

Amended and Restated Audit Committee Charter

Purpose

The principal purpose of the Audit Committee is to assist the Board of Trustees in fulfilling its responsibility to oversee the integrity of the Fund's financial statements and the Fund's compliance with legal and regulatory requirements and to oversee management's conduct of the Fund's financial reporting process, including reviewing the financial reports and other financial information provided by the Fund, the Fund's systems of internal accounting and financial controls and the annual independent audit process.

In discharging its oversight role, the Committee is granted the power to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Fund and the power to retain outside counsel, auditors, other experts or advisers for this purpose.

The outside auditor for the Fund is ultimately accountable to the Board and the Committee, as representatives of the shareholders. The Committee shall be responsible for overseeing the qualifications and independence of the outside auditor.

Membership

The Committee shall be comprised of not less than three members of the Board, and the Committee's composition will meet the requirements applicable to audit committee members as set forth in Rule 303.01 of the New York Stock Exchange Listed Company Manual. Without limiting the foregoing, each member of the Committee shall:

- be a person who is not an "interested person" of the Fund, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended;¹
- be barred from directly or indirectly² accepting any accounting, legal, consulting, investment banking or financial advisory or other compensatory fee³ from the Fund, other than in the member's capacity as

¹ Section 2(a)(19) provides, in part, that "interested person" means (A) when used with respect to an investment company - (i) any affiliated person of such company, . . . any interested person of any investment adviser of . . . such company . . . *provided* that no person shall be deemed to be an interested person of an investment company solely by reason of his being (aa) a member of its board of directors or Advisory board."

² Indirect payments include payments to spouses, to minor children or stepchildren or to children or stepchildren sharing a home with the member. Indirect payments also include payments accepted by an entity in which such member is a partner, member, officer (such as managing director) or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial Advisory services to the issuer or any subsidiary of the issuer.

³ Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that the compensation is not contingent in any way on continued service. The requirement for the compensation to be fixed precludes retirement payments that are tied to the continued performance of the relevant entity, but does not

a member of the Committee, the Board, or any other Board committee;
and

- have no relationship to the Fund that may interfere with the exercise of his or her independence from management and the Fund.

Key Responsibilities

The Committee's role is one of oversight, and it is recognized that the Fund's officers are responsible for preparing the Fund's financial statements and that the outside auditor is responsible for auditing those financial statements.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide and may be varied from time to time as appropriate under the circumstances:

- The Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any outside auditor engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund. (See "Pre-Approval" below.) The outside auditor must report directly to the Committee.
- The Committee shall review with management and the outside auditor the Fund's annual audited financial statement and quarterly financial statements.

The Committee shall review with the outside auditor: (1) all critical accounting policies and practices to be used; (2) all alternative treatments within Generally Accepted Accounting Principles for policies and practices related to material items that have been discussed with management, including: (i) ramifications of the use of such alternative disclosures and treatments, and (ii) the treatment preferred by the outside auditor; (3) other material written communications between the outside auditor and management, such as any management letter or schedule of unadjusted differences; and (4) all non-audit services provided by the auditor to the "investment company complex"⁴ that were not pre-approved by the Committee or its Delegate(s) (see "Pre-Approval" below).

preclude customary objectively determined adjustment provisions such as cost of living adjustments.

⁴ As defined in Rule 2-01(f)(14) of Regulation S-X, an "investment company complex" includes:

(A) An investment company and its investment adviser or sponsor;

(B) Any entity controlled by or controlling an investment adviser or sponsor in paragraph (A) above, or any entity under common control with an investment adviser or sponsor in paragraph (A) above, if the entity:

(1) is an investment adviser or sponsor; or

- The Committee shall periodically discuss with management and the outside auditor the quality and adequacy of the Fund's internal controls.
- The Committee annually shall request, review and discuss a report by the outside auditor delineating the auditor's internal quality control procedures; any material issues raised by the most recent internal quality-control review or peer review of the auditor, or by any inquiry of governmental or professional authorities, within the preceding five years; and all relationships between the outside auditor and the Fund, and shall take, or recommend to the Board to take, appropriate action in response to the outside auditor's report to satisfy itself of the outside auditor's independence.
- The Committee shall review in advance the staffing of the annual independent audit with the outside auditor and obtain a satisfactory representation from the outside auditor that such staffing complies with all applicable laws, regulations and rules regarding the rotation of audit partners.
- The Committee shall establish procedures for: (i) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Fund or of the Fund's management of concerns regarding questionable accounting or auditing matters.
- The Committee shall investigate any reports from Fund officers regarding: (i) significant deficiencies in the internal controls that could adversely affect the Fund's ability to record, process, summarize, and report financial data and any material weaknesses in the Fund's internal controls; and (ii) any fraud, whether or not material, that involves management or other employees who play a significant role in the Fund's internal controls.
- The Committee shall discuss the Fund's press releases and financial information provided to ratings agencies if applicable.
- The Committee shall discuss the Fund's policies with respect to risk assessment and risk management.

(2) is engaged in the business of providing administrative, custodian, underwriting, or transfer agent services to any investment company, investment adviser, or sponsor; and

(C) Any investment company or entity that would be an investment company but for the exclusions provided by Section 3(c) of the Investment Company Act of 1940 that has an investment adviser or sponsor included in this definition by either paragraph (A) or (B) above.

