MFIC CORP
Form DEF 14A
April 28, 2006

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 x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

MFIC CORPORATION
(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):

x	No fee required.	
o	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:
o	Fee paid previously with preliminary materials.	
o	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:

MFIC CORPORATION
30 Ossipee Road
Newton, Massachusetts 02464-9101

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

The 2006 Annual Meeting of Stockholders of MFIC Corporation, a Delaware corporation (the Company), will be held on Tuesday, June 20, 2006 at 10:00 a.m., local time, at the offices of the Company located at 30 Ossipee Road, Newton, Massachusetts, for the following purposes:

1. To elect a Board of Directors to serve for the ensuing year and until their respective successors have been duly elected and qualified.

The nominees the Board of Directors proposes to present for election are:

Irwin J. Gruverman	Leo Pierre Roy
James N. Little	George Uveges
	Eric G. Walters

2. To adopt the Company s 2006 Stock Plan.

3. To ratify the appointment of the firm of Brown & Brown, LLP as independent auditors for the Company for the fiscal year ending December 31, 2006.

4. To transact such other business as may properly come before the meeting and any adjournments thereof.

Only stockholders of record on the transfer books of the Company at the close of business on April 24, 2006 are entitled to notice of, and to vote at, the meeting.

Please sign, date and return the enclosed proxy in the enclosed envelope at your earliest convenience. If you return your proxy, you may nevertheless attend the meeting and vote your shares in person.

All stockholders are cordially invited to attend the meeting.

By Order of the Board of Directors
/s/ Irwin J. Gruverman
Irwin J. Gruverman
Chairman of the Board of Directors,
Chief Executive Officer, Treasurer and Secretary

Newton, Massachusetts
April 28, 2006

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND MAIL THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED WITHIN THE UNITED STATES.

PROXY STATEMENT

MEETING OF STOCKHOLDERS
OF MFIC CORPORATION
TO BE HELD ON
June 20, 2006

Proxies in the form enclosed with this proxy statement are being solicited by the Board of Directors of MFIC Corporation, a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders to be held on Tuesday, June 20, 2006, at 10:00 a.m., local time, at the offices of the Company located at 30 Ossipee Road, Newton, Massachusetts 02464 and at any adjournments thereof (the Meeting).

Only stockholders of record as of the close of business on April 24, 2006 will be entitled to notice of and to vote at the Meeting. As of that date, 9,967,345 shares of common stock, par value $.01 per share (the Common Stock), of the Company were issued and outstanding and entitled to vote at the Meeting. The shares of Common Stock are the only outstanding voting securities of the Company. Stockholders are entitled to cast one vote for each share held of record.

An Annual Report to Stockholders, containing financial statements for the fiscal year ended December 31, 2005, is being mailed together with this proxy statement to all stockholders entitled to vote. This proxy statement and the form of proxy enclosed with this proxy statement were first mailed to stockholders on or about April 28, 2006.

All properly executed proxies returned in time to be counted at the Meeting will be voted as stated below under Voting Procedures. Any stockholder giving a proxy has the right to withhold authority to vote for any individual nominee to the Board of Directors by writing that nominee s name in the space provided on the proxy.

Stockholders should return properly executed proxies to the address on the proxy cards. Execution of a proxy will not in any way affect a stockholder s right to attend the Meeting and vote in person. A stockholder may revoke a proxy at any time before it is voted at the Meeting by notifying the Secretary of the Company in writing at the address set forth above, by submitting a properly executed proxy bearing a later date, or by revoking the proxy at the Meeting. Attendance at the Meeting will not by itself constitute the revocation of a proxy.

In addition to the election of directors, the stockholders will consider a vote to adopt the Company s 2006 Stock Plan (as recommended by the Company s Compensation Committee) and to ratify the Board of Director s selection of the Company s auditors (as recommended by the Company s Audit Committee), each as further described in this proxy statement. Where a choice has been specified on the proxy with respect to these matters, the shares represented by the proxy will be voted in accordance with the specification and will be voted FOR these matters if no specification is indicated.

The Board of Directors of the Company knows of no other matters to be presented at the Meeting. If any other matter should be presented at the Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board of Directors will be voted with respect thereto in accordance with the judgment of the persons named as attorneys in the proxies.

PROPOSAL 1

ELECTION OF DIRECTORS

Each director of the Company is elected annually and holds office for the ensuing year and until his successor has been elected and qualified. The Company s By-laws state that the number of directors constituting the entire Board of Directors shall be determined by resolution of the Board of Directors. The Board of Directors has set the number of directors at five effective as of June 20, 2006.

Shares represented by all proxies received by the Board of Directors and not marked as withholding authority to vote for any individual director or for all directors will be voted FOR the election of all the nominees, unless one or more nominees is unable or unwilling to serve. The Board of Directors knows of no reason why any such nominee would be unable or unwilling to serve as a director, but if such should be the case, proxies may be voted for the election of some other person as the Board of Directors may recommend in his place, or for fixing the number of directors at a lesser number. The affirmative vote of a majority of the shares present, in person or by proxy, and entitled to vote on the election of directors is required to elect each member of the Board of Directors. See Voting Procedures.

THE BOARD OF DIRECTORS RECOMMENDS THE ELECTION OF MR. GRUVERMAN, MR. LITTLE, MR. ROY, MR. UVEGES AND MR. WALTERS AS DIRECTORS, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.

Directors and Executive Officers

Each director of the Company is elected annually and holds office for the ensuing year and until his successor has been elected and qualified. Mr. Cortina, a current director of the Company, is retiring from the Board of Directors effective as of June 20, 2006 and is not standing for reelection. The names of the Company s other current directors and named executive officers, and certain information about them are set forth below:

Name	Age	Title
Irwin J. Gruverman	72	Chief Executive Officer, Chairman of the Board, Treasurer and Secretary
Robert P. Bruno	68	President, Chief Operating Officer, and Vice-President Sales/ Marketing
Jack M. Swig	57	Vice President Corporate Development and General Counsel
Dennis P. Riordan	59	Controller
James N. Little	65	Director
Leo Pierre Roy	48	Director
George Uveges	58	Director
Eric G. Walters	53	Director

IRWIN J. GRUVERMAN has served as the Chief Executive Officer, Chairman of the Board of Directors and Secretary of the Company since its inception in 1983. He also currently serves as the Company s Treasurer. From the Company s inception in 1983 to June 1993, and from November 21, 2000 until May 17, 2001, Mr. Gruverman served as its President. Mr. Gruverman is a director of InVitro International, a publicly held provider of toxicity test kits and of MicroChem Corporation, a privately held manufacturer of chemicals for electronic manufacturing applications. Mr. Gruverman has also been a director of North American Scientific, Inc., a publicly held developer of radiation therapy products, but has announced his resignation effective as of May 3, 2006.

ROBERT P. BRUNO joined the Company on April 8, 1996 as Vice-President of Sales/Marketing. Mr. Bruno was appointed as Chief Operating Officer on November 30, 2000. Mr. Bruno was appointed as President on May 17, 2001 with such appointment becoming effective on May 21, 2001.

JACK M. SWIG joined the Company as a full time employee in January 1996 and was appointed in January 1999 as the Vice President Corporate Development and General Counsel. He has served as the Company s General Counsel and Investor Relations Manager since 1993. Mr. Swig has 25 years venture capital, corporate finance and merchant/investment banking experience.

DENNIS P. RIORDAN joined the Company on February 12, 1996 as the Controller. Mr. Riordan previously served as Controller Residential Group for Winthrop Management from May 1989 to May 1994. From June 1986 to May 1989, he served in various positions as an assistant controller at Krupp Management, a real estate concern. Prior to that, Mr. Riordan spent twelve years in public accounting, primarily as an audit manager.

JAMES N. LITTLE has served as a director of the Company since December 1995. Since December 2005, Dr. Little has served as Senior Vice President of Cetek Corporation, a position he also held from August 1998 until December 2001. From December 2001 until December 2005, he served as the President of Cetek, which is a biotechnology drug discovery company. From 1981 to August 1998, Dr. Little served as a Senior Vice President of Sales, Marketing and Business Development for Zymark Corporation (which was later acquired by Caliper Life Sciences), a manufacturer of scientific instrumentation. Mr. Little serves on the Company s Compensation, Audit and Nominating and Corporate Governance Committees.

