolidation from AMERCO and to pretend (until it was undeniable) that PwC's errors would not have a deleterious impact on AMERCO's earnings and debt compliance. PwC's non-disclosure of the SAC error and knowing concealment of the earnings impact, combined with its representations that the restatement would not affect earnings, constitute false representations upon which PwC intended AMERCO to rely.

170. During this same period, PwC was negotiating to sell its consulting business to IBM for \$3.5 billion, a sale price based upon the current and potential future revenue streams of the PwC consulting division. Disclosure of PwC's failed audit of AMERCO may have led to widespread media attention and investigation into PwC's practices and accurately portrayed PwC's capabilities in a negative light, which may have negatively impacted the sale to IBM. In addition, PwC and its partners were also exposed to the risk of the loss of a significant client, an SEC investigation and sanctions, state investigations and penalties, AICPA inquiries, insurance losses and the impairment of goodwill. PwC was motivated to delay disclosure of the SAC error and restatement in order to manage its exposure.

171. AMERCO justifiably relied on PwC's false representations. The December internal revelation occurred to PwC just two weeks after it blessed AMERCO's November 14, 2002 Form 10-Q for the quarter-ended September 30, 2001. Prior to February 2002, PwC had never advised AMERCO that the SAC SPEs presented accounting issues. Accordingly, AMERCO had no reason to question the accounting devised, audited and repeatedly confirmed by PwC and justifiably relied on PwC to disclose any material information.



Moreover, PwC repeatedly assured AMERCO that the consolidation would have no material effect on AMERCO's net earnings or compliance with debt covenants. Having been repeatedly told by PwC that there would be no earnings impact, AMERCO had no reason to make further inquiry and it justifiably relied upon PwC's representations in making public statements and executing its business practices.

172. In justifiable reliance on PwC's false representations, AMERCO (with PwC's full knowledge and consent) told investors, lenders and other parties that the consolidation would have no impact on AMERCO's net earnings or compliance with credit agreements. AMERCO issued a press release on March 26, 2002 and filed amended Forms 10-Q/A on March 28, May 8 and May 20, 2002, for the quarters ended December 31, 2001, June 30, 2001 and September 30, 2001, respectively, stating that the SAC consolidation would have no effect on AMERCO's net earnings.

173. As a result of AMERCO's reliance upon PwC's false representations, AMERCO's business has been in crisis. PwC's dishonesty with AMERCO regarding the financial impact of the SAC consolidation and PwC's approval of AMERCO's statements to the public based upon PwC's representations had the effect of making AMERCO falsely appear to investors, analysts and lenders as incompetent and dishonest. This unfair and erroneous perception coupled with the series of irregularities caused by PwC surrounding AMERCO's regulatory filings and the consolidation of SAC injured AMERCO's credibility in the marketplace and its ability to obtain debt financing.

174. The actions by PwC were intentional, aggravated and were committed with an evil mind and with the intent to cause injury, or in reckless and/or deliberate disregard of an unjustifiably substantial risk of significant harm to AMERCO. AMERCO is thus entitled to an award of punitive damages.

WHEREFORE, AMERCO respectfully demands judgment against PwC as follows:

- A. For compensable damages in an amount not less than \$16.5 million, plus pre-judgment and post-judgment interest thereon at the highest lawful rate;
- B. For lost profits in an amount not less than \$599 million;
- C. For lost goodwill and reputational damages in an amount to be determined at trial;
- D. For punitive damages in an amount sufficient to punish PwC and deter it and others similarly situated from engaging in similar conduct in the future, but no less than \$1.95 billion;
- E. For AMERCO's costs;
- F. For pre- and post-judgment interest on the awarded sum at the highest rate permitted by law; and
- G. For such other and relief as is appropriate.

**THIRD CLAIM FOR RELIEF**  
**(Breach of the Implied Covenant of Good Faith And Fair Dealing)**

175. AMERCO incorporates by reference each and every allegation in paragraphs 1 to 174 as though fully set forth herein.

176. Arizona law implies a covenant of good faith and fair dealing in every contract. The essence of the covenant is to prevent either party to a contract from impairing the right of the other party to receive the benefits that flow from their contractual relationship. The duty extends beyond the written words of the contract because a party may be injured when the other manipulates bargaining power to its own advantage.

177. A party can breach the implied duty of good faith and fair dealing by exercising a contractual power for a reason beyond the risks that the other assumed or in a manner inconsistent with a party's justified expectations. Likewise, the duty can be breached by performing in a manner not expressly excluded by the terms of the contract, but which nevertheless bears adversely on the party's reasonably expected benefits of the bargain.

178. PwC breached the implied covenant of good faith and fair dealing arising from its contractual relationship with AMERCO in many ways.

179. In December 2001, PwC reexamined AMERCO's accounting treatment of the SAC SPEs and concluded that its initial 1995 decision to give off-balance sheet treatment to the SAC entities was erroneous. PwC did not immediately communicate this critical information to AMERCO; instead, PwC waited until February 5, 2002, the eve of the filing deadline for AMERCO's Form 10-Q for the quarter-ended December 31, 2001, to disclose its opinion.

