

H&Q HEALTHCARE INVESTORS  
Form DEF 14A  
June 08, 2011

UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

H&Q Healthcare Investors  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:



**H&Q HEALTHCARE INVESTORS**

2 Liberty Square, 9th Floor  
Boston, Massachusetts 02109  
(617) 772-8500

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To the Shareholders of  
H&Q HEALTHCARE INVESTORS:

An Annual Meeting of Shareholders of H&Q Healthcare Investors (the "Fund" or "HQH") will be held on Friday, July 8, 2011 at 9:00 a.m. at the offices of the Fund, 2 Liberty Square, 9th floor, Boston, Massachusetts 02109, for the following purposes:

- (1) The election of Trustees of the Fund;
- (2) The ratification or rejection of the selection of Deloitte & Touche LLP as the independent registered public accountants of the Fund for the fiscal year ending September 30, 2011;
- (3) The approval of an amendment to the Fund's Amended and Restated Declaration of Trust to remove certain limitations on the Trustees' authority to cause the Fund to repurchase its outstanding shares; and
- (4) The transaction of such other business as may properly come before the Annual Meeting and any adjournment(s) or postponement(s) thereof.

Shareholders of record at the close of business on June 6, 2011 will be entitled to vote at the Annual Meeting or at any adjournment(s) or postponement(s) thereof.

By Order of the Board of Trustees,

Daniel R. Omstead, Ph.D.  
President

June 9, 2011

*Please complete, date and sign the Proxy for the shares held by you and return the Proxy in the envelope provided so that your vote can be recorded. No postage is required if the envelope is mailed in the United States. It is important that you return your signed Proxy promptly, regardless of the size of your holdings, so that a quorum may be assured.*

---

This page intentionally left blank.

---



## **H&Q HEALTHCARE INVESTORS**

### **PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation by the Board of Trustees of H&Q Healthcare Investors (the "Fund" or "HQB") of proxies to be voted at the Annual Meeting of Shareholders of the Fund to be held on July 8, 2011 (the "Annual Meeting"), and any adjournment(s) or postponement(s) thereof, for the purposes set forth in the accompanying Notice of Annual Meeting, dated June 9, 2011. This Proxy Statement, the Notice of Annual Meeting and the Proxy Card(s) are first being mailed to shareholders on or about June 9, 2011.

Proposal 1 relates to the election of Trustees for the Fund, Proposal 2 relates to the ratification of the selection of the independent registered public accountants of the Fund, and Proposal 3 relates to the amendment of the Fund's Declaration of Trust to remove certain limitations on the Trustees' authority to cause the Fund to repurchase its outstanding shares.

The Fund will furnish, without charge, a copy of its Annual Report, or the most recent Semi-Annual Report succeeding the Annual Report, if any, to a shareholder upon request. Requests may be sent to the Fund at 2 Liberty Square, 9th Floor, Boston, MA 02109 or be made by calling (800) 451-2597.

#### **Proposal 1 ELECTION OF TRUSTEES**

The Fund's Declaration of Trust provides that its Board of Trustees shall be divided into three classes with staggered terms. The term of office of the Class A Trustees expires on the date of the 2011 Annual Meeting, and the term of office of the Class B and Class C Trustee will expire one and two years, respectively, thereafter. Trustees chosen to succeed the Class A Trustees whose terms are expiring will be elected for a three-year term.

The Fund's Declaration of Trust provides that a majority of its Trustees shall fix the number of the entire Board of Trustees and that such number shall be at least three and no greater than fifteen. The Fund's Board of Trustees has fixed the number of Trustees at eight. Proxies will be voted for the election of the following two nominees to serve as Class A Trustees until the 2014 Annual Meeting: Rakesh K. Jain, Ph.D. and Lucinda H. Stebbins, CPA. Each nominee is presently serving as a Class A Trustee and has consented to continue to so serve. In the event that a nominee is unable to serve for any reason (which is not now expected) when the election occurs, the accompanying Proxy will be voted for such other person or persons as the Board of Trustees may recommend.

The Class B Trustees serving until the 2012 Annual Meeting are Lawrence S. Lewin, Daniel R. Omstead, Ph.D. and Uwe E. Reinhardt. The Class C Trustees serving until the 2013 Annual Meeting are Eric Oddleifson, Oleg M. Pohotsky and William S. Reardon.