LEO PIERRE ROY has served as a director of the Company since June 2000. Mr. Roy has more than 20 years of experience as a senior manager and consultant. Mr. Roy currently serves as director of environmental services at Vanasse Hangen & Brustlin, Inc. (VHB), a recognized leader in providing transportation, land development, and environmental services. Prior to joining VHB in September 2003, Mr. Roy was the Vice President and Chief Operating Officer of The Bioengineering Group, Inc., a firm engaged in consulting in the areas of erosion control, water quality, ecological restoration and bioremediation from September 2000 to September 2003. Between 1998 and 2000 he served as the President of Houqua & Company, Inc., a consulting firm specializing in strategic planning and development services. From 1997 to 1998, Mr. Roy served as President and Chief Operating Officer of Energy Answers Corporation, a designer, developer and owner of resource recovery, power, recycling and solid waste management companies. From 1992 to 1996, Mr. Roy served first as Director of Waste Policy and Planning and later as Undersecretary of the Executive Office of Environmental Affairs for the Commonwealth of Massachusetts. From 1990 to 1991, Mr. Roy was the Regional Manager of Special Projects for Waste Management, Inc. From 1985 to 1989, he was the Vice President and Chief Operating Officer of Orne Enterprises, Inc., a venture capital, environmental technology holding company. Mr. Roy is the Chairman of the Company s Compensation Committee and serves on the Company s Audit and Nominating and Corporate Governance Committees.

GEORGE UVEGES has served as a director of the Company since November 2005. Mr. Uveges is the founder and principal in the Tallwood Group, an angel investing firm that provides financial and management advisory services in addition to investment capital. From 2001 to 2004, Mr. Uveges served as the President and Chief Executive Officer of TranXenoGen, Inc., a development-stage, publicly-held biotech company focused on developing new methods for manufacturing therapeutic proteins and a portfolio of products, including generics, a cancer treatment and antibodies. He was also a director of that company from 2001 to 2005. Mr. Uveges is the Chairman of the Company s Nominating and Corporate Governance Committee, is a member of the Company s Audit and Compensation Committees and is a financial expert on the Audit Committee. Mr. Uveges is a member of the Board of Directors of Harvard Bioscience, Inc., a publicly held developer, manufacturer and marketer of products used in life science research.

ERIC G. WALTERS has served as a director of the Company since November 2005. Mr. Walters is Vice President and Chief Financial Officer of CardioTech International, Inc., a publicly traded company. Prior to joining CardioTech, Mr. Walters served as Vice President and Chief Financial Officer at Konarka Technologies, Inc., a developer of light-activated plastic (photovoltaic) material. Prior to joining Konarka, Mr. Walters served in various capacities at PolyMedica Corporation during a 13-year period, including Executive Vice President and Chief Financial Officer. Mr. Walters, a CPA, is a Member, American Institute of Certified Public Accountants, a Fellow of the Massachusetts Society of Certified Public Accountants, and a Member in Financial Executives International. Mr. Walters is the Chairman of the Audit Committee of the Board of Directors and is a financial expert on the Audit Committee.

Board of Directors, Committees and Meetings

The business and affairs of the Company are managed on a day-to-day basis by the Company s management and executive officers, under the supervision and review of the Board of Directors. The Board of Directors of the Company held four meetings and acted by unanimous written consent one time during the fiscal year ended December 31, 2005.

Ratification by a majority of the full Board of Directors is required with respect to decisions taken by the committees. During the fiscal year ended December 31, 2005, each of the directors attended more than 75% of (i) the total number of meetings of the Board of Directors, and (ii) the total number of meetings held by all committees on which each director served.

Written communications from the Company s stockholders can be sent to the Board of Directors at the Company s principal business address and marked to the attention of the specific Director with which the stockholder wishes to communicate, or if not to any specified director, then to the Chairman of the Board of Directors. All stockholder communications are forwarded to the specific Director to whom it is addressed. If addressed to the Board of Directors as a whole, the Chairman of the Board of Directors reviews each communication and determines, in his judgment, whether to forward it to the Board of Directors as a whole. This process has been adopted by a majority of the Company s independent directors.

The Company expects, absent extraordinary circumstances, that each member of the Board of Directors will attend the Company s Annual Meeting of Stockholders. Last year, all members of the Board of Directors personally attended the 2005 Annual Meeting of Stockholders.

The Nominating and Corporate Governance Committee. The Board of Directors of the Company has a standing nominating and corporate governance committee comprised of Messrs. Cortina, Little, Roy and Uveges, each of whom is independent in accordance with the standards of the Securities and Exchange Commission. Mr. Cortina is retiring effective June 20, 2006. In accordance with Item 7 of Rule 14a-101, although the Company is not presently listed on any national securities exchange, each of the Directors on the Nominating and Corporate Governance Committee is independent in accordance with the standards of the American Stock Exchange. The Nominating and Corporate Governance Committee has a charter that is attached to this proxy statement as Appendix A and which is available on the Company s website at http://www.mficcorp.com/nnomcorpgov.html. The Nominating and Corporate Governance Committee reviews and reports to the Board on an occasional basis regarding the size and composition of the Board and recommends to the Board nominees for election to the Board. The Nominating and Corporate Governance Committee met three times in and acted by unanimous written consent 0 times in 2005.

The Nominating and Corporate Governance Committee accepts and considers nominations by directors, executive officers, employees, advisors and consultants and security holders. The Company may hire an outside consultant to help in the search for a new director. Stockholders should submit nominations in writing to the Company s Board of Directors, which should be mailed to the Company s principal mailing address, addressed to the attention of the Corporate Secretary. When the Nominating and Corporate Governance Committee becomes aware of a vacant seat on the Board of Directors, whether because of retirement or resignation of a director or otherwise, the Nominating and Corporate Governance Committee, or a subcommittee thereof, reviews all nominations received, and recommends whether nominees should be submitted to the full Board of Directors. Neither the Nominating and Corporate Governance Committee nor the Board of Directors has established any specific minimum criteria or qualifications that a nominee must possess. The Nominating and Corporate Governance Committee and the Board of Directors review all nominees on the basis of the nominee s qualifications, including the nominee s independence, education and business experience. In addition, the Nominating and Corporate Governance Committee considers other factors, such as whether a nominee will have sufficient time to devote to being an active member of the Board of Directors.

Mr. Gruverman, the Company s Chief Executive Officer, Chairman of the Board of Directors and the holder, with his spouse, of approximately 19% of the Company s outstanding securities, has previously recommended candidates for open director positions.

The Compensation Committee. The Compensation Committee, which currently consists of Messrs. Cortina, Little, Roy and Uveges, determines who receives stock options under the Company s stock plans (except for the 1989 Non-Employee Director Plan, under which grants are automatically made) and also reviews and approves employee remuneration. Mr. Cortina is retiring effective June 20, 2006. Each of the members of the Compensation Committee is independent in accordance with the standards of the Securities Exchange Commission. In accordance with Item 7 of Rule 14a-101, although the Company is not presently listed on any national securities exchange, each of the Directors on the Compensation Committee is independent in accordance with the standards of the American Stock Exchange. The Compensation Committee acted by unanimous written consent on four occasions during the fiscal year ended December 31, 2005.

The Compensation Committee has a charter that is attached to this proxy statement as Appendix B and which is available on the Company s website at http://www.mficcorp.com/ncomp.html.

The Audit Committee. The Audit Committee, which currently consists of Messrs. Walters, Little, Roy and Uveges, each of whom is an independent director under the standards of the Securities Exchange Commission, oversees the accounting, financial reporting and tax functions of the Company, including matters relating to the internal control over financial reporting and the appointment and activities of the Company s independent accountants. In accordance with Item 7 of Rule 14a-101, although the Company is not presently listed on any national securities exchange, each of the members of the Audit Committee is independent in accordance with Section 121(A) of the listing standards of the American Stock Exchange. Mr. Walters, the Chairperson of the Audit Committee, and Mr. Uveges are each an Audit Committee financial expert, as defined in Item 401(h)(i) of Regulation S-K. The Audit Committee met 3 times last year and acted by unanimous written consent on 1 occasion during the fiscal year ended December 31, 2005.

The Audit Committee has a charter, which is reviewed at least annually by the Audit Committee and the entire Board of Directors. The Audit Committee charter was last revised on January 16, 2003 and was filed with the Company s proxy statement in 2005. The Audit Committee charter is available on the Company s website at http://www.mficcorp.com/naudit.html.

