



8011-01p

SECURITIES AND EXCHANGE COMMISSION

Investment Company Act Release No. 29865; File No. 812-13621

John Hancock Variable Insurance Trust, et al.; Notice of Application

November 18, 2011

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of an application for an order pursuant to: (a) section 6(c) of the Investment Company Act of 1940 (“Act”) granting an exemption from sections 18(f) and 21(b) of the Act; (b) section 12(d)(1)(J) of the Act granting an exemption from section 12(d)(1) of the Act; (c) sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Act; and (d) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions.

Summary of the Application: Applicants request an order that would permit certain registered open-end management investment companies to participate in a joint lending and borrowing facility.

Applicants: John Hancock Variable Insurance Trust, John Hancock Funds II, John Hancock Funds III, John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Collateral Investment Trust, John Hancock Current Interest, John Hancock Investment Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Municipal Securities Trust, John Hancock Series Trust, John Hancock Sovereign Bond Fund, John Hancock Strategic Series, John Hancock Tax-Exempt Series Fund (each a “John Hancock Fund” and collectively the “John Hancock Funds”), John Hancock Advisers, LLC (“JHA”), Manulife Asset Management (US) LLC (“JHAM”) and John

Hancock Investment Management Services, LLC (“JHIMS”) (each of JHA, JHAM and JHIMS, an “Adviser,” and such entities together, the “Advisers”).

Filing Dates: The application was filed on December 31, 2008, and amended on July 8, 2009, November 15, 2010, November 4, 2011 and November 18, 2011. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on December 13, 2011, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer’s interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

Addresses: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549-1090; Applicants: c/o Stuart E. Fross, K&L Gates LLP, State Street Financial Center, One Lincoln Street, Boston, MA 02111; John J. Danello, John Hancock Financial Services, Inc., 601 Congress Street, Boston, MA 02210; Carolyn M. Flanagan, Manulife Asset Management (US), LLC, 101 Huntington Avenue, Boston MA 02199.

For Further Information Contact: Laura L. Solomon, Senior Counsel, at (202) 551-6915 or Janet M. Grossnickle, Assistant Director, at (202) 551-6821 (Division of Investment Management, Office of Investment Company Regulation).

Supplementary Information: The following is a summary of the application. The complete application may be obtained via the Commission’s website by searching for the file number, or

an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

Applicants' Representations:

1. Each John Hancock Fund is organized as a Massachusetts business trust and is registered under the Act as an open-end, management investment company. Some of the trusts have not created separate series of shares but most issue one or more series, each series of shares having a different investment objective and different investment policies and each such series is deemed to be a John Hancock Fund. Certain of the John Hancock Funds either are or may be money market funds that comply with rule 2a-7 of the Act (each a "Money Market Hancock Fund" and collectively, the "Money Market Hancock Funds" and they are included in the term "John Hancock Funds"). JHA, JHAM and JHIMS are each a Delaware limited liability company that is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"), each are indirect subsidiaries of Manulife Financial Corporation and act as investment adviser to the John Hancock Funds.¹

2. John Hancock Funds may lend cash to banks or other entities by entering into repurchase agreements, purchasing short-term instruments or under arrangements whereby custodian fees are reduced. In order to meet an unexpected volume of redemptions or to cover unanticipated cash shortfalls, John Hancock Funds contracted for committed lines of credit with State Street Bank and Trust Company and The Bank of New York Mellon Corporation ("Bank Borrowing"). The amount of borrowing under each of these lines of credit is limited to the

¹ Applicants request that the order also apply to any existing or future series of the John Hancock Funds, to any other registered open-end management investment company or its series for which JHA, JHAM or JHIMS or a person controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with JHA, JHAM, or JHIMS serves as investment adviser ("Adviser"). All John Hancock Funds that currently intend to rely on the requested order

amount specified by fundamental investment restrictions and/or other policies of the applicable John Hancock Fund and section 18 of the Act.