The Board believes that each Trustee's experience, qualifications, attributes and skills on an individual basis and in combination with those of other Trustees lead to the conclusion that each Trustee should serve in such capacity. Among the attributes or skills common to all Trustees are their ability to review critically and to evaluate, question and discuss information provided to them, to interact effectively with the other Trustees, the Fund's investment adviser, the administrator and other service providers, counsel and independent registered public accounting firm, and to exercise effective and independent business judgment in the performance of their duties as Trustees. Each Trustee's ability to perform the duties of a trustee effectively has been attained and enhanced through the Trustee's education, professional training and other life experiences, such as business, consulting or public service positions and through experience from service as a member of this Fund's Board and that of H&Q Life Sciences Investors ("HQL"), public companies, or non-profit entities or other organizations.

*Rakesh K. Jain, Ph.D.:* Dr. Rakesh Jain is the Andrew Werk Cook Professor of Tumor Biology in the Department of Radiation Oncology at Harvard Medical School and the Director of the Edwin L. Steele Laboratory of Tumor Biology at Massachusetts General Hospital, providing the Fund with a valuable perspective on emerging life sciences technologies. He serves on the Governance and Nominating Committees of the Funds. Prior to joining Harvard, he was professor of chemical engineering at Columbia University and Carnegie Mellon University. Dr. Jain is regarded as a pioneer in the fields of tumor biology, drug delivery, in vivo imaging and bioengineering. Dr. Jain has authored more than 520 publications. He serves on advisory panels to government, industry and academia, and is a member of editorial advisory boards of ten journals, including Nature Reviews Cancer and Nature Reviews Clinical Oncology. He has received more than 50 major awards and lectureships, including a Guggenheim Fellowship, the Humboldt Senior Scientist Award, the National Cancer Institute's Research Career Development Award and Outstanding Investigator Grant, the Academic Scientist of the Year Award from the Pharmaceutical Achievements Awards, the Distinguished Service Award from Nature Biotechnology and the Innovator Award from the DoD Breast Cancer Program. He is a member of all three branches of US National Academies – the Institute of Medicine, the National Academy of Engineering and the National Academy of Sciences – and the American Academy of Arts and Sciences.

*Lawrence S. Lewin, MBA:* Mr. Lewin serves as Chairman of the Board of Trustees and Chairman of the Governance and Nominating Committees. Mr. Lewin was the Chief Executive Officer for 30 years of the Lewin Group, which he founded in 1970. The Lewin Group, a healthcare public policy and management consulting firm, delivers objective analyses and strategic counsel to public agencies, nonprofit organizations, industry associations and private companies across the United States. Mr. Lewin provides the Fund valuable insights into healthcare economics and reform. He has served on the Boards of a number of healthcare companies, including Intermountain Health Care, Medco Health Solutions, Inc., CardioNet, Inc., and CareFusion, and is currently a member of the Board of Regents of the Uniformed Services University of the Health Sciences. Mr. Lewin is an elected member of the Institute of Medicine since 1984. He holds an AB degree from Princeton University and an MBA from the Howard Business School.

*Eric Oddleifson:* Mr. Oddleifson is a pioneer in the field of sustainable timber investing for institutional investors interested in strong real rates of return over long periods of time, which has grown to \$50 billion since its inception in 1982. He also serves on the Audit and Valuation Committees of the Fund. He has established two timber investment management companies with combined assets under management of \$4.5 billion from foundations, endowments and pension funds. Mr. Oddleifson currently acts as sustainability consultant to Grantham, Mayo & van Otterloo, a privately held investment manager in Boston, MA. Mr. Oddleifson provides the Fund with valuable perspectives on valuation, corporate governance, and emerging investment areas. He graduated from Harvard College and Harvard Business School. After graduating he worked as a consultant with Arthur D. Little where he was involved in collaborative research to address client problems. He serves as a trustee of the Marjorie Harris Reynolds Foundation and Arts | Learning, the successor organization to the Center for Arts in the Basic Curriculum which he founded in 1989.