An "investment adviser," for purposes of this definition, does not include a sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser. A "sponsor," for purposes of this definition, is an entity that establishes a unit investment trust.

- The Committee shall hold separate periodic meetings with management and the outside auditor.
- The Committee shall review with the outside auditor any audit problems and difficulties that may arise and management’s response thereto.
- The Committee shall set, review and clear hiring policies with the outside auditor for employees or former employees of the outside auditor.
- The Committee shall hold regular meetings with the Board.

Pre-approval

Audit Services

Before an outside auditor is engaged by the Fund to render audit services, the Committee shall review and approve the engagement. (See also “Delegation” below.)

Permissible Non-Audit Services

The Committee shall review and approve in advance any proposal (except as set forth in (a) through (c) below) that the Fund employ its outside auditor to render “permissible non-audit services” to the Fund. (A “permissible non-audit service” is defined as a non-audit service that is not prohibited by Rule 2-01(c)(4) of Regulation S-X⁵ or other applicable law or regulation.) The Committee shall also review and approve in advance any proposal (except as set forth in (a) through (c) below) that management, and any entity controlling, controlled by, or under common control with management that provides ongoing services to the Fund (a “service affiliate”), employ the Fund’s outside auditor to render non-audit services, if such engagement would relate directly to the operations and financial reporting of the Fund. As a part of its review, the Committee shall consider whether the provision of such services is consistent with the outside auditor’s independence. (See also “Delegation” below.)

Pre-approval by the Committee of non-audit services is not required so long as:

- (a) all non-audit services that were not pre-approved do not aggregate to more than 5% of the total fees paid to the outside auditor by the Fund, management or a service affiliate for non-audit services that were subject to pre-approval by the Committee during the fiscal year in which the services were provided;
- (b) such services were not recognized by the Fund at the time of the engagement to be non-audit services; and

⁵ Non-audit services that are prohibited by Rule 2-01(c)(4) of Regulation S-X include: (1) bookkeeping or other services related to accounting records or financial statements of the audit client; (2) financial information systems design and implementation; (3) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (4) actuarial services; (5) internal audit outsourcing services; (6) management functions; (7) human resources; (8) broker-dealer, investment adviser, or investment banking services; (9) legal services; and (10) expert services unrelated to the audit.

- (c) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or its Delegate(s) (as defined below).

Delegation

The Committee may delegate to one or more of its members (“Delegates”) authority to pre-approve the outside auditor’s provision of audit services or permissible non-audit services to the Fund, or the provision of non-audit services to management or any service affiliate. Any pre-approval determination made by a Delegate shall be presented to the full Committee at its next meeting. The Committee shall communicate any pre-approval made by it or a Delegate to management, who will ensure that the appropriate disclosure is made in the Fund’s periodic reports and other documents as required under the federal securities laws.

Compliance

Ongoing compliance items in connection with the Charter shall include:

- The Committee must annually review and reassess the adequacy and performance of the Charter and the Committee.
- The independence of each current and future Committee Member must be determined to comply with the provisions of Rule 303.01 of the NYSE Listed Company Manual and any other applicable law or regulation.
- The Fund must file a written affirmation with the NYSE within a reasonable period of time after (i) the Board’s annual appointment of the Committee; or (ii) the composition of the Committee changes. The written affirmation must be in the form required by the NYSE.
- Each member of the Committee must be financially literate and one member must have accounting or financial management expertise (as determined by the Board in its business judgment).⁶ Such a determination by the Board shall have no effect on the duties, obligations or liability of the member so designated, or on the duties, obligations or liability of the other members of the Committee or the Board.

Funding

The Fund must provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of:

- compensation to any outside auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund;

⁶ While a Committee member may be a financial expert, the member could still satisfy this provision without being designated a financial expert.

- compensation to any outside counsel, auditors, other experts or advisers employed by the Committee, as it determines necessary to carry out its duties; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Pre-approval Policies and Procedures

As adopted by the Audit Committee of H&Q Healthcare Investors and H&Q Life Sciences Investors (each, a “Fund”)

The Sarbanes-Oxley Act of 2002 (“Act”)⁷ and rules adopted by the Securities and Exchange Commission (“SEC”) (“Rules”)⁸ require that the Fund’s Audit Committee pre-approve all audit services (as described at Appendix A) and non-audit services provided to the Fund by its independent accountant (“Auditor”), as well as all non-audit services provided by the Auditor to the Fund’s investment adviser and to affiliates of the adviser that provide ongoing services to the Fund (“Service Affiliates”) if the services directly impact the Fund’s operations and financial reporting.

The Auditors may not provide prohibited non-audit services to the Fund or its Service Affiliates. Prohibited non-audit services are described at Appendix B.

The following policies and procedures govern the ways in which the Audit Committee will pre-approve audit and various categories of non-audit services that the Auditor provides to the Fund and to Service Affiliates. These policies and procedures do not apply in the case of audit services that the Auditor provides to Service Affiliates, nor do they apply to services that an audit firm other than the Auditor provides to such entities.