3. If John Hancock Funds that experience a cash shortfall were to draw down on their Bank Borrowing, they would pay interest at a rate that is likely to be higher (and currently actually is higher) than the rate that could be earned by non-borrowing John Hancock Funds on investments in repurchase agreements and other short-term money market instruments of the same maturity as the Bank Borrowing (“Short-Term Instruments”). Applicants assert the difference between the higher rate paid on Bank Borrowing and what the bank pays to borrow under repurchase agreements or other arrangements represents the bank’s profit for serving as the middleperson between a borrower and lender and is not attributable to any material difference in the credit quality or risk of such transactions.

4. The John Hancock Funds seek to enter into master interfund lending agreements (“Credit Facility”) with each other that would permit each John Hancock Fund to lend money directly to and borrow money directly from other John Hancock Funds for temporary purposes through the Credit Facility (an “Interfund Loan”). The Money Market Hancock Funds typically will not participate as borrowers in the Credit Facility. Applicants state that the Credit Facility would enable the John Hancock Funds to access an available source of money and reduce costs incurred by the John Hancock Funds that need to obtain loans for temporary purposes and permit those John Hancock Funds that have cash available: (i) to earn a return on the money that they might not otherwise be able to invest; or (ii) to earn a higher rate of interest on investment of their short-term balances. Although the proposed Credit Facility would reduce the John Hancock

have been named as applicants. Any other John Hancock Fund that relies on the requested order in the future will comply with the terms and conditions of the application.

Funds' need to borrow from banks, the John Hancock Funds would be free to establish and/or continue committed lines of credit or other borrowing arrangements with banks.

5. Applicants anticipate that the proposed Credit Facility would provide a borrowing John Hancock Fund with significant savings at times when the cash position of the John Hancock Fund is insufficient to meet temporary cash requirements. This situation could arise when shareholder redemptions exceed anticipated cash volumes and certain John Hancock Funds have insufficient cash on hand to satisfy such redemptions. When the John Hancock Funds liquidate portfolio securities to meet redemption requests, they often do not receive payment in settlement for up to three days (or longer for certain foreign transactions). However, redemption requests normally are effected immediately. The proposed credit facility would provide a source of immediate, short-term liquidity pending settlement of the sale of portfolio securities.

6. Applicants also anticipate that a John Hancock Fund could use the Credit Facility when a sale of securities "fails" due to circumstances beyond the John Hancock Fund's control, such as a delay in the delivery of cash to the John Hancock Fund's custodian or improper delivery instructions by the broker effecting the transaction. "Sales fails" may present a cash shortfall if the John Hancock Fund has undertaken to purchase a security using the proceeds from securities sold. Alternatively, the John Hancock Fund could "fail" on its intended purchase due to lack of funds from the previous sale, resulting in additional cost to the John Hancock Fund, or sell a security on a same-day settlement basis, earning a lower return on the investment. Use of the Credit Facility under these circumstances would enable the John Hancock Fund to have access to immediate short-term liquidity.

7. While Bank Borrowing generally could supply John Hancock Funds with needed cash to cover unanticipated redemptions and sales fails, under the proposed Credit Facility, a

borrowing John Hancock Fund would pay lower interest rates than those that would be payable under short-term loans offered by banks. In addition, John Hancock Funds making short-term cash loans directly to other John Hancock Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in Short-Term Instruments. Thus, applicants assert that the proposed Credit Facility would benefit both borrowing and lending John Hancock Funds.

8. The interest rate to be charged to the John Hancock Funds on any Interfund Loan (the “Interfund Loan Rate”) would be the average of the “Repo Rate” and the “Bank Loan Rate,” both as defined below. The Repo Rate would be the highest current overnight repurchase agreement rate available to a lending John Hancock Fund. The Bank Loan Rate for any day would be calculated by the Credit Facility Team, as defined below, on each day an Interfund Loan is made according to a formula established by each John Hancock Fund’s board of trustees (the “Board”) intended to approximate the lowest interest rate at which a bank short-term loan would be available to the John Hancock Fund. The formula would be based upon a publicly available rate (e.g., federal funds rate plus 25 basis points) and would vary with this rate so as to reflect changing bank loan rates. The initial formula and any subsequent modifications to the formula would be subject to the approval of each John Hancock Fund’s Board. In addition, the Board of each John Hancock Fund would periodically review the continuing appropriateness of reliance on the formula used to determine the Bank Loan Rate, as well as the relationship between the Bank Loan Rate and current bank loan rates that would be available to the John Hancock Fund.