*Daniel R. Omstead, Ph.D.:* Dr. Omstead is President and Chief Executive Officer of Hambrecht & Quist Capital Management LLC (the "Adviser"), a registered investment adviser that serves as investment adviser to HQH and HQL. Dr. Omstead is also President of HQL and HQH. Dr. Omstead is portfolio manager for the public and restricted/venture portfolios within HQH and HQL. As part of these responsibilities, Dr. Omstead is a member of the Board of Directors of several portfolio companies including Magellan Biosciences, Concentric Medical, Tibion Corporation and Palyon Medical. Prior to joining the Adviser, Dr. Omstead was President and CEO of Reprogenesis, Inc. a private development stage biotech company which developed therapies in the field of tissue engineering and regenerative medicine. Before joining Reprogenesis, Dr. Omstead was Senior Vice President, Research and Development, at Cytotherapeutics, Inc, a public biotech company. Prior to entering the biotech industry, Dr. Omstead was employed for fourteen years in positions of increasing responsibility within the pharmaceutical industry at Ortho Pharmaceutical Corporation and at the R.W. Johnson Pharmaceutical Research Institute, both divisions of Johnson & Johnson, and at Merck, Sharpe and Dohme Research Laboratories, a division of Merck and Company. Dr. Omstead provides the Fund with insights into both pharmaceutical and biotech companies. Dr. Omstead holds Ph.D. and Master's Degrees in Chemical Engineering and Applied Chemistry from Columbia University and a B.S. degree in Civil Engineering from Lehigh University. He is a member of the Board of Directors of a non-profit agency that provides emergency shelter, housing and supportive services to homeless and low-income individuals and families in the Boston area. Dr. Omstead is also a member of the Board of Visitors of the Columbia University School of Engineering and Applied Science and an Overseer at the Joslin Diabetes Center.

*Oleg M. Pohotsky:* Mr. Pohotsky is a corporate finance and investment professional with over forty years of diversified experience gained both in industry and in financial markets. He serves as Chairman of the Fund's Audit Committee and Valuation Committee. He has over 45 years of cumulative board experience, in the full range of organization types: publicly-traded, privately-held, venture-backed and non-profit. He has also served as a director of a healthcare services company listed on the Nasdaq NMS where he was a member of the audit committee. In his various directorships he has also served on investment, compensation, personnel and executive committees. His career spanned over twenty years in the investment industry both as an investment banker and as a venture capital and private equity investor and included serving as chairman of the valuation and fairness opinion committee of a NYSE-member firm. Mr. Pohotsky also currently serves on the Board of Directors of Avangardco Investments Public Ltd., an LSE-listed agribusiness enterprise based in Ukraine, and on the Board of Advisors of Kaufman & Co., LLC, a Boston-based boutique investment banking firm, and is affiliated with GovernanceMetrics International, Inc. as a Senior Advisor. He provides the Fund with valuable experience in valuation and the financial industry. Mr. Pohotsky holds a BSChE degree from Clarkson University, a JD degree from the University of Miami and MBA from the Harvard Business School of Business Administration. He has also been awarded an honorary doctorate by Clarkson University.





*William S. Reardon, CPA:* Mr. Reardon's personal experience as a Life Science audit partner at PricewaterhouseCooper ("PwC"), with a broad spectrum of companies across the corporate life cycle from startup to successful product driven pharmaceutical companies, provides the Trustees of the Fund, and especially the Valuation Committee with a valuable perspective in analyzing life science company opportunities and in valuing the venture portion of the portfolio. Until 2002 Mr. Reardon was a business assurance partner in PwC's Boston office and leader of the Life Sciences Industry Practice for New England and the Eastern U.S., working closely with many of the Firm's public clients in SEC-registered equity, convertible and R&D limited partnership offerings and many initial public offerings. He serves on the Valuation Committee of the Fund. From 1998-2000 he served on the Board of the Emerging Companies Section of Biotechnology Industry ("BIO") and the Board of Directors of the Massachusetts Biotechnology Council ("MBC") from 2000 to 2002. He has been a frequent speaker at BIO conferences and MBC Industry meetings on issues affecting biotechnology companies. He currently also serves as a board member and audit committee chair of two development-stage public companies, Synta Pharmaceuticals and Idera Pharmaceuticals. Mr. Reardon is member of the American Institute of CPAs and the Massachusetts Society of CPAs, with an MBA from Harvard Business School and a BA in East Asian History from Harvard College.