These policies and procedures comply with the requirements for pre-approval, but also provide a mechanism by which management of the Fund may request and secure pre-approval of audit and non-audit services in an orderly manner with minimal disruption to normal business operations. Pre-approval of non-audit services may be achieved through a combination of the procedures described in Sections C and D below.

A. General

1. The Audit Committee must pre-approve all audit services and non-audit services that the Auditor provides to the Fund.
2. The Audit Committee must pre-approve any engagement of the Auditor to provide non-audit services to any Service Affiliate during the period of the Auditor’s engagement to provide audit services to the Fund, if the non-audit services to the Service Affiliate directly impact the Fund’s operations and financial reporting.

⁷ Pub. L. 107-204, 116 Stat. 745 (2002).

⁸ Sec. Act Rel. No. 8183 (Mar. 20, 2003).

B. Pre-Approval of Audit Services to the Fund

1. The Audit Committee shall approve the engagement of an auditor to certify the Fund's financial statements for each fiscal year (the "Engagement"). The approval of the Engagement shall not be delegated to a Designated Member. (See Section D below.) In approving the Engagement, the Audit Committee shall obtain, review and consider sufficient information concerning the proposed Auditor to enable the Audit Committee to make a reasonable evaluation of the scope of the proposed audit, and the Auditor's qualifications and independence. The Audit Committee also shall consider the Auditor's proposed fees for the engagement, in light of the scope and nature of the audit services that the Fund will receive.
2. The Audit Committee shall report to the Board of Trustees (the "Board") regarding its approval of the Engagement and of the proposed fees for the Engagement, and the basis for such approval.
3. Unless otherwise in accordance with applicable law, the Engagement, in any event, shall require that the Auditor be selected by the vote, cast in person, of a majority of the members of the Fund's board who are not interested persons of the Fund (as defined in Section 2(a)(19) of the Investment Company Act of 1940) ("Independent Trustees").
4. To the extent required by law, the Engagement shall be submitted for ratification by shareholders at the next annual meeting of shareholders.

C. Pre-Approval of Non-Audit Services to the Fund and to Service Affiliates – by Types or Categories of Services

1. The Audit Committee may pre-approve types of non-audit services to the Fund and its Service Affiliates pursuant to this Section C. In connection with such pre-approval, the Audit Committee may set such limits on fees and other conditions as it believes to be appropriate.
2. The Audit Committee, after appropriate consideration of such information as it deems relevant, may pre-approve a non-audit service that is not a prohibited service (see Appendix B) if it specifically finds that the provision of such service is consistent with, and will not impair, the ongoing independence of the Auditor.
3. Annually, at such time as the Audit Committee considers the Engagement of the Auditor, management of the Fund, in consultation with the Auditor, shall provide to the Audit Committee, for its consideration and action, the following: (a) a list of those types of non-audit services, if any, that the Fund may request from the Auditor during the fiscal year; and (b) a list of those types of non-audit services directly impacting the Fund's operations and financial reporting that Service Affiliates may request from the Auditor during the fiscal year. A non-exclusive list of permissible non-audit services is provided at Appendix C.

4. The lists submitted to the Audit Committee shall describe the types of non-audit services in reasonable detail and shall include an estimated budget (or budgeted range) of fees where possible and such other information as the Audit Committee may request.
 5. The Audit Committee's pre-approval of the types of non-audit services submitted pursuant to this Section C shall constitute authorization for management of the Fund to utilize the Auditor for the types of non-audit services so pre-approved, if needed or desired during the fiscal year, subject to any conditions or limitations set by the Audit Committee.
 6. The Fund's management will distribute if appropriate a list of the types of non-audit services pre-approved by the Audit Committee pursuant to this Section C to management of the Service Affiliates and the appropriate partners of the Auditor. Periodically, the Auditor will discuss with the Audit Committee those non-audit services that have been or are being provided pursuant to this Section C.
- D. Pre-Approval of Non-Audit Services to the Fund and to Service Affiliates – Project-by-Project Basis
1. The Audit Committee also may pre-approve non-audit services on a project by project basis pursuant to this Section D.
 2. Management of the Fund, in consultation with the Auditor, may submit either to the Audit Committee or to the Designated Member, as provided in this Section D, for their consideration and action, a pre-approval request identifying one or more non-audit service projects, as well as any material changes proposed in a service that has been pre-approved (including a discussion of the reason for such change). The request so submitted shall describe the project or projects in reasonable detail and shall include an estimated budget (or budgeted range) of fees and such other information as the Audit Committee or Designated Member shall request.
 3. The Audit Committee, from time to time, shall designate one or more of its members who are Independent Trustees (each a "Designated Member") to consider, on the Audit Committee's behalf, (i) any non-audit services, whether to the Fund or to any Service Affiliate, that have not been pre-approved by the Audit Committee or (ii) any proposed material changes to the nature or costs of a non-audit service previously provided. The Designated Member also shall review, on the Audit Committee's behalf, any proposed material change in the nature or extent of any non-audit services previously approved. The Fund's management, in consultation with the Auditor, shall explain why such non-audit services or material change in non-audit services are necessary and appropriate and the anticipated costs thereof.
 4. The Designated Member will review the requested non-audit services or proposed material change in such services and will either:

- (a) pre-approve, pre-approve subject to conditions, or disapprove any such requested services, or any proposed material change in services, whether to the Fund or to a Service Affiliate; or
- (b) refer such matter to the full Audit Committee for its consideration and action.