9. Certain members of the Adviser’s fund administration personnel and money market portfolio managers or analysts (the “Credit Facility Team”) would administer the Credit

Facility. No portfolio manager (other than a Money Market Hancock Fund portfolio manager) of any John Hancock Fund will serve as a member of the Credit Facility Team. Under the proposed Credit Facility, the portfolio managers for each participating John Hancock Fund could provide standing instructions to participate daily as a borrower or lender. The Credit Facility Team on each business day would collect data on the uninvested cash and borrowing requirements of all participating John Hancock Funds. Once the Credit Facility Team has determined the aggregate amount of cash available for loans and borrowing demand, the Credit Facility Team would allocate loans among borrowing John Hancock Funds without any further communication from the portfolio managers of the John Hancock Funds. Applicants anticipate that there typically will be far more available uninvested cash each day than borrowing demand. Therefore, after the Credit Facility Team has allocated cash for Interfund Loans, the Credit Facility Team will invest any remaining cash in accordance with the standing instructions of the portfolio managers or such remaining amounts will be invested directly by the portfolio managers of the John Hancock Funds.

10. The Credit Facility Team would allocate borrowing demand and cash available for lending among the John Hancock Funds on what the Credit Facility Team believes to be an equitable basis, subject to certain administrative procedures applicable to all John Hancock Funds, such as the time of filing requests to participate, minimum loan lot sizes, and the need to minimize the number of transactions and associated administrative costs. To reduce transaction costs, each Interfund Loan normally would be allocated in a manner intended to minimize the number of participants necessary to complete the loan transaction. The method of allocation and related administrative procedures would be approved by the Boards of the John Hancock Funds, including a majority of the Board members who are not “interested persons” of the John

Hancock Fund, as that term is defined in section 2(a)(19) of the Act (“Independent Board Members”), to ensure that both borrowing and lending John Hancock Funds participate on an equitable basis.

11. The Adviser would: (a) monitor the Interfund Loan Rate and the other terms and conditions of the Interfund Loans; (b) limit the borrowings and loans entered into by each John Hancock Fund to ensure that they comply with the John Hancock Fund’s investment policies and limitations; (c) ensure equitable treatment of each John Hancock Fund; and (d) make quarterly reports to the Board of each John Hancock Fund concerning any transactions by the applicable John Hancock Fund under the Credit Facility and the Interfund Loan Rate.

12. The Advisers, through the Credit Facility Team, would administer the Credit Facility as a disinterested fiduciary as part of its duties under the investment management and administrative agreements with each John Hancock Fund and would receive no additional fee as compensation for its services in connection with the administration of the Credit Facility.

13. No John Hancock Fund may participate in the Credit Facility unless: (a) the John Hancock Fund has obtained shareholder approval for its participation, if such approval is required by law; (b) the John Hancock Fund has fully disclosed all material information concerning the Credit Facility in its registration statement on form N-1A; and (c) the John Hancock Fund’s participation in the Credit Facility is consistent with its investment objectives, limitations and organizational documents.

14. In connection with the Credit Facility, applicants request an order under section 6(c) of the Act exempting them from the provisions of sections 18(f) and 21(b) of the Act; under section 12(d)(1)(J) of the Act exempting them from section 12(d)(1) of the Act; under sections 6(c) and 17(b) of the Act exempting them from sections 17(a)(1), 17(a)(2), and 17(a)(3) of the

Act; and under section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions.