Certain Relationships and Related Transactions

During the fiscal year ended December 31, 2005, the Company made a final principal and interest payment totaling $6,304 to Messrs. Jennings and Lewis, former principal holders of the Company s common stock, in connection with subordinated debt owed them.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2005:

- no executive officer of the Company served as a member of the compensation committee of another entity, one of whose executive officers served on the Compensation Committee of the Company;

- no executive officer of the Company served as a director of another entity, one of whose executive officers served on the Compensation Committee of the Company; and

- no executive officer of the Company served as a member of the compensation committee of another entity, one of whose executive officers served as a director of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on a review of Forms 3, 4 and 5 and amendments thereto furnished to the Company by its reporting persons, each of Robert P. Bruno, Vincent B. Cortina, Irwin J. Gruverman, James N. Little, Dennis P. Riordan, Leo Pierre Roy, Jack M. Swig and Edward T. Paslawski, a former director, filed a late Form 4 relating to grants on January 2, 2005 of options exempt from Rule 16b-3 and each of Robert P. Bruno, Dennis P. Riordan and Jack M. Swig filed a late Form 4 relating to grants of options on December 6, 2005. Due to technical difficulties in obtaining certain filing codes, Mr. Uveges filed his Form 3 late. The Company has reviewed its procedures for making appropriate filings with each of its reporting persons.

Code of Ethics

The Company has adopted a Code of Ethics that applies to all of the Company s employees, officers and directors. Any person may receive a copy, without charge, of the Company s Code of Ethics by sending a request for the Code of Ethics to MFIC Corp., 30 Ossipee Road, Newton, MA 02464-9101, ATTN: Investor Relations. The Code of Ethics is available on the Company s website: http://www.mficcorp.com/nethics.html.

EXECUTIVE COMPENSATION

The table below includes compensation information for each of the Company s named executive officers.

Name and Principal Position	Year	Annual Compensation Salary	Bonus	Long-Term Compensation Securities Underlying Stock Options (#)	All Other Compensation
Irwin J. Gruverman	2005	$ 125,000	$ 0	85,000	$ 0
Chief Executive Officer, Chairman of the Board	2004	$ 97,000	$ 6,912	50,000	$ 0
of Directors, Treasurer and Secretary	2003	$ 95,000	$ 0	50,000	$ 0
Robert P. Bruno	2005	$ 163,000	$ 0	60,000	$ 0
President, Chief Operating Officer, and Vice	2004	$ 153,000	$ 6,912	50,000	$ 0
President Sales/Marketing	2003	$ 150,000	$ 0	50,000	$ 0
Jack M. Swig	2005	$ 115,000	$ 0	20,000	$ 0
Vice President, Corporate Development and	2004	$ 107,000	$ 4,608	15,000	$ 0
General Counsel	2003	$ 1,503,099			

37,500	OncoGenex Pharmaceutical, Inc. warrants (Restricted, expiration 10/22/15) [a] [b]	123,000
48,743	Onyx Pharmaceuticals, Inc. [b]	1,836,636
343,067	Puma Biotechnology, Inc. (Restricted) [a] [b]	1,286,501
N/A	Puma Biotechnology, Inc. warrants (Restricted, expiration 10/04/21) [a] [b]	0
48,995	Regeneron Pharmaceuticals, Inc. [b]	5,713,797
195,000	Targacept, Inc. [b]	998,400
64,581	United Therapeutics Corporation [b]	3,043,703
274,325	Verastem, Inc. (Restricted) [b]	2,698,535
161,202	Vertex Pharmaceuticals, Inc. [b]	6,610,894
111,941	VIVUS, Inc. [b]	2,503,001

		86,021,368
	Drug Delivery - 2.1%	
4,133,334	A.P. Pharma, Inc. (b)	1,529,333
2,066,667	A.P. Pharma, Inc. warrants (Restricted, expiration 7/01/16) (a) (b)	330,667
711,350	IntelliPharmaCeutics International, Inc. (b) (c)	2,006,007
319,800	IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/13) (a) (b) (c)	140,712
319,800	IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/16) (a) (b) (c)	332,592
		4,339,311
	Drug Discovery Technologies - 0.0%	
1,601,039	MZT Holdings, Inc. (b) (c)	64,842
46	Zyomyx, Inc. (Restricted) (a) (b)	11
		64,853
	Generic Pharmaceuticals - 17.1%	
580,157	Akorn, Inc. (b)	6,787,837
162,487	Impax Laboratories, Inc. (b)	3,993,930
279,254	Mylan, Inc. (b)	6,548,506
60,055	Perrigo Company	6,204,282
209,841	Teva Pharmaceutical Industries Ltd. (f)	9,455,436
37,820	Watson Pharmaceuticals, Inc. (b)	2,536,209
		35,526,200

The accompanying notes are an integral part of the financial statements.

H&Q LIFE SCIENCES INVESTORS

SCHEDULE OF INVESTMENTS

MARCH 31, 2012

(Unaudited)

(continued)

SHARES	*Healthcare Services - 2.4%*	**VALUE**
321,791	Addus HomeCare Corporation [b]	$ 1,592,865
148,148	Aveta, Inc. (Restricted) [a] [g]	1,259,258
43,400	Covance, Inc. [b]	2,067,142
		4,919,265
	Medical Devices and Diagnostics - 10.5%	
113,185	Accuray, Inc. [b]	799,086
130,851	Alere, Inc. [b]	3,403,434
127,413	Bruker Corporation [b]	1,950,693
130,000	Ceracor Laboratories, Inc. (Restricted) [a] [b]	82,757
42,028	Gen-Probe, Inc. [b]	2,791,080
35,561	iCAD, Inc. [b]	17,425
119,389	iCAD, Inc. (Locked-up until 6/30/12) (Restricted) [a]	55,576
26,533	iCAD, Inc. (Locked-up until 12/31/12) (Restricted) [a]	11,701
17,668	IDEXX Laboratories, Inc. [b]	1,545,067
100,700	Illumina, Inc. [b]	5,297,827
67,000	Life Technologies Corporation [b]	3,270,940
447,080	Medwave, Inc. [b]	0
62,005	OmniSonics Medical Technologies, Inc. (Restricted) [a] [b]	62
21,531	Palomar Medical Technologies, Inc. [b]	201,100
139	Songbird Hearing, Inc. (Restricted) [a] [b]	93
42,333	Thermo Fisher Scientific, Inc.	2,386,734
		21,813,575
	Pharmaceuticals - 8.1%	
27,590	Endo Pharmaceuticals Holdings, Inc. [b]	1,068,561
51,377	Medivation, Inc. [b]	3,838,889
47,597	Sanofi, CVR (expiration 12/31/20) [b] [h]	64,256
447,983	Santarus, Inc. [b]	2,620,700
43,217	Shire plc [f]	4,094,811
238,638	Warner Chilcott plc [b]	4,011,505
625,000	Zogenix, Inc. [b]	1,250,000
		16,948,722
	TOTAL COMMON STOCKS AND WARRANTS (Cost $149,748,229)	169,633,294

	EXCHANGE TRADED FUND - 1.0%	
16,860	iShares Nasdaq Biotechnology Index Fund	2,078,838
	TOTAL EXCHANGE TRADED FUND (Cost $2,050,784)	2,078,838

The accompanying notes are an integral part of the financial statements.

H&Q LIFE SCIENCES INVESTORS

SCHEDULE OF INVESTMENTS

MARCH 31, 2012

(Unaudited)

(continued)

PRINCIPAL AMOUNT	**SHORT-TERM INVESTMENT - 6.7%**	**VALUE**
$ 13,822,000	Repurchase Agreement, State Street Bank and Trust Co., repurchase value $13,822,012, 0.01%, dated 03/30/12, due 04/02/12 (collateralized by U.S. Treasury Note 4.23%, 06/30/16, market value $14,102,344)	$ 13,822,000
	TOTAL SHORT-TERM INVESTMENT (Cost $13,822,000)	13,822,000
	TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 97.6% (Cost $190,520,388)	202,829,871
INTEREST	**MILESTONE INTERESTS (Restricted) [(a) (b)] - 3.1%**	
	Biotechnologies/Biopharmaceuticals - 1.8%	
1	Targegen Milestone Interest	3,724,119
	Medical Devices and Diagnostics - 1.3%	
1	Interlace Medical Milestone Interest	2,135,066
1	Xoft Milestone Interest	657,952
		2,793,018
	TOTAL MILESTONE INTERESTS (Cost $4,543,753)	6,517,137
	TOTAL INVESTMENTS - 100.7% (Cost $195,064,141)	209,347,008
	OTHER LIABILITIES IN EXCESS OF ASSETS - (0.7)%	(1,364,689)
	NET ASSETS - 100%	$ 207,982,319

(a) Security fair valued.

(b) Non-income producing security.

(c) Affiliated issuers in which the Fund holds 5% or more of the voting securities (total market value of $12,740,963).