*Uwe E. Reinhardt, Ph.D.:* Dr. Reinhardt is the James Madison Professor of Political Economy at Princeton University, teaching economics and public affairs since 1968, and has been a member of the Institute of Medicine of the National Academy of Sciences since 1978. He serves on the Audit Committee of the Fund. Dr. Reinhardt is recognized as one of the nation's leading authorities on health care economics, a prominent scholar in health care economics and a frequent speaker and author on subjects ranging from the war in Iraq to the future of Medicare. Dr. Reinhardt provides the Fund with valuable insights in healthcare economics and reform. He is a past president of the Association of Health Services Research. From 1986 to 1995 he served as a commissioner on the Physician Payment Review Committee, established in 1986 by Congress to advise it on issues related to the payment of physicians. He is a senior associate of the Judge Institute for Management of Cambridge University, UK, and a trustee of Duke University, and the Duke University Health System. Dr. Reinhardt is or was a member of numerous editorial boards, among them the Journal of Health Economics, the Milbank Memorial Quarterly, Health Affairs, the New England Journal of Medicine, and the Journal of the American Medical Association. Dr. Reinhardt received his Ph.D. from Yale University.

*Lucinda H. Stebbins, CPA:* Ms. Stebbins brings to the Board over twenty years experience working in the fund industry, providing valuable perspectives on a variety of technical and industry matters. She serves on the Audit, Governance and Nominating Committees of the Fund. She started her fund career with the investment management firm of Scudder, Stevens and Clark which was later merged into the U.S operations of Zurich Financial Services, and then finally acquired by Deutsche Bank. She served as a Senior Vice President at Scudder Investments and subsequently as a Director at Deutsche Asset Management and was an officer of approximately 200 funds in these complexes. Ms. Stebbins' expertise is in the accounting, tax, and regulatory side of the business and she continues to act as an independent consultant to the fund industry. Prior to joining Scudder, she was a Senior Manager at Price Waterhouse and is a member of the Massachusetts Society of CPAs. She also serves on the Board of Bald Peak Land Company and has been on a number of non-profit Boards. She holds an MBA degree from Babson College and a BA in economics from Wellesley College.

The Trustees and their principal occupation for at least the last five years are set forth in the table below.

Name, Age and Address	Position(s) Held with HQH and HQL	Term of Office and Length of Time Served	Principal Occupations(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director or Nominee for Director	Other Directorships Held by Director or Nominee for Director
<b>INDEPENDENT TRUSTEES AND NOMINEES</b>					
Rakesh K. Jain, Ph.D. (60) 2 Liberty Square, 9th Floor, Boston MA 02109	Trustee of HQH and HQL; Member of each Fund's Governance Committee. Member of each Fund's Nominating Committee.	3 years; since 2007	Director, Steele Lab of Tumor Biology at Massachusetts General Hospital (since 1991); A.W. Cook Professor of Tumor Biology (Radiation Oncology) at Harvard Medical School (since 1991).	2	Ad hoc Consultant/ Scientific Advisory Board Member for pharmaceutical/biotech companies (various times since 2002); Ad hoc Consultant, Gershon Lehman Group (since 2004); Advisory Committee Member, Department of Biotechnology, Government of India (since 2004).
Lawrence S. Lewin (73) 2 Liberty Square, 9th Floor, Boston MA 02109	Trustee of HQH and HQL; Chairman, HQH and HQL (since 2000); Member of each Fund's Governance, Nominating and Qualified Legal Compliance Committees.	3 years; since 1987 (HQH) since 1992 (HQL)	Self-employed Executive Consultant (since 1999).	2	Director, CardioNet, Inc. (2001-2007); Director, Medco Health Solutions, Inc. (2003-2007); Director, Care Fusion, Inc. (2005-2006).
Eric Oddleifson (76) 2 Liberty Square,	Trustee, HQH and HQL; Member of each Fund's Audit, Valuation and Qualified Legal Compliance Committees.	3 years; since 1992	Consultant, GMO Renewable Resources LLC (since 2006); Senior Adviser, The Corporate Library (since 2007).	2	Director, Marjorie Harris Reynolds Foundation (since 1996) and the National Arts & Learning (since 1998).