Applicants' Legal Analysis:

1. Section 17(a)(3) of the Act generally prohibits any affiliated person of a registered investment company, or affiliated person of an affiliated person, from borrowing money or other property from the registered investment company. Section 21(b) of the Act generally prohibits any registered management company from lending money or other property to any person, directly or indirectly, if that person controls or is under common control with that company. Section 2(a)(3)(C) of the Act defines an "affiliated person" of another person, in part, to be any person directly or indirectly controlling, controlled by, or under common control with, such other person. Section 2(a)(9) of the Act defines "control" as the "power to exercise a controlling influence over the management or policies of a company," but excludes circumstances in which "such power is solely the result of an official position with such company." Applicants state that the John Hancock Funds may be under common control by virtue of having common investment advisers and/or by having common directors, trustees and officers.

2. Section 6(c) of the Act provides that an exemptive order may be granted where an exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 17(b) of the Act authorizes the Commission to exempt a proposed transaction from section 17(a) provided that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable and do not involve overreaching on the part of any person concerned, and the transaction is consistent with the policy of the investment company as recited in its registration

statement and with the general purposes of the Act. Applicants believe that the proposed arrangements satisfy these standards for the reasons discussed below.

3. Applicants assert that sections 17(a)(3) and 21(b) of the Act were intended to prevent a party with strong potential adverse interests to, and some influence over the investment decisions of, a registered investment company from causing or inducing the investment company to engage in lending transactions that unfairly inure to the benefit of such party and that are detrimental to the best interests of the investment company and its shareholders. Applicants assert that the proposed transactions do not raise these concerns because: (a) the Advisers, through the Credit Facility Team members, would administer the Credit Facility as a disinterested fiduciary as part of its duties under the investment management and administrative agreements with each John Hancock Fund; (b) all Interfund Loans would consist only of uninvested cash reserves that the John Hancock Fund otherwise would invest in short-term repurchase agreements or other short-term investments; (c) the Interfund Loans would not involve a significantly greater risk than such other investments; (d) the lending John Hancock Fund would receive interest at a rate higher than it could otherwise obtain through such other investments; and (e) the borrowing John Hancock Fund would pay interest at a rate lower than otherwise available to it under its bank loan agreements and avoid the quarterly commitment fees associated with committed lines of credit. Moreover, applicants assert that the other terms and conditions that applicants propose also would effectively preclude the possibility of any John Hancock Fund obtaining an undue advantage over any other John Hancock Fund.

4. Section 17(a)(1) of the Act generally prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, from selling securities or other property to the investment company. Section 17(a)(2) of the Act generally prohibits an affiliated

person of a registered investment company, or any affiliated person of such a person, from purchasing securities or other property from the investment company. Section 12(d)(1) of the Act generally prohibits a registered investment company from purchasing or otherwise acquiring any security issued by any other investment company except in accordance with the limitations set forth in that section.

5. Applicants state that the obligation of a borrowing John Hancock Fund to repay an Interfund Loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1). Applicants also state that any pledge of securities to secure an Interfund Loan by the borrowing John Hancock Fund to the lending John Hancock Fund could constitute a purchase of securities for purposes of section 17(a)(2) of the Act. Section 12(d)(1)(J) of the Act provides that the Commission may exempt persons or transactions from any provision of section 12(d)(1) if and to the extent that such exemption is consistent with the public interest and the protection of investors. Applicants contend that the standards under sections 6(c), 17(b), and 12(d)(1)(J) are satisfied for all the reasons set forth above in support of their request for relief from sections 17(a)(3) and 21(b) and for the reasons discussed below. Applicants state that the requested relief from section 17(a)(2) of the Act meets the standards of section 6(c) and 17(b) because any collateral pledged to secure an Interfund Loan would be subject to the same conditions imposed by any other lender to a John Hancock Fund that imposes conditions on the quality of or access to collateral for a borrowing (if the lender is another John Hancock Fund) or the same or better conditions (in any other circumstance).

6. Applicants state that section 12(d)(1) was intended to prevent the pyramiding of investment companies in order to avoid imposing on investors additional and duplicative costs and fees attendant upon multiple layers of investment companies. Applicants submit that the

proposed Credit Facility does not involve these abuses. Applicants note that there will be no duplicative costs or fees to the John Hancock Funds or their shareholders, and that each Adviser will receive no additional compensation for its services in administering the Credit Facility. Applicants also note that the purpose of the proposed Credit Facility is to provide economic benefits for all the participating John Hancock Funds and their shareholders.

