

The Depository Trust Company
IMPORTANT

B#: 0043-06
DATE: September 01, 2006
TO: All Participants
CATEGORY: Dividends
FROM: Morris Richards, Specialist Stock Dividend Department
ATTENTION: Dividend Managers, Cashiers, and Reorganization Managers
SUBJECT: Optional Dividend: H & Q Healthcare Investors
CUSIP: 4040052102 R/D:9/8/06 P/D: 9/29/06
Rate:0.34 in cash or stock per share
DTC EDS Cut-Off 9/20/06 before 8:00 p.m. EDT

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

Participants who have positions in the above captioned security, can elect to receive the dividend distribution of **\$0.34** per share on its common stock in stock or cash, as follows:

Stock Option #1: You may elect to receive additional shares of **H & Q Healthcare Investors** for the **\$0.34** per common share. Fractional shares will be paid in cash.

The number of shares to be issued will be determined by dividing the total dollar amount of the distribution, based on the number of shares held on record date 9/8/06, by the market value per share of the Fund's shares on September 22, 2006, or by the net asset value per share on that date, whichever is lower. The market value of the fund's shares for this purpose will be the last sales prices on the New York stock Exchange on September 22, 2006.

Cash Option # 2: You may elect to receive the **\$0.34** per common share in cash.

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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 09/20/06 before 8:00 p.m. New York City time will receive the mandatory distribution in accordance with Option #1 (Stock with Fractions in cash).**

To confirm your Record Date positions, participants should access the Dividend Position and Allocation History (DPAL) Menu Option of the PTS Dividend Announcements Inquiry Function (DIVA).

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, participants should contact DTC's Customer Service Helpline at (888) 360-3822.