In considering any requested non-audit services or proposed material change in such services, the Designated Member shall take into account any restrictions placed by the Audit Committee on his or her pre-approval authority. The Designated Member may not pre-approve any project the estimated budget (or budgeted range) of fees of which exceed or may exceed \$15,000 per Fund.

5. The Designated Member's pre-approval (or pre-approval subject to conditions) of the requested non-audit service or proposed material change in service pursuant to this Section D shall constitute authorization for the management of the Fund or the Service Affiliate, as the case may be, to utilize the Auditor for the non-audit services so pre-approved. Any action by the Designated Member in approving a requested non-audit service shall be presented for ratification by the Audit Committee not later than at its next scheduled meeting. If the Designated Member does not or may not (due to the estimated budget of fees exceeding \$15,000 per Fund) approve the Auditor providing the requested non-audit service, the matter may be presented by the Designated Member, the Fund's Treasurer or Chief Executive Officer to the full Audit Committee for its consideration and action.
- E. Amendment; Annual Review
1. The Audit Committee may amend these procedures from time to time.
 2. These procedures shall be reviewed annually by the Audit Committee.
- F. Recordkeeping
1. The Fund shall maintain a written record of all decisions made by the Audit Committee or by a Designated Member pursuant to these procedures, together with appropriate supporting material.
 2. In connection with the approval of any non-audit service pursuant to the *de minimis* exception provided in the Rules, a record shall be made indicating that each of the conditions for this exception, as set forth in the Charter, has been satisfied.
 3. A copy of these Procedures and of any amendments to these Procedures shall be maintained and preserved permanently in an easily accessible place. The written records referred to in paragraphs 1 and 2 of this Section F shall be maintained and preserved for six years from the end of the fiscal year in which the actions recorded were taken, for at least the first two years in an easily accessible location.

Appendix A: Audit Services

For purposes of these Procedures, “audit services” provided to the Fund include the following activities:

1. Annual audit of the Fund’s financial statements.
2. Limited review of agreed-upon procedures with respect to the Fund’s semi-annual financial statements.
3. Other procedures, including review of tax provisions and registered investment company qualification tests that need to be performed by the Auditor in order to provide an opinion on the Fund’s financial statements, including tests performed to evaluate the Fund’s internal control systems, review of information systems and procedures.
4. Preparation of the Auditor’s report on the Fund’s internal controls for financial reporting, and related procedures.
5. Services that generally only the Auditor can provide, such as consents, comfort letters, assistance with and review of documents filed with the SEC, including the Fund’s annual proxy statement, and statutory audits.
6. Attendance at the Fund’s annual shareholder meeting.
7. Attendance at audit committee meetings to review audit plan and discuss results.

Appendix B: Prohibited Services

In considering whether to pre-approve a service, the Audit Committee should be aware that the Auditor is prohibited from providing certain services to any Investment Company Complex Entity, subject to limited exceptions noted below. Investment Company Complex Entities include:

1. The Fund and its investment adviser;
2. Any entity controlled by or controlling the Fund’s investment adviser, and any entity under common control with the Fund’s investment adviser if such entity (a) is an investment adviser, or (b) is in the business of providing administrative, custodian, underwriting, or transfer agent services to any investment company or investment adviser; and
3. Any investment company (including entities that would be investment companies but for the exclusions provided by Section 3(c) of the Investment Company Act of 1940) advised by the Fund’s investment manager or investment adviser or by an entity in paragraph 2, above.

Note: The term “investment adviser” for this purpose does not include a sub-adviser whose role is primarily portfolio management and that is subcontracted with or overseen by another investment adviser.

The Fund’s “Investment Company Complex Entities” include:

Hambrecht & Quist Capital Management LLC

The following services may not be provided by the Fund's Auditor to an Investment Company Complex Entity, except as noted:

Bookkeeping or other services related to the accounting records or financial statements of an Investment Company Complex Entity, including:

- Maintaining or preparing the accounting records for an Investment Company Complex Entity;
- Preparing an Investment Company Complex Entity's financial statements that are filed with the SEC, or that form the basis for such financial statements; or
- Preparing or originating source data underlying an Investment Company Complex Entity's financial statements.

Financial information systems design and implementation, including:

- Directly or indirectly operating, or supervising the operation of, an Investment Company Complex Entity's information system or managing an Investment Company Complex Entity's local area network.
- Designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to an Investment Company Complex Entity's financial statements or other financial information systems taken as a whole.

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports.

Actuarial services. This category includes any actuarially-oriented advisory service involving the determination of amounts recorded in an Investment Company Complex Entity's financial statements and related accounts. This prohibition does not apply to providing assistance to an Investment Company Complex Entity in understanding the methods, models, assumptions, and inputs used in computing an amount.

Internal audit outsourcing services. This category includes any internal audit service for an Investment Company Complex Entity that has been outsourced by the Investment Company Complex Entity that relates to the Investment Company Complex Entity's internal accounting controls, financial systems, or financial statements.