180. After confessing to AMERCO that PwC had erroneously advised AMERCO concerning the off-balance sheet treatment of the SAC SPEs, PwC refused to take ownership

of its error and instead began to distance itself from the problem. PwC refused to allow AMERCO to publicly identify PwC in connection with the restatement, leaving the public to conclude that the amendments were made as a result of an AMERCO defalcation.

181. Shortly after AMERCO announced that it would seek a new auditing firm, PwC sought increased payments for “significant overruns” in connection with AMERCO’s audit for fiscal year-ended 2002. In addition, although the costs associated with PwC’s SAC audits skyrocketed, PwC’s performance of the actual work slowed to a crawl. The SAC audits took nearly two months to complete and cost more than triple PwC’s original estimate.

182. Moreover, after PwC received AMERCO’s Mediation Package on January 10, 2003, PwC set upon a course of conduct that shocks the conscience. Specifically, PwC improperly threatened to withdraw its opinion contained in AMERCO’s second amended Form 10-K/A, which would potentially cripple AMERCO. PwC cited alleged independence concerns when PwC knew its independence could not have been implicated. PwC then commercially extorted the January 17, 2003 Resolution from AMERCO by telling AMERCO passage of the Resolution would “go an extremely long way” to curing PwC’s supposed independence concerns. As AMERCO’s January 17, 2003 Resolution did nothing to eliminate the circumstances allegedly causing PwC’s independence concerns, it is transparent that PwC utilized its leverage with AMERCO to obtain a “written communication” purporting to relieve PwC of its wrongful conduct.

183. AMERCO reasonably and justifiably expected that PwC, the largest professional services firm in the world: would not conceal its accounting errors from AMERCO in favor of managing its own exposure; would not permit the market to conclude that AMERCO management dishonestly orchestrated the erroneous accounting treatment; would not purposefully delay completion of its work again in favor of managing its own risk; and, would not attempt to silence AMERCO by threatening the very existence of the company. PwC's conduct and the consequences to AMERCO were well beyond the risks that AMERCO assumed when it retained PwC to audit its books and records.

184. As a direct and proximate result of PwC's breaches of the implied covenant, AMERCO has suffered substantial damages to its business and reputation which has been set forth more fully above.

185. As this claim arises out of contract, AMERCO is entitled to recover its reasonable attorneys' fees and costs incurred, pursuant to A.R.S. §§ 12-341 and 12-341.01.

WHEREFORE, AMERCO respectfully demands judgment against PwC as follows:

- A. For compensable damages in an amount not less than \$16.5 million, plus pre-judgment and post-judgment interest thereon at the highest lawful rate;
- B. For lost profits in an amount not less than \$599 million;
- C. For lost goodwill and reputational damages in an amount to be determined at trial;
- D. For AMERCO's reasonable attorneys' fees;

- E. For AMERCO's costs;
- F. For pre- and post-judgment interest on the awarded sum at the highest rate permitted by law; and
- G. For such other and relief as is appropriate.

**FOURTH CLAIM FOR RELIEF**  
**(Tortious Interference With Contract)**

186. AMERCO incorporates by reference each and every allegation in paragraphs 1 to 185 as though fully set forth herein.

187. Having been AMERCO's auditors for over 24 years, PwC was patently aware of AMERCO's financial commitments and the covenants contained in those commitments. PwC knew that AMERCO's June 28, 2002 three-year, \$205 million revolving credit line required AMERCO to obtain an additional \$150 million in credit before September 30, 2002. PwC was also familiar with AMERCO's other agreements with its bondholders and other debt holders.

188. AMERCO breached its three-year, \$205 million revolving credit line by failing to secure an additional \$150 million in credit. AMERCO's inability to obtain additional financing caused it to breach its BBAT agreement, as AMERCO was unable to make a scheduled principal payment. And, AMERCO's default on its \$205 million revolving line of credit and BBAT covenant caused cross-defaults on approximately \$1 billion in other debt agreements, constituting a breach of AMERCO's contracts with multiple other debt holders.

189. As set forth in detail above, PwC's conduct, which resulted in untimely SEC filings, delisting proceedings by NASDAQ, SEC inquiries, and multiple downgrades in credit ratings, ultimately caused AMERCO's default, and reflect PwC's intent to interfere with AMERCO's contracts.

190. PwC's conduct was egregious and its motive transparently selfish. PwC chose to protect itself at the expense of AMERCO. PwC's eleventh-hour disclosure that it had made an error in failing to consolidate SAC caused AMERCO to file untimely, inadequate and improper financial statements with the SEC. PwC intentionally failed to disclose the December 2001 discovery of its error until February 2002, solely to assess its own risk and do damage control. PwC's reckless and false representations that the consolidation of SAC would have no net earnings effect caused AMERCO to report the same and lose credibility with the capital markets, lenders and the investing public, when contrary news was necessarily delivered.