(d) Number of warrants to be determined at a future date.

(e) Foreign security.

(f) American Depository Receipt

(g) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

(h) Contingent Value Rights

The accompanying notes are an integral part of the financial statements.

H&Q LIFE SCIENCES INVESTORS

SCHEDULE OF INVESTMENTS

MARCH 31, 2012

(Unaudited)

(continued)

Other Information

The Fund uses a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in three broad levels. Level 1 includes quoted prices in active markets for identical investments. Level 2 includes prices determined using other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Level 3 includes prices determined using significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). These inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of March 31, 2012 to value the Fund's net assets. For the six months ended March 31, 2012, there were no transfers between Levels 1 and 2.

Assets at Value	Level 1	Level 2	Level 3	Total
Convertible Securities and Warrants				
Biotechnologies/Biopharmaceuticals			$ 2,640,788	$ 2,640,788
Drug Discovery Technologies			0	0
Healthcare Services			4,177,741	4,177,741
Medical Devices and Diagnostics			10,477,210	10,477,210
Common Stocks and Warrants				
Biotechnologies/Biopharmaceuticals	$ 79,481,827		6,539,541	86,021,368
Drug Delivery	3,535,340		803,971	4,339,311
Drug Discovery Technologies	64,842		11	64,853
Generic Pharmaceuticals	35,526,200			35,526,200
Healthcare Services	3,660,007		1,259,258	4,919,265
Medical Devices and Diagnostics	21,663,386		150,189	21,813,575
Pharmaceuticals	16,948,722			16,948,722
Exchange Traded Fund	2,078,838			2,078,838
Short-Term Investment		$ 13,822,000		13,822,000
Milestone Interests				

Biotechnologies/Biopharmaceuticals			3,724,119	3,724,119
Medical Devices and Diagnostics			2,793,018	2,793,018
Other Assets			1,365,576	1,365,576
Total	$ 162,959,162	$ 13,822,000	$ 33,931,422	$ 210,712,584

The accompanying notes are an integral part of the financial statements.

H&Q LIFE SCIENCES INVESTORS

SCHEDULE OF INVESTMENTS

MARCH 31, 2012

(Unaudited)

(continued)

Other Information, continued

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. Realized and unrealized gain (loss) disclosed in the reconciliation are included in Net Realized and Unrealized Gain (Loss) on the Statement of Operations.

Level 3 Assets	Balance as of September 30, 2011	Realized gain/loss and change in unrealized appreciation (depreciation)	Cost of purchases	Proceeds from sales	Net transfers in (out of) Level 3	Balance as of March 31, 2012
Convertible Securities and Warrants						
Biotechnologies/ Biopharmaceuticals	$ 2,123,763	($ 6,831)	$ 756,423	($ 232,567)		$ 2,640,788
Drug Discovery Technologies	3,200,737	(779,945)	28	(2,420,820)		0
Healthcare Services	3,503,912	673,829				4,177,741
Medical Devices and Diagnostics	17,269,542	(571,308)	756,215	(6,977,239)		10,477,210
Common Stocks and Warrants						
Biotechnologies/ Biopharmaceuticals	61,875	446,383	6,039,911	(8,628)		6,539,541
Drug Delivery	890,798	(86,827)				803,971
Drug Discovery Technologies	11					11
Healthcare Services	1,333,332	(74,074)				1,259,258
Medical Devices and Diagnostics	150,808	46,964		(47,583)		150,189
Milestone Interests						

Biotechnologies/ Biopharmaceuticals	4,627,443	(35,878)		(867,446)	3,724,119
Medical Devices and Diagnostics	3,424,284	1,303,656	620	(1,935,542)	2,793,018
Other Assets	746,232		1,094,439	(475,095)	1,365,576
Total	$ 37,332,737	$ 915,969	$ 8,647,636	($ 12,964,920)	$ 33,931,422
Net change in unrealized appreciation (depreciation) from investments still held as of March 31, 2012					$ 1,678,334

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")." ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers into and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements.

The accompanying notes are an integral part of the financial statements.

H&Q LIFE SCIENCES INVESTORS

STATEMENT OF ASSETS AND LIABILITIES

MARCH 31, 2012

(Unaudited)

ASSETS:	
Investments in unaffiliated issuers, at value (cost $176,499,645)	$ 190,088,908
Investments in affiliated issuers, at value (cost $14,020,743)	12,740,963
Milestone interests, at value (cost $4,543,753)	6,517,137
Cash	586
Dividends and interest receivable	21,834
Receivable for investments sold	1,768,097
Prepaid expenses	46,354
Receivable from investment adviser	37,712
Other assets (See Note 1)	1,365,575
Total assets	212,587,166
LIABILITIES:	
Payable for investments purchased	$ 4,211,121
Accrued advisory fee	194,547
Accrued shareholder reporting fees	51,992
Accrued trustee fees	8,281
Accrued other	138,906
Total liabilities	4,604,847
NET ASSETS	$ 207,982,319
SOURCES OF NET ASSETS:	
Shares of beneficial interest, par value $.01 per share, unlimited number of shares authorized, amount paid in on 14,137,535 shares issued and outstanding	$ 169,484,213
Accumulated net investment loss	(928,339)
Accumulated net realized gain on investments, milestone interests and options	25,143,578
Net unrealized gain on investments and milestone interests	14,282,867
Total net assets (equivalent to $14.71 per share based on 14,137,535 shares outstanding)	$ 207,982,319

The accompanying notes are an integral part of these financial statements.

H&Q LIFE SCIENCES INVESTORS

STATEMENT OF OPERATIONS

SIX MONTHS ENDED MARCH 31, 2012

(Unaudited)

INVESTMENT INCOME:	
Dividend income (net of foreign tax of $21,001)	$ 685,854
Interest Income	698
Total investment income	686,552
EXPENSES:	
Advisory fees	1,083,360
Legal fees	127,249
Trustees' fees and expenses	102,557
Shareholder reporting	88,735
Administration and auditing fees	78,182
Custodian fees	41,248
Transfer agent fees	26,640
Excise tax	37,712
Other (see Note 2)	66,920
Total expenses	1,652,603
Less: Expenses reimbursed by investment adviser (see Note 2)	(37,712)
Net Expenses	1,614,891
Net investment loss	(928,339)
REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on:	
Investments in unaffiliated issuers	24,358,642
Investments in affiliated issuers	2,463,416
Closed or expired option contracts written	22,579
Net realized gain	26,844,637
Change in unrealized appreciation (depreciation)	
Investments in unaffiliated issuers	29,556,780
Investments in affiliated issuers	(2,295,598)
Milestone interests	1,267,778
Option contracts written	(24,255)
Change in unrealized appreciation (depreciation)	28,504,705
Net realized and unrealized gain (loss)	55,349,342
Net increase in net assets resulting from operations	$ 54,421,003

The accompanying notes are an integral part of these financial statements.

H&Q LIFE SCIENCES INVESTORS

STATEMENTS OF CHANGES IN NET ASSETS

	Six months ended March 31, 2012 (Unaudited)	Year ended September 30, 2011
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS:		
Net investment loss	($ 928,339)	($ 3,801,035)
Net realized gain	26,844,637	32,456,390
Change in net unrealized appreciation	28,504,705	8,811,693
Net increase in net assets resulting from operations	54,421,003	37,467,048
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net realized capital gains	(12,581,680)	(20,290,994)
Total distributions	(12,581,680)	(20,290,994)
CAPITAL SHARE TRANSACTIONS:		
Fund shares repurchased (975,059 and 8,068,135 shares, respectively) (See Notes 1 and 5)	(10,877,720)	(107,138,775)
Reinvestment of distributions (534,180 and 804,408 shares, respectively)	6,465,683	9,089,235
Total capital share transactions	(4,412,037)	(98,049,540)
Net increase (decrease) in net assets	37,427,286	(80,873,486)
NET ASSETS:		
Beginning of period	170,555,033	251,428,519
End of period	$ 207,982,319	$ 170,555,033
*Includes accumulated net investment loss of:	($ 928,339)	$ 0[(a)]

(a) Reflects reclassifications to the Fund's capital accounts to reflect income and gains available for distribution under income tax regulations.

The accompanying notes are an integral part of these financial statements.