9th  
Floor,  
Boston  
MA  
02109

<b>Name, Age and Address</b>	<b>Position(s) Held with HQH and HQL</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupations(s) During Past 5 Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Director or Nominee for Director</b>	<b>Other Directorships Held by Director or Nominee for Director</b>
Oleg M. Pohotsky (64) 2 Liberty Square, 9th Floor, Boston MA 02109	Trustee, HQH and HQL; Member of each Fund's Audit, Valuation and Qualified Legal Compliance Committees.	3 years; since 2000	Consultant and Managing Partner, Right Bank Partners (since 2002).	2	Adviser, Board of Advisers, Kaufman & Co. LLC (since 2008); Organizer/ Incorporator, EmprendMex (since 2009); Director, Avangard Investment Holdings (since 2011).
William S. Reardon (64) 2 Liberty Square, 9th Floor, Boston MA 02109	Trustee, HQH and HQL; Member of each Fund's Valuation Committee.	3 years; since 2010	None.	2	Director, Idera Pharmaceuticals, Inc. (since 2002); Director, Synta Pharmaceuticals Corp. (since 2004).
Uwe E. Reinhardt Ph.D. (73) 2 Liberty Square, 9th Floor, Boston MA	Trustee, HQH and HQL; Member of each Fund's Audit Committee.	3 years; since 1988 (HQH) since 1992 (HQL)	Professor of Economics, Princeton University (since 1968).	2	Director, Boston Scientific Corporation (since 2002); Director, Amerigroup, Inc. (since 2002).

02109

Lucinda H. Stebbins, Trustee, HQH and HQL; Member of each Fund's Audit, Governance and CPA Nominating Committees.

(65)

2

Liberty

Square,

9th

Floor,

Boston

MA

02109

3 years; Independent Consultant, Deutsche Bank (since 2004). since 2006

2 Director, Deutsche Asset Management (2002-2004); Director, Bald Peak Land Company (since 2008); Trustee, Massachusetts Hospital School (1997-2008).

Name, Age and Address	Position(s) Held with HQH and HQL	Term of Office and Length of Time Served	Principal Occupations(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director or Nominee for Director	Other Directorships Held by Director or Nominee for Director
<b>INTERESTED TRUSTEE</b>					
Daniel R. Omstead Ph.D.* (57) 2 Liberty Square, 9th Floor, Boston, MA 02109	Trustee, HQH and HQL; President, HQH and HQL (since 2001).	3 years; since 2003	President, HQH and HQL (since 2001). President, Chief Executive Officer and Managing Member, Hambrecht & Quist Capital Management LLC (since 2002).	2	Director, Magellan Biosciences, Inc. (since 2006); Director, Elemé Medical, Inc. (since 2008); Director, Concentric Medical, Inc. (2003-2007; 2008-present); Director, Palyon Medical Corporation (since 2009); Director, Tibion Corporation (since 2011).

\* Trustee considered to be an "interested person" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act"), through position or affiliation with the Adviser.

The following table sets forth, for each Trustee, the aggregate dollar range of equity securities owned by such Trustee in HQH and HQL and in the aggregate in HQH and HQL, as of February 28, 2011. The information as to beneficial ownership is based upon statements furnished by each Trustee.

Name of Trustee or Nominee	Dollar Range of Equity Securities in HQH	Dollar Range of Equity Securities in HQL	Aggregate Dollar Range of Equity Securities in Both Funds Overseen by Trustee in Fund Complex
<b>Independent Trustees</b>			
Rakesh K. Jain, Ph.D.	None	None	None
Lawrence S. Lewin	\$50,001-\$100,000	\$10,001-\$50,000	Over \$100,000
Eric Oddleifson	\$50,001-\$100,000	\$10,001-\$50,000	\$50,001-\$100,000
Oleg M. Pohotsky	None	None	None
William S. Reardon	None	None	None
Uwe E. Reinhardt, Ph.D.	\$10,001-\$50,000	\$10,000-\$50,000	\$10,001-\$50,000
Lucinda H. Stebbins, CPA	\$50,001-\$100,000	\$50,000-\$100,000	Over \$100,000
<b>Interested Trustee</b>			
Daniel R. Omstead, Ph.D.	Over \$100,000	Over \$100,000	Over \$100,000

Although Trustees are encouraged to attend the annual meetings of shareholders to the extent they are able, the Fund has no formal policy with regard to board members' attendance at annual meetings of shareholders. Last year, all Trustees then in office attended the annual meeting of shareholders.

Shareholders wishing to send communications to the Board may communicate with members of the Board of Trustees by submitting a written communication directed to the Board of Trustees in care of the Fund's President, Daniel R. Omstead, Ph.D., at 2 Liberty Square, 9th Floor, Boston, MA 02109.