7. Section 18(f)(1) of the Act prohibits open-end investment companies from issuing any senior security except that a company is permitted to borrow from any bank, provided, that immediately after the borrowing, there is asset coverage of at least 300 per centum for all borrowings of the company. Under section 18(g) of the Act, the term “senior security” generally includes any bond, debenture, note or similar obligation or instrument constituting a security and evidencing indebtedness. Applicants request exemptive relief under section 6(c) from section 18(f)(1) to the limited extent necessary to implement the Credit Facility (because the lending John Hancock Funds are not banks).

8. Applicants believe that granting relief under section 6(c) is appropriate because the Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of a John Hancock Fund, including combined Interfund Loans and bank borrowings, have at least 300% asset coverage. Based on the conditions and safeguards described in the application, applicants also submit that to allow the John Hancock Funds to borrow from other John Hancock Funds pursuant to the proposed Credit Facility is consistent with the purposes and policies of section 18(f)(1).

9. Section 17(d) of the Act and rule 17d-1 under the Act generally prohibit an affiliated person of a registered investment company, or any affiliated person of such a person, when acting as principal, from effecting any joint transaction in which the investment company

participates, unless, upon application, the transaction has been approved by the Commission.

Rule 17d-1(b) under the Act provides that in passing upon an application filed under the rule, the Commission will consider whether the participation of the registered investment company in a joint enterprise on the basis proposed is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other participants.

10. Applicants assert that the purpose of section 17(d) is to avoid overreaching by and unfair advantage to insiders. Applicants assert that the Credit Facility is consistent with the provisions, policies and purposes of the Act in that it offers both reduced borrowing costs and enhanced returns on loaned funds to all participating John Hancock Funds and their shareholders. Applicants note that each John Hancock Fund would have an equal opportunity to borrow and lend on equal terms consistent with its investment policies and fundamental investment limitations. Applicants assert that each John Hancock Fund's participation in the proposed Credit Facility would be on terms that are no different from or less advantageous than that of other participating John Hancock Funds.

Applicants' Conditions:

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. The Interfund Loan Rate will be the average of the Repo Rate and the Bank Loan Rate.
2. On each business day, when an interfund loan is to be made, the Credit Facility Team will compare the Bank Loan Rate with the Repo Rate and will make cash available for Interfund Loans only if the Interfund Loan Rate is: (a) more favorable to the lending John

Hancock Fund than the Repo Rate; and (b) more favorable to the borrowing John Hancock Fund than the Bank Loan Rate.

3. If a John Hancock Fund has outstanding bank borrowings, any Interfund Loan to the John Hancock Fund will: (a) be at an interest rate equal to or lower than the interest rate of any outstanding bank loan; (b) be secured at least on an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding bank loan that requires collateral; (c) have a maturity no longer than any outstanding bank loan (and in any event not over seven days); and (d) provide that, if an event of default occurs under any agreement evidencing an outstanding bank loan to the John Hancock Fund, that the event of default by the John Hancock Fund, automatically (without need for action or notice by the lending John Hancock Fund) will constitute an immediate event of default under the interfund lending agreement that both (i) entitles the lending John Hancock Fund to call the Interfund Loan immediately and exercise all rights with respect to any collateral and (ii) causes the call to be made if the lending bank exercises its right to call its loan under its agreement with the borrowing John Hancock Fund.

4. A John Hancock Fund may borrow on an unsecured basis through the Credit Facility only if the relevant borrowing fund's outstanding borrowings from all sources immediately after the interfund borrowing total 10% or less of its total assets, provided that if the borrowing fund has a secured loan outstanding from any other lender, including but not limited to another John Hancock Fund, the lending John Hancock Fund's Interfund Loan will be secured on at least an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding loan that requires collateral. If a borrowing John Hancock Fund's total outstanding borrowings immediately after an Interfund Loan would be greater than 10% of its

total assets, the John Hancock Fund may borrow through the Credit Facility only on a secured basis. A John Hancock Fund may not borrow through the Credit Facility or from any other source if its total outstanding borrowings immediately after the borrowing would be more than 33 1/3% of its total assets.