H&Q LIFE SCIENCES INVESTORS

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED MARCH 31, 2012

(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Purchases of portfolio securities	($ 68,894,827)
Purchases to close option contracts written	(32,115)
Net maturities of short-term investments	(9,400,730)
Sales of portfolio securities	96,889,728
Proceeds from option contracts written	11,620
Interest income received	422
Dividend income received	668,780
Other operating receipts (expenses paid)	(2,249,147)
Net cash provided from operating activities	16,993,731
CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash distributions paid	(6,115,997)
Fund shares repurchased	(10,877,720)
Net cash used for financing activities	(16,993,717)
NET INCREASE IN CASH	14
CASH AT BEGINNING OF PERIOD	572
CASH AT END OF PERIOD	$ 586
RECONCILIATION OF NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	$ 54,421,003
Purchases of portfolio securities	(68,894,827)
Purchases to close option contracts written	(32,115)
Net maturities of short-term investments	(9,400,730)
Sales of portfolio securities	96,889,728
Proceeds from option contracts written	11,620
Accretion of discount	(269)
Net realized gain on investments and options	(26,844,637)
Decrease in net unrealized appreciation (depreciation) on investments and options	(28,504,705)
Increase in dividends and interest receivable	(17,081)
Increase in accrued expenses	25,695
Increase in prepaid expenses and other assets	(659,951)
Net cash provided from operating activities	$ 16,993,731

Noncash financing activities not included herein consist of reinvested distributions to shareholders of $6,465,683.

Noncash operating activity not included herein consists of corporate actions of $108,346.

The accompanying notes are an integral part of these financial statements.

H&Q LIFE SCIENCES INVESTORS

FINANCIAL HIGHLIGHTS

	Six months ended March 31, 2012 (Unaudited)	Year ended September 30, 2011	2010	2009	2008	2007
OPERATING PERFORMANCE FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD						
Net asset value per share, Beginning of period	$ 11.70	$ 11.51	$ 11.32	$ 13.18	$ 15.34	$ 13.94
Net investment loss (1)	(0.07)(2)	(0.19)(3)	(0.09)(4)	(0.15)	(0.14)	(0.09)
Net realized and unrealized gain (loss)	3.90	1.26	0.53	(1.03)	(0.87)	2.63
Total increase (decrease) from investment operations	3.83	1.07	0.44	(1.18)	(1.01)	2.54
Distributions to shareholders from:						
Net realized capital gain	(0.90)	(1.01)	(0.29)	(0.10)	(1.15)	(1.14)
Return of capital (tax basis)				(0.58)		
Total distributions	(0.90)	(1.01)	(0.29)	(0.68)	(1.15)	(1.14)
Increase resulting	0.08	0.13	0.04			

from shares repurchased (1)						
Net asset value per share, End of period	$ 14.71	$ 11.70	$ 11.51	$ 11.32	$ 13.18	$ 15.34
Per share market value, End of period	$ 13.83	$ 10.46	$ 9.59	$ 9.23	$ 10.62	$ 13.53
Total investment return at market value	42.21%*	19.15%	7.05%	(5.56%)	(13.52%)	10.56%
RATIOS						
Expenses to average net assets	1.79%**	1.77%	1.52%	1.58%	1.56%	1.60%
Expenses to average net assets with reimbursement	1.75%**					
Net investment loss to average net assets	(1.00%)**(2)	(1.54%)(3)	(0.79%)(4)	(1.38%)	(0.99%)	(0.60%)
SUPPLEMENTAL DATA						
Net assets, end of period (in millions)	$ 208	$ 171	$ 251	$ 249	$ 278	$ 308

Portfolio turnover rate	40.86%*	93.57%	57.45%	82.88%	73.89%	112.69%

* Not Annualized.

** Annualized.

(1) Computed using average shares outstanding.

(2) Includes a special dividend from an issuer in the amount of $1.00 per share. Excluding the special dividend, the ratio of net investment loss to average net assets would have been (1.60%).

(3) Includes a special dividend from an issuer in the amount of $0.02 per share. Excluding the special dividend, the ratio of net investment loss to average net assets would have been (1.66%).

(4) Includes a special dividend from an issuer in the amount of $0.06 per share. Excluding the special dividend, the ratio of net investment loss to average net assets would have been (1.28%).

The accompanying notes are an integral part of these financial statements.

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(Unaudited)

(1) Organization and Significant Accounting Policies

H&Q Life Sciences Investors (the Fund) is a Massachusetts business trust registered under the Investment Company Act of 1940 as a diversified closed-end management investment company. The Fund's investment objective is long-term capital appreciation through investment in companies in the life sciences industry (including biotechnology, pharmaceutical, diagnostics, managed healthcare and medical equipment, hospitals, healthcare information technology and services, devices and supplies), agriculture and environmental management. The Fund invests primarily in securities of public and private companies that are believed by Hambrecht & Quist Capital Management LLC (the Adviser) to have significant potential for above-average growth.

The preparation of these financial statements requires the use of certain estimates by management in determining the Fund's assets, liabilities, revenues and expenses. Actual results could differ from these estimates and such differences could be material. The following is a summary of significant accounting policies consistently followed by the Fund, which are in conformity with accounting principles generally accepted in the United States of America. Events or transactions occurring after March 31, 2012 through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment Valuation

Shares of publicly traded investments listed on national securities exchanges or in the over-the-counter market are typically valued at the last sale price, as of the close of trading, generally 4 p.m., Eastern time. The Trustees have established and approved fair valuation policies and procedures with respect to securities for which effective quoted prices may not be available. Shares of publicly traded investments for which market quotations are not readily available, such as stocks for which trading has been halted or for which there are no current day sales, or whose quoted price may otherwise not reflect fair value are valued in good faith by the Adviser using a fair valuation process described below. Restricted securities of companies that are publicly traded are valued typically based on the closing market quote on the valuation date adjusted for the impact of the restriction as determined in good faith by the Adviser also using the fair valuation process described below. Non-traded warrants of publicly traded companies are typically valued using the Black-Scholes model, which incorporates both observable and unobservable inputs. Short-term investments with a maturity of 60 days or less are valued at amortized cost, which approximates fair value.

Convertible preferred shares, warrants or convertible note interests in private companies, milestone interests, other restricted securities, as well as shares of publicly traded companies for which market quotations are not available or which do not reflect fair value, are typically valued in good faith, based upon the recommendations made by the Adviser pursuant to fair valuation policies and procedures approved by the Trustees. Each fair value determination is based on a consideration of relevant factors. Factors the Adviser considers may include (i) the existence of any contractual restrictions on the disposition of securities; (ii) information obtained from the company, which may include an analysis of the company's financial statements, the company's products or intended markets or the company's technologies; (iii) the price of a security negotiated at arm's length in an issuer's completed subsequent round of financing; (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies; or (v) a probability and time value adjusted analysis of contractual term. Where appropriate, multiple valuation methodologies are applied to confirm fair value. Due to the uncertainty inherent in the valuation process, despite the Adviser's good faith effort, such

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

estimates of fair value may differ significantly from the values that would have been used had a ready market for the investments existed, and differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations currently assigned.

Options on Securities

An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, the right to purchase from (call option) or sell to (put option) the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Fund if the option is exercised. The Fund may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets, as a temporary substitute for selling selected investments to lock in the purchase price of a security or currency which it expects to purchase in the near future as a temporary substitute for purchasing selected investments, or to enhance potential gain.

The Fund's obligation under an exchange traded written option or investment in an exchange-traded purchased option is valued at the last sale price or in the absence of a sale, the mean between the closing bid and asked prices. Gain or loss is recognized when the option contract expires, is exercised or is closed.

If the Fund writes a covered call option, the Fund foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Fund writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Fund's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Fund's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

All options on securities and securities indices written by the Fund are required to be covered. When the Fund writes a call option, this means that during the life of the option the Fund may own or have the contractual right to acquire the securities subject to the option or may maintain with the Fund's custodian in a segregated account appropriate liquid securities in an amount at least equal to the market value of the securities underlying the option. When the Fund writes a put option, this means that the Fund will maintain with the Fund's custodian in a segregated account appropriate liquid securities in an amount at least equal to the exercise price of the option. The Fund may use option contracts to gain or hedge exposure to financial market risk.