### **Trustees Leadership Structure and Oversight Responsibilities**

Overall responsibility for general oversight of the Fund rests with the Board. The Board is comprised of eight individuals, seven of whom are not "interested persons" of the Fund as defined in the 1940 Act ("Independent Trustee"). The Chairman of the Board is an Independent Trustee. The Chairman presides at meetings of the Trustees, participates in the preparation of the agenda for meetings of the Board, and acts as a liaison between the Independent Trustees and the Fund's management between Board meetings. Except for any duties specified herein, the designation as Chairman does not impose any obligations or standards greater than or different from other Trustees.

The Board holds regular quarterly meetings each year to consider and address matters involving the Fund. The Board also may hold special meetings to address matters arising between regular meetings. The Independent Trustees also meet outside the presence of management in executive session at least quarterly and have engaged independent legal counsel to assist them in performing their oversight responsibilities.

The Board has established Audit, Governance, Nominating, Valuation and Qualified Legal Compliance Committees to assist the Board in the oversight of the management and affairs of the Fund. All of the members of these



Committees are Independent Trustees. From time to time the Board may establish additional committees or informal working groups to deal with specific matters.

The Fund is subject to a number of risks including investment, compliance, operational and valuation. Although the Adviser and the officers of the Fund are responsible for managing these risks on a day-to-day basis, the Board has adopted, and periodically reviews, policies and procedures designed to address these risks. As part of its regular oversight of the Fund, the Board, directly or through a Committee, interacts with the Fund's Chief Compliance Officer, the Fund's independent public accounting firm, and legal counsel to the Fund. These interactions include discussing the Fund's risk management and controls with the independent registered public accounting firm engaged by the Fund, reviewing valuation policies and procedures and the valuations of specific restricted securities, and receiving periodic reports from the Fund's Chief Compliance Officer regarding compliance matters relating to the Fund and its major service providers, including results of the implementation and testing of the Fund's and such providers' compliance programs. The Board's oversight function is facilitated by management reporting processes designed to provide information to the Board regarding the identification, assessment, and management of critical risks and the controls and policies and procedures used to mitigate those risks. The Board reviews its role in supervising the Fund's risk management from time to time and may change the manner in which it fulfills its oversight responsibilities at its discretion at any time.

The Board has determined that its leadership structure is appropriate for the Fund because it enables the Board to exercise informed and independent judgment over matters under its purview, allocates responsibility among committees in a manner that fosters effective oversight and allows the Board to devote appropriate resources to specific issues in a flexible manner as they arise. The Board periodically reviews its leadership structure as well as its overall structure, composition, and functioning and may make changes at its discretion at any time.

### **Standing Committees**

*Audit Committee.* The Fund has an Audit Committee comprised solely of Independent Trustees who are "independent" as defined in the New York Stock Exchange ("NYSE") Listing Standards. The Fund's Board of Trustees has adopted a written charter for the Audit Committee. The Audit Committee charter is available at <http://www.hqcm.com/Reports/AuditCommitteeCharterFebruary2007.pdf>. The principal purpose of the Fund's Audit Committee is to assist the Board of Trustees in fulfilling its responsibility 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.

The Audit Committee's role is one of oversight, and it is recognized that the Fund's management is responsible for preparing the Fund's financial statements and that the Fund's independent registered public accountant is responsible for auditing those financial statements. Although each Audit Committee member must be financially literate and one member must have accounting or financial management expertise (as determined by the Board of Trustees in its business judgment), Audit Committee members are not professionally engaged in the practice of accounting or auditing and are not experts in the fields of accounting or auditing, including with respect to auditor independence. Audit Committee members rely, without independent verification, on the information provided to them and on the representations made by management and the Fund's independent registered public accountants.

The members of the Fund's Audit Committee are Mr. Oddleifson, Mr. Pohotsky, Dr. Reinhardt and Ms. Stebbins. Mr. Pohotsky is the Chairman of the Fund's Audit Committee. The Fund's Audit Committee held four meetings during the fiscal year ended September 30, 2010.

*Governance Committee.* The Fund has a Governance Committee comprised solely of Independent Trustees who are "independent" as defined in the NYSE Listing Standards. The Fund's Board of Trustees has adopted a written charter for the Governance Committee. The Fund's Governance Committee's mission under its charter is to review, evaluate, and enhance the effectiveness of the Fund's Board of Trustees in its role in governing the Fund and to oversee management of the Fund in accordance with the Corporate Governance Guidelines, which have been adopted by the Fund's Board of Trustees.