Exception: The foregoing services may be provided if the Audit Committee reasonably concludes that the results of these services will not be subject to audit procedures during an audit of an Investment Company Complex Entity's financial statements.

Management functions. This category includes acting, temporarily or permanently, as a director, officer, or employee of an Investment Company Complex Entity, or performing any decision-making, supervisory, or ongoing monitoring function for an Investment Company Complex Entity.

Human resources. Services in this category are:

- searching for or seeking out prospective candidates for managerial, executive, or director positions;
- engaging in psychological testing, or other formal testing or evaluation programs;
- undertaking reference checks of prospective candidates for an executive or director position;
- acting as a negotiator on behalf of an Investment Company Complex Entity, such as determining position, status or title, compensation, fringe benefits, or other conditions of employment; or
- recommending, or advising an Investment Company Complex Entity to hire, a specific candidate for a specific job (except that the Fund's independent accountant may, upon request by an Investment Company Complex Entity, interview candidates and advise the Investment Company Complex Entity on the candidate's competence for financial accounting, administrative, or control positions).

Broker-dealer, investment adviser, or investment banking services. Services in this category are:

- acting as a broker-dealer (registered or unregistered), promoter, or underwriter, on behalf of an Investment Company Complex Entity;
- making investment decisions on behalf of an Investment Company Complex Entity, or otherwise having discretionary authority over an audit client's investments;
- executing a transaction to buy or sell an audit client's investment; or
- having custody of assets of an Investment Company Complex Entity, such as taking temporary possession of securities purchased by an Investment Company Complex Entity.

Legal services. A prohibited legal service is any service to an Investment Company Complex Entity that, under circumstances in which the service is provided, could be provided only by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.

Expert services unrelated to the audit. This category includes providing an expert opinion or other expert service for an Investment Company Complex Entity, or an Investment Company Complex Entity's legal representative, for the purpose of advocating an Investment Company Complex Entity's interests in litigation or in a regulatory or administrative proceeding or investigation. This prohibition is not applicable to cases in which the Fund's independent accountant provides a factual account, including testimony, of work performed, or explains the positions taken or

conclusions reached during the performance of any services provided by the accountant to an Investment Company Complex Entity.

Appendix C: Non-Audit Services

For purposes of these Procedures, the following services are permissible “non-audit services,” one or more of which may be pre-approved by the Audit Committee pursuant to Section C of these Procedures.

1. Audit-Related Services (traditionally performed by the firm engaged as Auditor)
 - Audit of an employee benefit plan.
 - Due diligence procedures related to mergers and acquisitions.
 - Review of internal controls.
 - Consultations concerning financial accounting and reporting standards, regulatory developments and internal controls.
2. Tax Services
 - Tax compliance services, including preparation and signing of the Fund’s federal and excise tax returns and preparation of the Fund’s year-end calculation of its distribution requirements.
 - Tax planning and advice, *e.g.*, compliance with the asset diversification and gross income tests, determining the Fund’s distributable income and distributions to manage income and excise taxes, advice relating to reporting distribution information to shareholders (*e.g.*, Forms 1099 information), state, local and foreign tax issues, tax issues relating to the acceptance of new shareholders or the liquidation of existing shareholders, the tax consequences to the Fund of investing in new types of securities or derivatives and the adoption of new tax regulations affecting the Fund. Such planning and advice would include research, discussions, preparation of memoranda and attendance at meetings relating to such matters, as mutually determined to be necessary.
3. Other Non-Audit Services
 - Advisory and consultation services.
 - Other non-audit services not listed above.

Audit Committee Financial Expert Checklist

In connection with filing its annual report on Form N-CSR for each fiscal year ending on or after September 30, 2003, each of H&Q Healthcare Investors and H&Q Life Sciences Investors (each a “Fund”) will need to disclose that its Board of Trustees (the “Board”) has determined that the Fund either:

- (1) has at least one "audit committee financial expert" serving on its Audit Committee; or
- (2) does not have an audit committee financial expert serving on its Audit Committee.⁹

If the Board determines that there is at least one audit committee financial expert serving on the Audit Committee, the Fund must disclose on Form N-CSR the name of that expert and whether the expert is "independent." If it chooses, the Board may make a determination with respect to each member of the Audit Committee. However, once the Board determines that one member of the Audit Committee is an audit committee financial expert, it has satisfied the requirements of the rule; the Board is not then required to make findings and disclosure with respect to the other Audit Committee members. If the Board determines that the Fund does not have an audit committee financial expert serving on its Audit Committee, the Fund must explain why on its Form N-CSR.

The instructions to Form N-CSR provide guidelines for the Board to follow when making this determination, including considerations relating to the proposed expert's financial background, independence, and professional integrity. This memorandum outlines a three step process for making this determination. The Board's evaluation of Audit Committee members can be assisted by the circulation of resumes or other biographical material regarding the members, as well as oral or written presentations at Board meetings. Fund management, outside counsel and/or outside auditors should assist the Board in reviewing the level of understanding and experience possessed by members of the Audit Committee.