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

Transactions in call options written for the six months ended March 31, 2012 were as follows:

	Contracts	Premiums
Options outstanding, September 30, 2011	194	$ 43,073
Options written	111	11,620
Options terminated in closing purchase transactions	(194)	(43,073)
Options exercised		
Options expired	(111)	(11,620)
Options outstanding, March 31, 2012		$

Derivatives not accounted for as hedging instruments under ASC 815	Statement of Assets and Liabilities Location	Statement of Operations Location	
The Fund had no open options written contracts at March 31, 2012		Net realized gain on investments in unaffiliated issuers	$ 0
		Net realized gain on closed or expired option contracts written	$ 22,579
		Change in unrealized appreciation (depreciation) on investments in unaffiliated issuers	$ 0
		Change in unrealized appreciation (depreciation) on option contracts written	($ 24,255)

Milestone Interests

The Fund holds financial instruments which reflect the current value of future milestone payments the Fund may receive as a result of contractual obligations from other parties. The value of such payments are adjusted to reflect the estimated risk with the relative uncertainty of both the timing and the achievement of individual milestones. A risk to the Fund is that the milestones will not be achieved and no payment will be received by the Fund. The milestone interests were received as part of the proceeds from the sale of three private companies.

The following is a summary of the impact of the three milestone interest on the financial statements as of and for the six months ended March 31, 2012:

Statement of Assets and Liabilities, Milestone interests, at value	$ 6,517,137
Statement of Assets and Liabilities, Net unrealized loss on investments, milestone interests and options	$ 1,973,384
Statement of Operations, Net realized gain on investments in unaffiliated issuers	$ 0
Statement of Operations, Change in unrealized appreciation (depreciation) on milestone interests	$ 1,267,778

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

Other Assets

Other assets in the Statement of Assets and Liabilities consists of amounts due to the Fund at various times in the future in connection with the sale of investments in five private companies.

Investment Transactions and Income

Investment transactions are recorded on a trade date basis. Gains and losses from sales of investments are recorded using the "identified cost" method. Interest income is recorded on the accrual basis, adjusted for amortization of premiums and accretion of discounts. Dividend income is recorded on the ex-dividend date, minus any foreign taxes.

The aggregate cost of purchases and proceeds from sales of investment securities (other than short-term investments) for the six months ended March 31, 2012 totaled $72,459,708 and $95,596,344, respectively.

Repurchase Agreements

In managing short-term investments the Fund may from time to time enter into transactions in repurchase agreements. In a repurchase agreement, the Fund's custodian takes possession of the underlying collateral securities from the counterparty, the market value of which is at least equal to the principal, including accrued interest, of the repurchase transaction at all times. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral by the Fund may be delayed.

Distribution Policy

Pursuant to a Securities and Exchange Commission exemptive order, the Fund has implemented a fixed distribution policy (the Policy) that permits the Fund to make quarterly distributions at a rate set by the Board of Trustees. Under the current Policy, the Fund intends to make quarterly distributions at a rate of 2% of the Fund's net assets to shareholders of record. The Fund intends to use net realized capital gains when making quarterly distributions, if available, but the Policy would result in a return of capital to shareholders if the amount of the distribution exceeds the Fund's net investment income and realized capital gains. Under the Policy realized capital gains in excess of the total distributed would be included in the December distribution. Previously, for the period April 5, 2010 to November 1, 2010, the Fund had made quarterly distributions a rate of 1.25% of the Fund's net assets. The Board of Trustees suspended the Policy on August 4, 2009 and reinstated the Policy on April 5, 2010. Prior to August 4, 2009, the Fund made quarterly distributions a rate of 2% of the Fund's net assets. The Policy has been established by the Board of Trustees and may be changed by them without shareholder approval. The Board regularly reviews the Policy and the distribution rate considering the purpose and effect of the Policy, the financial market environment, and the Fund's income, capital gains and capital available to pay distributions.

The Fund's policy is to declare distributions in stock. The distributions are automatically paid in newly-issued full shares of the Fund unless otherwise instructed by the shareholder. Fractional shares will generally be settled in cash, except for registered shareholders with book entry accounts at the Fund's transfer agent who will have whole and fractional shares added to their accounts. The Fund's transfer agent delivers an election card and instructions to each registered shareholder in connection with each distribution. The number of shares issued will be determined by dividing the dollar amount of the distribution by the lower of net asset value or market price on the pricing date. If a shareholder elects to receive a distribution in cash, rather than in shares, the shareholder's relative ownership in the Fund will be reduced.

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

The shares reinvested will be valued at the lower of the net asset value or market price on the pricing date. Distributions in stock will not relieve shareholders of any federal, state or local income taxes that may be payable on such distributions.

Share Repurchase Program

In March 2012, the Trustees approved the renewal of the repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares in the open market for a one year period beginning July 11, 2012. Prior to this renewal, in June 2011, the Trustees authorized a share repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2011. The share repurchase program is intended to enhance shareholder value and potentially reduce the discount between the market price of the Fund's shares and the Fund's net asset value.

During the period October 01, 2011 to March 31, 2012, the Fund repurchased 975,059 shares at a total cost of $10,877,720. The weighted average discount per share between the cost of repurchase and the net asset value applicable to such shares at the date of repurchase was 9.85%.

During the period July 11, 2011 to September 30, 2011, the Fund repurchased 271,823 shares at a total cost of $2,923,913. The Weighted average discount per share between the cost of repurchase and the net asset value applicable to such shares at the date of repurchase was 10.40%. The Fund also repurchased shares during the year under a tender offer. See Note 5.

Federal Taxes

It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute to its shareholders substantially all of its taxable income and its net realized capital gains, if any. Therefore, no Federal income or excise tax provision is required.

As of March 31, 2012, the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

Distributions

The Fund records all distributions to shareholders from net investment income and realized gains, if any, on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences include temporary and permanent differences from losses on wash sale transactions, installment sale adjustments and ordinary loss netting to reduce short term capital gains. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution under income tax regulations.

Statement of Cash Flows

The cash amount shown in the Statement of Cash Flows is the amount included in the Fund's Statement of Assets and Liabilities and represents cash on hand at its custodian and does not include short-term investments at March 31, 2012.

Indemnifications

Under the Fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

under these agreements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

(2) Investment Advisory and Other Affiliated Fees

The Fund has entered into an Investment Advisory Agreement (the Advisory Agreement) with the Adviser. Pursuant to the terms of the Advisory Agreement, the Fund pays the Adviser a monthly fee at the rate when annualized of (i) 2.50% of the average net assets for the month of its venture capital and other restricted securities up to 25% of net assets and (ii) for all other net assets, 0.98% of the average net assets up to $250 million, 0.88% of the average net assets for the next $250 million, 0.80% of the average net assets for the next $500 million and 0.70% of the average net assets thereafter. The aggregate fee would not exceed a rate when annualized of 1.36%.

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 certain services related to a portion of the payment of salary and provision of benefits to the Fund's Chief Compliance Officer. During the six months ended March 31, 2012 these payments amounted to $22,667 and are included in the other category in the Statement of Operations, together with insurance and other expenses incurred to unaffiliated entities. Expenses incurred pursuant to the Agreement as well as certain expenses paid for by the Adviser are allocated in an equitable fashion as approved by the Board of the Fund.

During the six months ended March 31, 2012, the adviser agreed to reimburse the fund $37,712 for excise tax expense paid to the United States Treasury for income not distributed in the prior year. This amount is reflected in the Statement of Operations expenses reimbursed by investment adviser.

The Fund pays compensation to Independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The Fund does not pay compensation directly to Trustees or officers of the Fund who are also officers of the Adviser.

(3) Other Transactions with Affiliates

An affiliate company is a company in which the Fund holds 5% or more of the voting securities. Transactions with such companies during the six months ended March 31, 2012 were as follows:

Issuer	Value on September 30, 2011	Purchases	Sales	Income	Value on March 31, 2012
Agilix Corporation	$ 2,635		$ 2,644	$	$ 0
Concentric Medical, Inc.	6,792,332		6,778,583		
EBI Life Sciences, Inc.		$ 40,942	30,798		9,800
	1,967,757	274,005	197,425		2,043,967

Euthymics Biosciences, Inc.					
IntelliPharmaCeutics International, Inc.	2,785,458	197,313			2,479,311
MZT Holdings, Inc.	45,630				64,842
Neurovance, Inc.		178,443	4,343		173,282
Palyon Medical Corporation	1,537,020				1,537,020
PHT Corporation	3,503,912				4,177,741
Veniti, Inc.	2,255,000				2,255,000
	$ 18,889,744	$ 690,703	$ 7,013,793	$	$ 12,740,963

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

(4) Private Companies and Other Restricted Securities

The Fund may invest in private companies and other restricted securities if these securities would currently comprise 40% or less of net assets. The value of these securities represents 16% of the Fund's net assets at March 31, 2012.

At March 31, 2012, the Fund had commitments of $1,013,756 relating to additional investments in two private companies.

The following table details the acquisition date, cost, carrying value per unit, and value of the Fund's private companies and other restricted securities at March 31, 2012. The Fund on its own does not have the right to demand that such securities be registered.