5. Before any John Hancock Fund that has outstanding interfund borrowings may, through additional borrowings, cause its outstanding borrowings from all sources to exceed 10% of its total assets, it must first secure each outstanding Interfund Loan to a John Hancock Fund by the pledge of segregated collateral with a market value at least equal to 102% of the outstanding principal value of the loan. If the total outstanding borrowings of a John Hancock Fund with outstanding Interfund Loans exceed 10% of its total assets for any other reason (such as a decline in net asset value or because of shareholder redemptions), the John Hancock Fund will within one business day thereafter either: (a) repay all its outstanding Interfund Loans to John Hancock Funds; (b) reduce its outstanding indebtedness to John Hancock Funds to 10% or less of its total assets; or (c) secure each outstanding Interfund Loan to John Hancock Funds by the pledge of segregated collateral with a market value at least equal to 102% of the outstanding principal value of the loan until the John Hancock Fund's total outstanding borrowings cease to exceed 10% of its total assets, at which time the collateral called for by this condition 5 shall no longer be required. Until each Interfund Loan that is outstanding at any time that a John Hancock Fund's total outstanding borrowings exceed 10% of its total assets is repaid or the John Hancock Fund's total outstanding borrowings cease to exceed 10% of its total assets, the John Hancock Fund will mark the value of the collateral to market each day and will pledge such additional collateral as is necessary to maintain the market value of the collateral that secures

each outstanding Interfund Loan to John Hancock Funds at least equal to 102% of the outstanding principal value of the Interfund Loans.

6. No John Hancock Fund may lend to another John Hancock Fund through the Credit Facility if the loan would cause the lending John Hancock Fund's aggregate outstanding loans through the Credit Facility to exceed 15% of its current net assets at the time of the loan.

7. A John Hancock Fund's Interfund Loans to any one John Hancock Fund shall not exceed 5% of the lending John Hancock Fund's net assets.

8. The duration of Interfund Loans will be limited to the time required to receive payment for securities sold, but in no event more than seven days. Loans effected within seven days of each other will be treated as separate loan transactions for purposes of this condition.

9. A John Hancock Fund's borrowings through the Credit Facility, as measured on the day when the most recent loan was made, will not exceed the greater of 125% of the John Hancock Fund's total net cash redemptions for the preceding seven calendar days or 102% of the John Hancock Fund's sales falls for the preceding seven calendar days.

10. Each Interfund Loan may be called on one business day's notice by a lending John Hancock Fund and may be repaid on any day by a borrowing John Hancock Fund.

11. A John Hancock Fund's participation in the Credit Facility must be consistent with its investment policies, limitations and organizational documents.

12. The Credit Facility Team will calculate total John Hancock Fund borrowing and lending demand through the Credit Facility, and allocate Interfund Loans on an equitable basis among the John Hancock Funds, without the intervention of any portfolio manager of the John Hancock Funds (other than a money market portfolio manager or managers acting in his or her or their capacity as a member of the Credit Facility Team). All allocations will require the approval

of at least one member of the Credit Facility Team who is a high level employee and is not a money market portfolio manager. The Credit Facility Team will not solicit cash for the Credit Facility from any John Hancock Fund or prospectively publish or disseminate loan demand data to portfolio managers (except to the extent that a money market portfolio manager or managers on the Credit Facility Team has or have access to loan demand data). The Credit Facility Team will invest all amounts remaining after satisfaction of borrowing demand in accordance with the standing instructions of the portfolio managers or such remaining amounts will be invested directly by the portfolio managers of the John Hancock Funds.