The Fund's Governance Committee reviews, discusses and makes recommendations to the Board of Trustees relating to those issues that pertain to the effectiveness of the Board of Trustees in carrying out its responsibilities in governing the Fund and overseeing the Fund's management. The members of the Fund's Governance Committee are Dr. Jain, Mr. Lewin and Ms. Stebbins. Mr. Lewin is the Chairman of the Fund's Governance Committee. The Fund's Governance Committee met one time during the fiscal year ended September 30, 2010.

*Nominating Committee.* The Fund has a Nominating Committee comprised solely of Independent Trustees who are "independent" as defined in the NYSE Listing Standards. The Fund's Board of Trustees has adopted a written charter for the Nominating Committee. The Nominating Committee charter is not available on the Fund's website but was included as Exhibit A to the Fund's Proxy Statement dated April 30, 2009.

The Fund's Nominating Committee requires that each prospective trustee candidate have a college degree or equivalent business experience and that each candidate is not serving in a similar capacity on the board of a registered investment company which (i) is not sponsored or advised by the Fund's investment adviser or its affiliates and (ii) the Board in its discretion has determined to be competitive with the Fund taking into account such registered investment company's investment mandate. The Fund's Nominating Committee may also take into account other factors when considering and evaluating potential trustee candidates, including but not limited to: (i) availability and commitment to attend meetings and perform responsibilities of the Board; (ii) relevant industry and related experience; (iii) educational background; (iv) financial expertise; (v) the candidate's ability, judgment and expertise; and (vi) the overall diversity of the Board's composition.

The Fund's Nominating Committee may identify prospective trustees from any reasonable source, including, but not limited to, the consultation of third-party trustee search services. The Fund's Nominating Committee will consider potential trustee candidates recommended by shareholders, provided that the proposed candidates (i) satisfy any minimum qualifications of the Fund for its trustees; (ii) are not "interested persons" (as that term is defined in Section 2(a)(19) of the 1940 Act) of the Fund or the Adviser; and (iii) are "independent" as defined in the NYSE Listing Standards. In order to be evaluated by the Committee, trustee candidates recommended by shareholders must also meet certain eligibility requirements as set out in the Committees' charter. Other than those eligibility requirements, the Committee shall not evaluate shareholder trustee candidates in a different manner than other candidates. The standard of the Committee is to treat all equally qualified candidates in the same manner.

All recommendations by shareholders must be received by the Fund by the deadline for submission of any shareholder proposals which would be included in the Fund's proxy statement for the next annual meeting of the Fund. Each shareholder or shareholder group must meet the requirements stated in the Nominating Committee's charter in order to recommend a candidate. A shareholder or shareholder group may not submit more than one candidate per year. When recommending a trustee

candidate, shareholders must include in their notice to the Fund's Secretary: (i) the shareholder's contact information; (ii) the trustee candidate's contact information and the number of Fund shares owned by the proposed candidate; (iii) all information regarding the candidate that would be required to be disclosed in solicitations of proxies for elections of trustees required by Regulation 14A of the Securities Act of 1934, as amended; and (iv) a notarized letter executed by the trustee candidate, stating his or her intention to be a nominee and be named in the Fund's proxy statement, if nominated by the Board of Trustees, and to serve as a trustee, if so elected. Once a recommendation has been timely received in proper form, the candidate will be asked to complete an eligibility questionnaire to assist the Fund in assessing the candidate's qualifications as a potential Independent Trustee and as someone who is "independent" under the NYSE Listing Standards. The Nominating Committee will make such determinations in its sole discretion and such determinations shall be final.

The members of the Fund's Nominating Committee are Dr. Jain, Mr. Lewin and Ms. Stebbins. Mr. Lewin is the Chairman of the Fund's Nominating Committee. The Fund's Nominating Committee met three times during the fiscal year ended September 30, 2010.

*Valuation Committee.* The Board has delegated to the Fund's Valuation Committee general responsibility for determining, in accordance with the Fund's valuation procedures, the value of assets held by the Fund on any day on which the net asset value per share is determined. The Valuation Committee may appoint, and has appointed, a Sub-Committee made up of employees and officers of the Adviser to deal with day to day valuation decisions, subject to oversight by the Valuation Committee. The Valuation Committee shall meet as often as necessary to ensure that each action taken by the Sub-Committee is reviewed within a calendar quarter of the occurrence. In connection with its review, the Valuation Committee shall ratify or revise the pricing methodologies authorized by the Sub-Committee since the last meeting of the Valuation Committee. The Valuation Committee is charged with the responsibility of determining the fair value of the Fund's securities or other assets in situations set forth in the Fund's valuation procedures.