Security [#]	Acquisition Date	Cost	Carrying Value per Unit	Value
Agilix Corporation				
Series B Cvt. Pfd.	11/08/01	$ 1,565,151	$ 0.00	$ 0
A.P. Pharma, Inc.				
Warrants (expiration 7/01/16)	6/30/11	555	0.16	330,667
Athersys, Inc.				
Warrants (expiration 6/08/12)	6/07/07	0	0.00	0
Aveta, Inc.				
Common	12/21/05	2,003,155	8.50	1,259,258
CardioKinetix, Inc.				
Series C Cvt. Pfd.	5/22/08	1,652,787	0.26	618,778
Series D Cvt. Pfd.	12/10/10	544,972	0.11	470,495
Series E Cvt. Pfd.	9/14/11	803,495	0.10	846,234
Warrants (expiration 12/11/19)	12/10/09, 2/11/10	123	0.00	0
Warrants (expiration 6/03/20)	6/03/10, 9/01/10	123	0.00	0
Warrants (expiration 7/07/21)	7/07/11	48	0.00	0
Celladon Corporation				
Series A-1 Cvt. Pfd.	1/27/12	263,032	0.45	257,733
Ceracor Laboratories, Inc.				
Common	3/31/98	0	0.64	82,757
Ceres, Inc.				
Common	2/24/12††	2,418,136	14.39	2,429,935
	9/05/07	16	0.83	1,570

Warrants (expiration 9/05/15)				
Dynex Technologies, Inc.				
Series A Cvt. Pfd.	1/03/12††	198,655	0.18	388,996
Warrants (expiration 4/01/19)	1/03/12††	0	0.00	0
Warrants (expiration 5/06/19)	1/03/12††	0	0.00	0
EBI Life Sciences, Inc.				
Series A Cvt. Pfd.	12/29/11††	10,144	0.00†	9,800
Euthymics Biosciences, Inc.				
Series A Cvt. Pfd.	7/14/10 - 2/28/12	2,050,829	0.92	2,043,967
iCAD, Inc.				
Common (Locked-up until 6/30/12)	1/05/11††	180,321	0.47	55,576
Common (Locked-up until 12/31/12)	1/05/11††	0	0.44	11,701
IntelliPharmaCeutics International, Inc.				
Warrants (expiration 2/01/13)	1/31/11	0	0.44	140,712
Warrants (expiration 2/01/16)	1/31/11	0	1.04	332,592
Interlace Medical				
Milestone Interest	1/14/11	750,766	2,135,066	2,135,066
Labcyte, Inc.				
Series C Cvt. Pfd.	7/18/05	1,283,262	0.52	1,280,000
MacroGenics, Inc.				
Series D Cvt. Pfd.	9/04/08	878,863	0.65	156,006
Magellan Diagnostics, Inc.				
Series A Cvt. Pfd.	11/28/06 - 10/01/09	1,223,270	0.59	1,275,043
Warrants (expiration 4/01/19)	4/03/09	274	0.00	0
Warrants (expiration 5/06/19)	5/12/09	22	0.00	0
Neurovance, Inc.				
Series A Cvt. Pfd.	12/29/11††	174,100	0.08	173,282

H&Q LIFE SCIENCES INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

(continued)

Security (#)	Acquisition Date	Cost	Carrying Value per Unit	Value
OmniSonics Medical Technologies, Inc.				
Series A-1 Cvt. Pfd.	10/01/03	$ 1,201,037	$ 0.00†	$ 1,032
Series B-1 Cvt. Pfd.	6/04/07, 11/15/07	668,068	0.00†	878
Common	5/24/01, 7/02/07	1,606,361	0.00†	62
OncoGenex Pharmaceuticals, Inc.				
Warrants (expiration 10/22/15)	10/22/10	0	3.28	123,000
Palyon Medical Corporation				
Series A Cvt. Pfd.	4/28/09	2,062,094	0.16	1,537,020
PHT Corporation				
Series D Cvt. Pfd.	7/23/01	2,804,181	0.93	3,338,462
Series E Cvt. Pfd.	9/12/03 - 10/14/04	627,548	0.93	746,786
Series F Cvt. Pfd.	7/21/08	81,729	0.93	92,493
Puma Biotechnology, Inc.				
Common	10/04/11	1,288,108	3.75	1,286,501
Warrants (expiration 10/04/21)	10/04/11	0	0.00	0
Songbird Hearing, Inc.				
Common	12/14/00	2,003,239	0.67	93
Targegen				
Milestone Interest	7/20/10	3,207,084	3,724,119	3,724,119
TherOx, Inc.				
Series H Cvt. Pfd.	9/11/00	2,001,787	1.14	49,739
Series I Cvt. Pfd.	7/08/05	386,640	1.14	113,995
Tibion Corporation				
Series B Cvt. Pfd.	2/23/11	1,644,674	0.50	1,640,000
Veniti, Inc.				
Series A Cvt. Pfd.	2/28/11	2,266,050	0.87	2,255,000
Verastem, Inc.				
Common	1/27/12	2,325,000	9.84	2,698,535
Xoft				
Milestone Interest	1/05/11	585,903	657,952	657,952
Zyomyx, Inc.				
Common	2/19/99 - 7/22/04	2,601,013	0.25	11
		$ 43,362,615		$ 32,565,846

(#) See Schedule of Investments and corresponding footnotes for more information on each issuer.

† Carrying value per unit is greater than $0.00 but less than $0.01.

†† Interest received as part of a corporate action for a previously owned security.

(5) Tender Offer

On April 25, 2011, the Trustees approved a tender offer by the Fund to acquire up to 35% of its outstanding shares for cash at a price equal to 98% of the Fund's net asset value per share as of the close of regular trading on the New York Stock Exchange on the business day immediately following the day the offer expires (the "Tender Offer"). The Tender Offer commenced on May 3, 2011 and expired on May 31, 2011.

In connection with the tender offer, the Fund purchased 7,796,312 shares at a total cost of approximately $104,214,862. The tender offer was oversubscribed, and all tenders of shares were subject to proration at a ratio of approximately 67.5157% in accordance with the terms of the tender offer.

H&Q LIFE SCIENCES INVESTORS

INVESTMENT ADVISORY AGREEMENT APPROVAL

The Investment Advisory Agreement (the Advisory Agreement) between the Fund and the Adviser provides that the Advisory Agreement will continue in effect so long as its continuance is approved at least annually by (i) the Trustees of the Fund or the shareholders by affirmative vote of a majority of the outstanding shares and (ii) a majority of the Trustees of the Fund who are not interested persons (the Independent Trustees), by vote cast in person at a meeting called for the purpose of voting on such approval.

On March 20, 2012, the Board, and the Independent Trustees voting separately, determined that the terms of the Advisory Agreement are fair and reasonable and approved the continuance of the Advisory Agreement as being in the best interests of the Fund and its shareholders. In making its determination, the Board considered materials that were specifically prepared by the Adviser at the request of the Board and Fund counsel for purposes of the contract review process, including comparisons of (i) the Fund's performance to its benchmark, the NASDAQ Biotech Index (NBI), and to other investment companies, (ii) the Fund's expenses and expense ratios to those of a peer group of other investment companies, and (iii) the Adviser's profitability with respect to its services for the Fund to the profitability of other investment advisers, as described below. The Trustees took into account that the Adviser presently provides investment management services only to the Fund and to H&Q Healthcare Investors and does not derive any benefit from its relationship with the Fund other than receipt of advisory fees pursuant to the Advisory Agreement. The Board also received and reviewed information throughout the year about the portfolio performance, the investment strategy, the portfolio management team and the fees and expenses of the Fund.

In approving the Advisory Agreement, the Board considered, among other things, the nature, extent, and quality of the services to be provided by the Adviser, the investment performance of the Fund and the Adviser, the costs of services provided and profits realized by the Adviser and its affiliates, and whether fee levels reflect economies of scale for the benefit of Fund shareholders and the extent to which economies of scale would be realized as the Fund grows. The Board reviewed information about the foregoing factors and considered changes, if any, in such information since its previous approval. The Board also evaluated the financial strength of the Adviser and the capability of the personnel of the Adviser, specifically the strength and background of its investment analysts. Fund counsel provided the Board with the statutory and regulatory requirements for approval and disclosure of investment advisory agreements. The Board, including the Independent Trustees, evaluated all of the foregoing and, considering all factors together, determined in the exercise of its business judgment that the continuance of the Advisory Agreement is in the best interests of the Fund and its shareholders. The following provides more detail on certain factors considered by the Trustees and the Board's conclusions with respect to each such factor.

