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30 September 2011

Dear Investor

Report to Hubbard Management Funds ("HMF") Investors

The estimated HMF valuation at the end of August 2011 has reduced to \$46m (from \$47.8m at 20 June 2010). This reflects the current negative global trends. The HMF investment portfolio contains shares and investments and, as a result, its value has fluctuated significantly since our appointment. The volatility of the fund is expected to continue for some time given the uncertainty of the global economic and financial markets. This is likely to result in further loss of value.

Distribution of HMF

We have made significant progress towards filing the required documents for the Court hearing which will ultimately determine the distribution of HMF to investors.

As previously reported, the reconciliation as at 31 March 2010 confirmed insufficient assets to provide investors with the returns noted on the statements investors had been provided by Mr Hubbard. There were many issues identified. We have engaged expert actuaries to advise on the appropriate approach to allocate funds equitably between investors.

The advice received indicates that we base the calculation on the 31 March 2010 statements that Mr Hubbard prepared last year. Adjustments should be made for transactions in the period from 1 April 2010 to 20 June 2010. The advice further recommends a calculation of a shortfall in shares held as at 20 June 2010 and the allocation of these shortfalls proportionately to investors based on the securities recorded in their individual portfolios as at 20 June 2010. In addition, the value of the surplus shares held should be used to offset any shortfalls in the cash holdings. The restated investor balances after these calculations will determine each investor's share in the assets remaining under the proposal. The advice provided is that from the date of the statutory management the assets should be treated as a pool. It is this advice that we will recommend to the Court.

We are now formally documenting all these matters and preparing revised statements for individual investors to 20 June 2010 so that each investor may understand the impact of the proposals on them. These papers and calculations will be filed with the Court as soon as

possible, but given the amount of work involved in the calculations advised by the actuaries, this may take a number of weeks.

Once these calculations and the related documents are filed with the Court, we will contact all investors to provide them with access to a documentation package to assist them in understanding our recommendations to the Court. We will ask the Court to appoint independent Counsel to represent investors' interests in this matter and there will be a process to allow investors to have input to the Court processes.

We stress that the Court will review all the evidence, and hear concerns raised by interested parties and by Counsel for the investors. Once the Court has taken full consideration of all the evidence and matters it deems necessary, the Court will make a decision on the basis of allocation.

Once we have the Court's order, we will immediately commence work to make distributions to investors in the manner the Court orders.

Other matters

Our next communication with investors will be in relation to the documentation package relating to the papers filed with the Court.

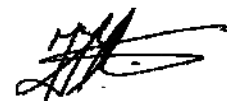
Yours sincerely



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