The members of the Fund's Valuation Committee are Mr. Oddleifson, Mr. Pohotsky and Mr. Reardon. Mr. Pohotsky is the Chairman of each Funds' Valuation Committee. Each Fund's Valuation Committee met four times during the fiscal year ended September 30, 2010.

*Qualified Legal Compliance Committee.* The Fund has a Qualified Legal Compliance Committee ("QLCC") comprised solely of Independent Trustees. The Fund's Board of Trustees has adopted a written charter for the QLCC. The principal purpose of the Fund's QLCC is to review and respond to reports of Evidence of a Material Violation (as defined in the QLCC charter). Reporting Evidence of a Material Violation is required under the Standards of Professional Conduct for Attorneys adopted by the U.S. Securities and Exchange Commission (the "SEC") under the Sarbanes-Oxley Act of 2002 (the "Standards"). Under the Standards, if an attorney appearing and practicing before the SEC in the representation of an issuer, such as the Fund, becomes aware of Evidence of a Material Violation by the issuer or by any officer, trustee, employee or agent of the issuer, the Standards provide for the attorney to report such evidence to the issuer's QLCC forthwith. In discharging its role, the QLCC is granted the power to investigate any Evidence of a Material Violation 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 or other experts for this purpose.

The members of the Fund's QLCC are Messrs. Lewin, Oddleifson and Pohotsky. Mr. Pohotsky is the Chairman of the Fund's QLCC. The Fund's QLCC did not meet during the fiscal year ended September 30, 2010.

*Attendance.* During the fiscal year ended September 30, 2010, the Fund's Board of Trustees held four meetings; the Fund's Audit Committee held four meetings; the Fund's Governance Committee held one meeting; the Fund's Nominating Committee held three meetings; and the Fund's Valuation Committee held four meetings.

Each of the Trustees attended at least 75% of the aggregate number of meetings of the Board of Trustees and the Committees of the Board of Trustees on which such Trustee served.

### Compensation of Trustees and Officers

For the fiscal year ended September 30, 2010 the Fund paid its Independent Trustees an annual fee of \$20,000. Additionally, the Fund currently pays each Independent Trustee \$500 for each Board and Committee meeting attended in person and \$250 for each Board and Committee meeting attended by telephone. Currently, the Chairman of the Board of Trustees, the Chairman of the Audit Committee and the Chairman of the Valuation Committee of the Fund receives an additional annual fee of \$2,500. Currently, the Chairman of the Nominating Committee and the Chairman of the Governance Committee of the Fund receives an additional annual fee of \$1,250. Independent Trustees are also reimbursed for travel expenses incurred in connection with attending such meetings. For the fiscal year ended September 30, 2010, the Independent Trustees as a group received \$190,992 from the Fund for fees and reimbursed expenses. The Fund did not directly pay any additional compensation to the Trustees for the fiscal year ended September 30, 2010. The Fund has entered into a Services Agreement (the "Agreement") with the Adviser. Pursuant to the terms of the Agreement, the Fund reimburses the Adviser for a portion of the payment of salary and provision of benefits to the Fund's Chief Compliance Officer. During the fiscal year ended September 30, 2010 these payments amounted to \$77,880 for the Fund. Trustees and officers of the Fund who hold positions with the Adviser receive indirect compensation from the Fund in the form of the investment advisory fee paid to the Adviser. The following table sets forth information regarding compensation of Trustees by the Fund for the fiscal year ended September 30, 2010, but does not include expenses.

### Compensation Table

For the fiscal year ended September 30, 2010

Name of Person, Position	Aggregate Compensation from the Fund	Pension or Retirement Benefits Accrued as part of the Fund's Expenses	Estimated Annual Benefits upon Retirement	Total Compensation from both Funds in Fund Complex Paid to Trustees
<b>Independent Trustees</b>				
Rakesh K. Jain, Ph.D.	\$ 24,000	N/A	N/A	\$ 48,000
Lawrence S. Lewin	\$ 28,500	N/A	N/A	\$ 57,000
Eric Oddleifson	\$ 26,750	N/A	N/A	\$ 53,500
Oleg M. Pohotsky	\$ 31,000	N/A	N/A	\$ 62,000
William S. Reardon	\$ 2,200	N/A	N/A	