

The Depository Trust Company

IMPORTANT

B#: 1481

DATE: February 16, 2001

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers and Reorganization Managers

SUBJECT: Optional Dividend: H & Q HealthCare Investors
Cusip: 404052102 R/D:02/19/01 P/D:03/23/01
Rate: \$ 0.64 in Stock or Cash
DTC Cut-off 03/09/2001

***** WARNING TIME CRITICAL *****

Participants who have positions in the above captioned security may elect to receive the dividend distribution of \$ **0.64** Paid in stock or cash, as follows:

Stock Option #1: You may elect to receive additional common shares of **H & Q HealthCare Investors** for the \$ **0.64** per share. Fractional shares will be paid in cash.
The valuation date for the shares is 03/16/01.

Cash Option #2: You may elect to receive cash at \$ **0.64** per share held.

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

Participants not responding to the above option by 03/09/01, will receive the mandatory distribution in accordance with Option #1 (Stock with Fractions in cash).

To confirm your Record Date positions, DTC participants should access the Dividend and Allocation History (DPAL) Option, via the PTS Dividend Announcements Inquiry (DIVA) function.

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, DTC participants should contact Mr. John McCarthy or Mr. Ray Lew of DTC's Dividend Department at (212) 855-4521/4523.