13. The Credit Facility Team will monitor the Interfund Loan Rate and the other terms and conditions of the Interfund Loans and will make a quarterly report to the Boards of the John Hancock Funds concerning the participation of the John Hancock Funds in the Credit Facility and the terms and other conditions of any extensions of credit under the Credit Facility.

14. The Board of each John Hancock Fund, including a majority of the Independent Board Members, will:

(a) review, no less frequently than quarterly, each of the John Hancock Fund's participation in the Credit Facility during the preceding quarter for compliance with the conditions of any order permitting such participation;

(b) establish the Bank Loan Rate formula used to determine the interest rate on Interfund Loans;

(c) review, no less frequently than annually, the continuing appropriateness of the Bank Loan Rate formula; and

(d) review, no less frequently than annually, the continuing appropriateness of each John Hancock Fund's participation in the Credit Facility.

15. Each John Hancock Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any transaction by it under the Credit Facility occurred, the first two years in an easily accessible place, written records of all such transactions setting forth a description of the terms of the transaction, including the amount, the maturity and the Interfund Loan Rate, the rate of interest available at the time each Interfund Loan is made on overnight repurchase agreements and Bank Borrowing, and such other information presented to the Boards of the John Hancock Funds in connection with the review required by conditions 13 and 14.

16. In the event an Interfund Loan is not paid according to its terms and the default is not cured within two business days from its maturity or from the time the lending John Hancock Fund makes a demand for payment under the provisions of the interfund lending agreement, the Adviser promptly will refer the loan for arbitration to an independent arbitrator selected by the Board of any John Hancock Fund involved in the loan who will serve as arbitrator of disputes concerning Interfund Loans.² The arbitrator will resolve any problem promptly, and the arbitrator's decision will be binding on both John Hancock Funds. The arbitrator will submit, at least annually, a written report to the Board of each John Hancock Fund setting forth a description of the nature of any dispute and the actions taken by the John Hancock Funds to resolve the dispute.

17. The Advisers will prepare and submit to the Board for review an initial report describing the operations of the Credit Facility and the procedures to be implemented to ensure that all John Hancock Funds are treated fairly. After the commencement of the Credit Facility,

² If the dispute involves John Hancock Funds that do not have common Boards, the Board of each affected John Hancock Fund will select an independent arbitrator that is satisfactory to each John Hancock Fund.

the Advisers will report on the operations of the Credit Facility at the Board's quarterly meetings. Each John Hancock Fund's chief compliance officer, as defined in rule 38a-1(a)(4) under the Act, shall prepare an annual report for its Board each year that the John Hancock Fund participates in the Credit Facility, that evaluates the John Hancock Fund's compliance with the terms and conditions of the application and the procedures established to achieve such compliance. Each John Hancock Fund's chief compliance officer will also annually file a certification pursuant to Item 77Q3 of Form N-SAR as such Form may be revised, amended or superseded from time to time, for each year that the John Hancock Fund participates in the Credit Facility, that certifies that the John Hancock Fund and the Advisers have established procedures reasonably designed to achieve compliance with the terms and conditions of the order. In particular, such certification will address procedures designed to achieve the following objectives:

- (a) that the Interfund Loan Rate will be higher than the Repo Rate but lower than the Bank Loan Rate;
- (b) compliance with the collateral requirements as set forth in the application;
- (c) compliance with the percentage limitations on interfund borrowing and lending;
- (d) allocation of interfund borrowing and lending demand in an equitable manner and in accordance with procedures established by the Board; and
- (e) that the Interfund Loan Rate does not exceed the interest rate on any third party borrowings of a borrowing John Hancock Fund at the time of the Interfund Loan.

Additionally, each John Hancock Fund's independent public accountants, in connection with their audit examination of the John Hancock Fund, will review the operation of the Credit

Facility for compliance with the conditions of the application and their review will form the basis, in part, of the auditor's report on internal accounting controls in Form N-SAR.

18. No John Hancock Fund will participate in the Credit Facility, upon receipt of requisite regulatory approval, unless it has fully disclosed in its registration statement on Form N-1A (or any successor form adopted by the Commission) all material facts about its intended participation.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill
Deputy Secretary

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