191. PwC silently sat by as the media criticized AMERCO, portraying AMERCO as a company that had been caught doing something wrong by PwC and that retaliated by firing its auditors. PwC's concealment of the truth – that PwC negligently advised AMERCO that it need not consolidate, that PwC caused the untimely consolidation of SAC forcing multiple restatements and that PwC was responsible for the untimely filings and inaccurate representations that consolidation would not affect AMERCO's net earnings – was an obvious attempt to avoid exposure of its error. Moreover, PwC's deliberate delay in completing its

SAC auditing work until just days prior to closing the sale of its consulting business to IBM appears to be motivated by greed and self-interest.

192. PwC's interference, which ultimately caused AMERCO to default on its financial commitments, caused AMERCO to suffer the extraordinary damages that have been articulated above.

193. The actions by PwC were intentional, aggravated and were committed with an evil mind and with the intent to cause injury, or in reckless and/or deliberate disregard of an unjustifiably substantial risk of significant harm to AMERCO. AMERCO is thus entitled to an award of punitive damages.

WHEREFORE, AMERCO respectfully demands judgment against PwC as follows:

- A. For compensable damages in an amount not less than \$16.5 million, plus pre-judgment and post-judgment interest thereon at the highest lawful rate;
- B. For lost profits in an amount not less than \$599 million;
- C. For lost goodwill and reputational damages in an amount to be determined at trial;
- D. For punitive damages in an amount sufficient to punish PwC and deter it and others similarly situated from engaging in similar conduct in the future, but no less than \$1.95 billion;
- E. For AMERCO's costs;
- F. For pre- and post-judgment interest on the awarded sum at the highest



rate permitted by law; and

G. For such other and relief as is appropriate.

**FIFTH CLAIM FOR RELIEF**  
**(Tortious Interference with Business Expectancy)**

194. AMERCO incorporates by reference each and every allegation in paragraphs 1 to 193 as though fully set forth herein.

195. PwC knew that AMERCO's five-year, \$400 million revolving credit line came due on June 30, 2002 and that AMERCO would require a replacement credit facility. And, PwC knew the critical importance of accurate and understandable audited financial statements in connection with AMERCO's efforts to secure a replacement credit facility.

196. Simultaneous with AMERCO's negotiation of its revolving credit line, PwC caused AMERCO to file improper financial statements with the SEC, which resulted in delisting proceedings before NASDAQ. PwC mandated the presentation of financial statements which were confounding to AMERCO's lenders. Due to PwC's belated disclosure and reckless indifference towards the integrity and accuracy of AMERCO's financial statements, AMERCO was unable to present cognizable financial statements to its lenders and potential lenders upon which such lenders could make a credit decision. All of these events contributed to the failure of AMERCO to obtain a credit revolver comparable to its previous five-year, \$400 million credit revolver.

197. PwC's interference with AMERCO's ability to obtain a comparable credit revolver was wrongful. As set forth above, PwC belated disclosure of its error in advising

AMERCO that SAC qualified as an SPE for approximately two months after it discovered its error was intentional and calculated to mask its clear liability at the expense of AMERCO. PwC deliberately sat silent while AMERCO was condemned by the rating agencies, media and investing public, despite the fact that PwC knew that the public flogging AMERCO was experiencing was due to PwC's negligence.

198. As a result of PwC's conduct, AMERCO was unable to obtain a credit revolver comparable to its previous \$400 million credit revolver which, as discussed above, caused AMERCO to suffer substantial damages.

199. The actions by PwC were intentional, aggravated and were committed with an evil mind and with the intent to cause injury, or in reckless and/or deliberate disregard of an unjustifiably substantial risk of significant harm to AMERCO. AMERCO is thus entitled to an award of punitive damages.

WHEREFORE, AMERCO respectfully demands judgment against PwC as follows:

- A. For compensable damages in an amount not less than \$16.5 million, plus pre-judgment and post-judgment interest thereon at the highest lawful rate;
- B. For lost profits in an amount not less than \$599 million;
- C. For lost goodwill and reputational damages in an amount to be determined at trial;
- D. For punitive damages in an amount sufficient to punish PwC and deter it and others similarly situated from engaging in similar conduct in the future, but no less than

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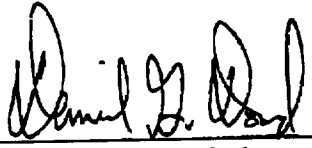
E. For AMERCO's costs;

F. For pre- and post-judgment interest on the awarded sum at the highest rate permitted by law; and

G. For such other and relief as is appropriate.

DATED this 18th day of April, 2003.

**COHEN KENNEDY DOWD & QUIGLEY, P.C.**  
The Camelback Esplanade I  
2425 East Camelback Road, Suite 1100  
Phoenix, Arizona 85016  
Attorneys for Plaintiff AMERCO

By: 

Ronald Jay Cohen  
Daniel G. Dowd  
Laura H. Kennedy