Preliminary Matters: Before evaluating the status of specific members of the audit committee, the Board should understand the definition of audit committee financial expert and reach agreement on how the Board will apply the term "understanding" (which is a key term in the first, fourth, and fifth requirements below). The Board may also wish to discuss what constitutes "other relevant experience" in the fourth bullet point below. Finally, the Board should consider whether it wishes to identify more than one audit committee financial expert in each Fund's Form N-CSR, if it is possible to do so (as noted above, there is no need to identify more than one).

1. FINANCIAL BACKGROUND

In order for an Audit Committee member to qualify as an audit committee financial expert, the Board must conclude that the proposed expert has **all of the following attributes:**

- o an understanding of generally accepted accounting principles ("GAAP") and financial statements;

⁹.In drafting disclosure that a fund does not have an audit committee financial expert, it is important to clarify, if possible, that the current members of the Audit Committee have the necessary skills and experience to perform the functions of an audit committee. Failure to do so could assist a plaintiff's counsel in predicating a claim of breach of fiduciary duty on the Board's failure to appoint a competent Audit Committee.

Comment: The SEC’s proposing and adopting releases for the audit committee financial expert rule (the “Releases”) do not provide any guidance regarding this criterion. In the case of an investment company, presumably an audit committee financial expert should have a general understanding of GAAP as applied to investment companies and a familiarity with investment company financial statements. A key question is whether “understanding” means: (a) a level of knowledge and sophistication similar to that a person who prepared or audited investment company financial statements would have (a more restrictive interpretation of “understanding”); or (b) an understanding of general principles and a level of familiarity that could be obtained by a person whose professional life is not directly connected with the preparation or auditing of investment company financial statements (a more expansive interpretation of “understanding”). (As an additional matter, it seems likely that an audit committee member would need to satisfy this requirement in order to satisfy the second, third, and fourth requirements below.)

- o the ability to assess the general application of GAAP in connection with the accounting for estimates, accruals, and reserves;

Comment: This attribute is intended to ensure that the audit committee financial expert has the necessary background for instances when the audit committee is required to address detailed industry-specific standards or other particular topics.

- o **either:** (i) experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Fund’s financial statements; **or** (ii) experience actively supervising one or more persons engaged in such activities;

Comment: The Releases do not provide detailed guidance regarding how a board should interpreting “analyzing and evaluating.” The intent appears to be that an audit committee financial expert has experience actually working directly and closely with financial statements in a manner that provides familiarity with the contents of financial statements and the processes behind them. The SEC commentary notes that investment bankers, venture capitalists, and professional financial analysts should be able to satisfy this attribute through their experience in analyzing or evaluating financial statements. The audit committee financial expert must have experience with financial statements that present issues of “generally comparable” breadth and level of complexity as the investment company’s financial statements. The person need not have previous experience in the investment company industry, or with a company subject to Securities Exchange Act reporting requirements. The SEC recommends that boards focus on a number of factors, such as the size of each company with which the person has experience, the scope of the company’s operations, and the complexity of its financial statements and accounting.

- o an understanding of internal controls and procedures for financial reporting; and

Comment: This attribute, like the first and fifth attributes, focuses on understanding rather than experience. Previous experience establishing, applying, or evaluating a company's internal controls and procedures for financial reporting is not mandatory. The audit committee financial expert should have a degree of understanding of internal controls and procedures that enables him or her to question adequately fund management and outside auditors regarding the adequacy of the fund's internal controls and procedures; and appreciate problems or deficiencies that are brought to the Audit Committee's attention.

- o an understanding of audit committee functions.

Comment: The Releases do not discuss the manner in which this understanding must be obtained. Presumably, the audit committee financial expert could acquire this understanding through education by a fund's outside counsel or auditors or attendance at seminars on audit committee duties in conjunction with becoming a member of the Audit Committee and/or from prior service on the Audit Committee.

In evaluating the qualifications of a member of the Audit Committee, the Board must examine the member's:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant, or auditor, experience in one or more positions that involve performance of similar functions;
- experience actively supervising¹⁰ a person in such a position;
- experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing, or evaluation of financial statements; or

Comment: The Releases identify banking, securities, and insurance regulators as examples of persons who may perform these functions. Investment bankers, venture capitalists, and professional financial analysts may also be viewed as assessing the performance of companies or public accountants with respect to the preparation, auditing, or evaluation of financial statements.

- other relevant experience.¹¹

If the Board determines that at least one of the Audit Committee members qualifies as a financial expert, the Fund must disclose that fact on Form N-CSR.¹² Once

¹⁰ The SEC has stated that "active supervision" means addressing, at a supervisory level, "the same general types of issues regarding preparation, auditing, analysis or evaluation of financial statements as those addressed by the person or persons being supervised." In the SEC's view, "active supervision" does not mean merely that a traditional hierarchical reporting relationship existed between the supervisor and those being supervised.

¹¹ If, in a board of directors' view, a person qualifies as an audit committee financial expert because of his or her "other relevant experience," the Fund must provide on Form N-CSR a brief listing of that relevant experience.

the Board determines that one Audit Committee member qualifies as an audit committee financial expert, the Board may, but is not required to, determine whether additional Audit Committee members qualify as experts.