The nature, extent and quality of the services to be provided by the Adviser. On a regular basis the Board considers the roles and responsibilities of the Adviser as a whole, along with specific portfolio management, support and trading functions the Adviser provides to the Fund. The Trustees considered the nature, extent and quality of the services provided by the Adviser to the Fund. The Trustees continue to be satisfied with the quality and value of the investment advisory services provided to the Fund by the Adviser, and, in particular, the management style and discipline followed by the Adviser and the quality of the Adviser's research, trading, portfolio management and administrative personnel.

H&Q LIFE SCIENCES INVESTORS

INVESTMENT ADVISORY AGREEMENT APPROVAL

(continued)

The investment performance of the Fund and the Adviser. On a regular basis the Board reviews performance information for the Fund and discusses the Fund's investment strategy with the Adviser. The Trustees reviewed performance information for the Fund over the past one-, three-, five-, and ten-year periods. Although the NBI's performance exceeded the Fund's returns by net asset value and stock price in recent periods, the Fund's return by net asset value and stock price outperformed the NBI over the long-term. The Trustees continue to be satisfied with the investment performance of the Fund and the Adviser.

The costs of services to be provided and profits to be realized by the Adviser from its relationship with the Fund. The Trustees considered the various services provided by the Adviser to the Fund and reviewed comparative information regarding the expenses and expense ratios of the Fund and a peer group of other investment companies. The Trustees noted that the Adviser's fees are within the range of fees presented in the comparative information and noted that a portion of the Fund's investment portfolio is invested in venture and restricted securities, a portfolio management service that can command higher management fees than those charged by the Adviser pursuant to the Advisory Agreement. The Trustees also considered financial information provided by the Adviser, including financial statements of the Adviser and a comparison of the Adviser's profitability with respect to its services for the Fund to the profitability of other privately held investment advisers. Based on the information provided to and evaluated by the Trustees, the Trustees concluded that the fees charged by the Adviser are fair and reasonable in light of the quality and nature of the services provided by the Adviser and that the profitability of the Adviser's relationship with the Fund has not been excessive. The fees charged by the Adviser are within a reasonable range of fees as compared to fees charged by other investment advisers, and the services provided by the Adviser and the amounts paid under the Advisory Agreement are sufficiently favorable in comparison to the services rendered and fees charged by others for similar services to warrant a finding that fees to be paid by the Fund are fair.

Whether fee levels reflect economies of scale and the extent to which economies of scale would be realized as the Fund grows. The Trustees considered that the Advisory Agreement provides for breakpoints in the advisory fees so that the Fund will share the benefits of the economies of scale that would inure to the Adviser as the Fund's assets increase. The Trustees reviewed the net assets of the Fund over the last five years, the recent investment performance of the Fund, and the management fees of other funds with similar investment objectives. Given the asset size of the Fund, and as economies of scale are still modest at current Fund asset levels, the Trustees determined that the Fund's breakpoint schedule is satisfactory and fair.

H&Q LIFE SCIENCES INVESTORS

PRIVACY NOTICE

If you are a registered shareholder of the Fund, the Fund and Hambrecht & Quist Capital Management LLC, the Fund's investment adviser, may receive nonpublic personal information about you from the information collected by the transfer agent from your transactions in Fund shares. Any nonpublic personal information is not disclosed to third parties, except as permitted or required by law. In connection with servicing your account and effecting transactions, the information received may be shared with the investment adviser and non-affiliates, including transfer agents, custodians or other service companies. Access to your nonpublic personal information is restricted to employees who need to know that information to provide products or services to you. To maintain the security of your nonpublic personal information, physical, electronic, and procedural safeguards are in place that comply with federal standards. The policies and practices described above apply to both current and former shareholders.

If your Fund shares are held in "street name" at a bank or brokerage, we do not have access to your personal information and you should refer to your bank's or broker's privacy policies for a statement of the treatment of your personal information.

FOR MORE INFORMATION

A description of the Fund's proxy voting policies and procedures and information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available (i) without charge, upon request by calling 1-800-451-2597; (ii) by writing to Hambrecht & Quist Capital Management LLC at 2 Liberty Square, 9th floor, Boston, MA 02109; (iii) on the Fund's website at www.hqcm.com; and (iv) on the Securities and Exchange Commission's (SEC) website at www.sec.gov.

The Fund's complete Schedule of Investments for the first and third quarters of its fiscal year will be filed quarterly with the SEC on Form N-Q. This Schedule of Investments will also be available on the Fund's website at www.hqcm.com or the SEC's website at www.sec.gov. The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC or by calling 1-800-SEC-0330.

DISTRIBUTION POLICY

The Fund has a fixed distribution policy as described in the Notes to Financial Statements. For more information contact your financial adviser.

PORTFOLIO MANAGEMENT

Daniel R. Omstead, Ph.D., Christopher Brinzey, M.B.A., Frank Gentile, Ph.D. and Jason C. Akus, M.D./M.B.A. are members of a team that analyzes investments on behalf of the Fund. Dr. Omstead exercises ultimate decision making authority with respect to investments.

HOUSEHOLDING

A number of banks, brokers and financial advisers have instituted "householding". Under this practice, which has been approved by the SEC, only one copy of shareholder documents may be delivered to multiple shareholders who share the same address and satisfy other conditions. Householding is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. If you do not want the mailing of your shareholder documents to be combined with those of other members of your household, please contact your bank, broker or financial adviser.

H&Q LIFE SCIENCES INVESTORS

New York Stock Exchange Symbol: HQL
NAV Symbol: XHQLX

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(617) 772-8500
www.hqcm.com

Officers

Daniel R. Omstead, Ph.D., President
Laura Woodward, CPA, Chief Compliance Officer,
Secretary and Treasurer

Trustees

Investment Adviser

Hambrecht & Quist Capital Management LLC

Administrator & Custodian

State Street Bank and Trust Company

Transfer Agent

Computershare, Inc.

Legal Counsel

Dechert LLP

Shareholders with questions regarding share transfers may call

1-800-426-5523

Daily net asset value may be obtained from our website *(www.hqcm.com)* or by calling

1-800-451-2597

001CS60314

Item 2. CODE OF ETHICS.

Not applicable to this semi-annual filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this semi-annual filing.

ITEM 6. INVESTMENTS.

The Registrant s Schedule of Investments is included as part of the Report to Shareholders filed under Item 1 of this form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual filing.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Not applicable to this semi-annual filing.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Period	(a) Total No. of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total No. of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum No. of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (Oct. 1, 2011-Oct. 31, 2011)	402,030	10.79	402,030	1,086,541
Month #2 (Nov. 1, 2011 Nov. 30, 2011)	326,707	11.15	326,707	759,834
Month #3 (Dec. 1, 2011 Dec. 31, 2011)	214,204	11.58	214,204	545,630
Month #4 (Jan. 1, 2012 Jan. 31, 2012)	32,118	12.39	32,118	513,512
Month #5 (Feb. 1, 2012 Feb. 28, 2012)				513,512
Month #6 (Mar. 1, 2012 Mar. 31, 2012)				513,512
Total	975,059	11.14	975,059	

(1) On June 30, 2011, the share repurchase program was announced, allowing the Registrant to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2011. On March 23, 2012, the share repurchase program was renewed, allowing the Registrant to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2012.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the Registrant s Board of Trustees, where those changes were implemented after the Registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A, or this Item.

ITEM 11. CONTROLS AND PROCEDURES.

(a) In the opinion of the principal executive officer and principal financial officer, based on their evaluation which took place within 90 days of this filing, the Registrant s disclosure controls and procedures are adequately designed and are operating effectively to ensure (i) that material information relating to the Registrant, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared; and (ii) that information required to be disclosed by the registrant on Form N-CSR is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission s rules and forms.

(b) There were no changes in the Registrant s internal control over financial reporting that occurred during the Registrant s most recent second fiscal quarter that have materially affected or that are reasonably likely to materially affect the Registrant s internal control over financial reporting.

ITEM 12. EXHIBITS

(a)(1) Code of Ethics - Not applicable to this semi-annual filing.

(a)(2) Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is attached hereto (Exhibit 1).

(a)(3) Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is attached hereto (Exhibit 2).

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto (Exhibit 3).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) H&Q LIFE SCIENCES INVESTORS

By (Signature and Title)* /s/ Daniel R. Omstead
Daniel R. Omstead, President

Date: 6/1/12

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Laura Woodward
Laura Woodward, Treasurer

Date: 6/1/12

* Print the name and title of each signing officer under his or her signature.