2. INDEPENDENCE

Once the Board has determined that an Audit Committee member has the qualifications required of an audit committee financial expert, the Board must also determine whether that expert can be considered “independent” for the purposes of the rule. This determination requires the Board to find that the audit committee financial expert:

- o **is not** an “interested person” of the Fund, as defined in Section 2(a)(19) of the Investment Company Act of 1940;¹³ **and**
- o **does not** accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Fund.

If the Board is unable to make both of these findings, the audit committee financial expert cannot be considered “independent” for the purposes of this rule, and this fact must be disclosed on Form N-CSR if the Board designates that trustee as an audit committee financial expert.

3. PROFESSIONAL INTEGRITY

In addition to determining that an audit committee member possesses an appropriate degree of knowledge and experience, the SEC has stated that a mutual fund’s board must ensure that it names an audit committee financial expert who embodies the highest standards of personal and professional integrity. Therefore, in determining whether a member of the Audit Committee would be a suitable audit committee financial expert, along with that person’s financial experience and independence, the Board should **also consider any disciplinary actions** to which a potential expert is, or has been, subject.

The discussion in the Releases presents the possibility that, even though one member of the audit committee technically has the attributes reflected in the definition of an audit committee financial expert, the Board may still conclude that the Audit Committee has no financial expert in light of the Board’s consideration of that Audit Committee member’s disciplinary history.

¹² The SEC has stated that a mutual fund cannot satisfy the new disclosure requirements by stating that it has decided not to make a determination or by simply disclosing the qualifications of all of its audit committee members.

¹³ This is the same definition used to determine whether a board member is considered “independent.”

Audit Committee Procedures for Handling Complaints and Concerns

H&Q Healthcare Investors and H&Q Life Sciences Investors (each a “Fund,” together the “Funds”) each seeks to ensure the integrity of its financial reporting and the compliance of the Fund with applicable law. Each Fund also desires to conduct itself in a prudent and ethical manner. Each Fund believes that any measures which assist the Fund in protecting the integrity of its financial reporting and promoting its compliance with applicable law benefits the interests of Fund shareholders.

For convenience, these Procedures refer to the Funds and their Boards and Committees in the singular. However, these Procedures apply to each Fund, its Board and its Committee independently.

Pursuant to the requirements of Rule 10A-3(b)(3) of the Securities Exchange Act of 1934, as amended, Section 303A.06 of the New York Stock Exchange Corporate Governance Rules, the Audit Committee Charter of the Fund, and in accordance with Section 806 of the Sarbanes-Oxley Act of 2002, the Audit Committee of the Fund (“Audit Committee” or “Committee”) has adopted the following procedures (the “Procedures”) for handling complaints and concerns to assist the Fund in meeting certain legal obligations in connection with its accounting and auditing practices. These Procedures have also been adopted to address complaints and concerns and encourage reporting of any potential conduct that is dishonest, illegal or unethical, including, but not limited to, conduct which involves violations of any rules and regulations adopted by the Securities and Exchange Commission as well as any federal rules relating to fraud against stockholders. The goal of these Procedures is to reduce the prospect of illegal conduct.

Although the Fund has officers, it has no employees. The Fund may contract with third parties which provide management, administrative, custodial, accounting, auditing, transfer agency and other services to the Fund. A list of current service providers (the “Applicable Service Providers”) that provide services to the Fund is attached to these procedures as Appendix A. The Committee relies on the Fund’s officers and Applicable Service Providers for information about the Fund’s accounting, internal accounting controls and auditing matters (collectively, “Accounting Matters”) as well as information concerning the daily operations of the Fund (“Operational Matters”). Because the Committee is dependent upon the information provided to it by the Fund’s officers and Applicable Service Providers, it is important for the Committee to ensure that open and effective channels of communication are available for the reporting of concerns and complaints regarding Accounting and Operational Matters.

The Committee has established these Procedures for the:

- receipt, retention and treatment of complaints received by the Fund regarding Accounting and Operational Matters; and
- the confidential, anonymous submission by officers of the Fund or employees of Applicable Service Providers (collectively, “Reporting Persons”) of concerns regarding questionable Accounting and Operational Matters.

1. Submission of Complaints and Concerns

(a) The Fund encourages any officer of the Fund or employee of an Applicable Service Provider who has a concern regarding a potentially questionable Accounting and/or Operational Matter to bring this concern to the attention of the Fund's Audit Committee Chairman. A matter may be a potentially questionable Accounting Matter if, for example, it involves fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Fund; fraud or deliberate error in the recording and maintaining of financial records of the Fund; deficiencies in or noncompliance with any internal accounting controls affecting the Fund; any misrepresentation or false statement regarding a matter contained in the financial records, financial reports or audit reports of the Fund; or any deviation from full and fair reporting of the Fund's financial condition. A matter may be a potentially questionable Operational Matter if, for example, it involves fraud or intentional illegal conduct affecting the Fund or its stockholders; potential violation of the applicable federal securities or other applicable federal or state laws governing the Fund; or potentially unethical conduct impacting the operations of the Fund.

(b) Any such concerns involving questionable Operational or Accounting Matters should be submitted directly to the Audit Committee Chairman. The Audit Committee Chairman may be contacted as follows:

By mail: Oleg Pohotsky
16 East Corning Street
Beverly, MA 01915

By telephone: 978-922-0893

By fax: 978-922-3177

By e-mail: ompohotsky@aol.com

If a Reporting Person does not want to be identified with the submission, he or she should mail his or her communications to the Audit Committee Chairman, without including his or her name in the correspondence but, instead, prominently indicating on the submission that it is a "*Confidential, Anonymous Submission.*"

Any complaint received by an officer of the Fund or an employee of an Applicable Service Provider with respect to Accounting or Operating Matters should be promptly forwarded to the Audit Committee Chairman. Given the sensitivity of such matters, any written correspondence regarding a complaint should be marked "Confidential."

The Audit Committee Chairman will observe the following procedures in investigating a complaint or concern:

- the Audit Committee Chairman will take all appropriate action to investigate any complaints or concerns reported to the Audit Committee Chairman, which actions may (but need not) include the use of internal or external counsel, accountants or other personnel; and
- the Audit Committee Chairman will promptly report any complaint or

concern he or she receives to the President of the Fund and to the Fund's legal counsel, although the Audit Committee Chairman may refrain from notifying the President of the Fund if after consultation with the Fund's legal counsel or the Committee, the Audit Committee Chairman believes that refraining would be in the Fund's best interest.

The Audit Committee Chairman will inform the Committee of any complaints or concerns reported under these Procedures at the next regularly scheduled Committee meeting, although the Audit Committee Chairman will notify the Committee before the meeting if the Audit Committee Chairman determines that the Committee should be notified more promptly. The Committee in its discretion may take any action it deems appropriate to investigate any complaints or concerns of which it becomes aware, which may include referring the matter to the President of the Fund or another Fund officer or initiating an independent investigation. The Committee may also choose to take no action. If the Committee chooses to conduct an investigation, it may, at the Fund's expense, use internal or external counsel, accountants and other personnel. The Committee will maintain records of all complaints and concerns reported under these Procedures, the disposition of such complaints and concerns and the basis for such disposition.

2. Freedom to Report (No Retaliation)

The Fund will not tolerate any form of retaliation against a Fund Trustee or officer; or against an Applicable Service Provider employee (i) who submits a good faith complaint or concern about the Fund's accounting or operational matters or (ii) who assists in an investigation of challenged practices.

Accordingly, any Fund Trustee or officer, or employee of an Applicable Service Provider is prohibited from discharging, demoting, suspending, threatening, harassing, or in any other manner discriminating against a Reporting Person that would have an impact on the terms and conditions of the Reporting Person's employment, because of any lawful act done by the Reporting Person to provide information, cause information to be provided, or otherwise assist in an investigation regarding any conduct which the Reporting Person reasonably believes is reportable under these Procedures. Reporting Persons have the option, and are encouraged to, report any violation to the Audit Committee Chairman with confidentiality. These procedures are intended to create an environment where Reporting Persons can act without fear of reprisal or retaliation. So as to ensure that Applicable Service Providers are aware of, and complying with, the Procedures, the Fund may, as part of these Procedures, provide Applicable Service Providers with the Procedures and obtain annual affirmations of such Applicable Service Providers' receipt of, and compliance with, the Procedures.

In order to monitor whether the Reporting Person is being subjected to reprisals or retaliation, the Audit Committee Chairman may contact the Reporting Person (if the Reporting Person's identity is known) to determine whether any changes in the Reporting Person's work situation have occurred as a result of providing such information. If the

Audit Committee Chairman determines that any reprisal or retaliation has occurred, a report of this shall be made to the Applicable Service Provider and to the Committee if consented to by the Reporting Person.

Any Reporting Person who feels he or she has been the subject of reprisal or retaliation because of his or her reporting under these Procedures should immediately notify the Audit Committee Chairman.

3. Trustee Concerns

Any Trustee who has a concern regarding what he or she views as questionable Accounting or Operational Matters should bring such concern to the attention of the Audit Committee Chairman no later than the first Committee meeting held after he or she becomes concerned.

4. Retention of Records

The Chairman of the Corporate Governance Committee, on behalf of the Fund and the Committee, will maintain a confidential file of materials related to complaints or concerns received concerning the Fund's Accounting or Operational Matters. These materials will be retained for a period of five (5) years or such longer period as may be required by law. Any records relating to a report may, if necessary, be redacted (or similar steps taken) to preserve the confidentiality of the person(s) submitting the report.

5. Communication and Training

The officers of the Fund shall be responsible for ensuring that all persons involved with the Fund's Accounting and Operational Matters (including employees of Applicable Service Providers) are made aware of and encouraged to report matters under these Procedures.

6. Review of Procedures

These Procedures shall be reviewed by the Audit Committee at least annually.

Appendix A: Applicable Service Providers

September 30, 2006

This Appendix A may be modified from time to time to reflect changes to a Fund's Applicable Service Providers.

Investment Adviser

Hambrecht & Quist Capital Management LLC

Transfer Agent

Computershare

Custodian

State Street Bank and Trust Company

Administrator

State Street Bank and Trust Company

