

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 55946 / June 25, 2007**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2610 / June 25, 2007**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 27872 / June 25, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12664**

**In the Matter of**

**John Hancock Investment  
Management Services, LLC,  
John Hancock Distributors  
LLC, John Hancock Advisers,  
LLC, and John Hancock  
Funds, LLC,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER PURSUANT TO  
SECTION 15(b) OF THE SECURITIES  
EXCHANGE ACT OF 1934, SECTIONS 203(e)  
AND 203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940, AND SECTIONS  
9(b) AND 9(f) OF THE INVESTMENT  
COMPANY ACT OF 1940**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted against: (1) John Hancock Investment Management Services, LLC, pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”); (2) John Hancock Distributors LLC pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e) and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act; (3) John Hancock Advisers, LLC pursuant to Sections 203(e) and 203(k) of the Advisers Act,

and Sections 9(b) and 9(f) of the Investment Company Act and (4) John Hancock Funds, LLC, pursuant to Section 15(b) of the Exchange Act, Sections 203(e) and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act (collectively “Respondents”).

## II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 15(b) the Securities Exchange Act of 1934, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”), as set forth below.

## III.

On the basis of this Order and Respondent’s Offers, the Commission finds<sup>1</sup> that:

### Summary

1. From at least 2001 until as late as 2004 (the “relevant period”), certain investment advisers and broker-dealers owned by Manulife Financial Corporation (“Manulife Financial”) and John Hancock Financial Services, Inc. (“John Hancock”), which Manulife Financial acquired in 2004 in a stock-for-stock merger, violated the federal securities laws when the investment adviser respondents failed to disclose their use of brokerage commissions to pay for their affiliated distributors’ marketing expenses concerning the sale of mutual fund and variable annuity products offered by related Manulife Financial and John Hancock entities.

2. Respondents John Hancock Investment Management Services, LLC (“John Hancock Management”) (known during the relevant period as Manufacturers Securities Services, LLC) and John Hancock Advisers, LLC (“John Hancock Advisers”), advisers respectively to the Manulife Financial variable annuity trust portfolios and the John Hancock retail mutual funds, directed brokerage commissions from transactions in the trust portfolios and retail mutual funds they advised to pay for marketing expenses their affiliated distributors incurred under the distributors’ own marketing arrangements with broker-dealers. These marketing arrangements are known as “revenue sharing” arrangements. The commissions were trust portfolio and retail mutual fund assets, and

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

were in addition to the distribution-related expenses that the variable series trust and mutual fund boards had authorized, but the investment adviser respondents did not disclose to the trust or retail mutual fund boards the use of these assets to pay their affiliates' revenue sharing obligations, in breach of their fiduciary duty to the trust and retail mutual funds. John Hancock Distributors LLC ("John Hancock Distributors") (known during the relevant period as Manulife Financial Services, LLC) and John Hancock Funds, LLC ("John Hancock Funds"), the broker-dealer affiliates that distributed the Manulife Financial variable annuity products and John Hancock's retail mutual funds, negotiated and were obligated under the marketing arrangements. They knew or should have known that John Hancock Management and John Hancock Advisers failed to disclose to the trust and retail mutual fund boards the use of brokerage commissions to pay for these revenue sharing obligations.

### **Respondents**

3. John Hancock Management is a Delaware corporation with its headquarters in Boston, Massachusetts. During the relevant period, John Hancock Management was called Manufacturers Securities Services, LLC ("MSS") and was owned and controlled by Manulife Financial. John Hancock Management is the investment adviser to the series investment company containing the investment options for Manulife Financial's variable annuity products. John Hancock Management was registered with the Commission as an investment adviser throughout the relevant period and was registered as a broker-dealer during the relevant period until 2002. After Manulife Financial completed a stock-for-stock merger with John Hancock in April 2004, Manulife Financial changed MSS's name to John Hancock Investment Management Services, LLC.

4. John Hancock Distributors is a Delaware Corporation with its headquarters in Toronto, Canada and is registered with the Commission as a broker-dealer. During the relevant period John Hancock Distributors was called Manulife Financial Services, LLC ("Manulife Services"). John Hancock Distributors was the principal underwriter and distributor of the variable annuity products issued by Manulife Financial. Manulife Financial owned and controlled Manulife Services during the relevant period.

5. John Hancock Advisers is a Delaware corporation with its headquarters in Boston, Massachusetts and is registered with the Commission as an investment adviser. John Hancock Advisers is the investment adviser to John Hancock mutual funds. John Hancock owned and controlled John Hancock Advisers during the relevant period.

6. John Hancock Funds is a Delaware corporation with its headquarters in Boston, Massachusetts and is registered with the Commission as a broker-dealer. John Hancock Funds is the underwriter and distributor of the mutual fund products offered by John Hancock. John Hancock owned and controlled John Hancock Funds during the relevant period.

### **Other Relevant Entities**

7. During the relevant period, John Hancock was a Delaware corporation with its headquarters in Boston, Massachusetts. Its common stock traded on the New York Stock Exchange. John Hancock owned and controlled John Hancock Funds and John Hancock Advisers. In April 2004 Manulife Financial, a Canadian corporation with its headquarters in Toronto, Canada acquired John Hancock in a stock-for-stock merger. Manulife Financial common stock trades on the New York Stock Exchange. Since the merger John Hancock has operated as a Manulife Financial subsidiary.

8. During the relevant period, Manulife Financial owned directly or indirectly John Hancock Management, then known as MSS, John Hancock Distributors, then known as Manulife Financial Services and John Hancock Trust, then known as Manufacturers Investment Trust.

9. John Hancock Trust is a Massachusetts business trust with its headquarters in Boston, Massachusetts. During the relevant period, John Hancock Trust was called Manufacturers Investment Trust (“MIT”). It was a series investment company containing the investment options for Manulife Financial’s variable annuity products and was registered with the Commission as an investment company. After the Manulife Financial/John Hancock merger, MIT changed its name to John Hancock Trust.

### **John Hancock Management’s and John Hancock Distributors’ Directed Brokerage and Revenue Sharing**

10. John Hancock Management provided investment advisory and portfolio management services to John Hancock Trust. This included oversight of the sub-advisers John Hancock Trust used to manage its assets. The sub-advisers made investment decisions and placed orders for them through broker-dealers, some of whom were selected by John Hancock Management. John Hancock Distributors distributed the variable annuity products issued by John Hancock Trust.

11. During the relevant period, John Hancock Distributors negotiated and was obligated under revenue sharing arrangements with certain broker-dealers to compensate these broker-dealers to promote the sale of John Hancock Trust products. Under these arrangements, the broker-dealers agreed to provide special marketing services, such as the opportunity for John Hancock Management and John Hancock Distributors to participate in conferences and meetings in which John Hancock Trust products were presented to selling brokers and providing preferred placement of John Hancock Trust products in marketing programs or other favorable marketing of John Hancock Trust products. The fees ranged from 4 to 35 basis points (or 0.04% to 0.35%) on sales and up to 10 basis points (or 0.00% to 0.10%) on assets. In some instances, these broker-dealers agreed to accept brokerage commissions as payments under these revenue sharing arrangements.

12. During the relevant period, John Hancock Management stated in its filings with the Commission and in materials provided to the trust board that it may consider a broker or dealer's sales in directing its brokerage commissions. For example, the Statement of Additional Information ("SAI") for the relevant period stated that

*Sales Volume Considerations.* Consistent with the foregoing considerations and the Rules of Fair Practice of the NASD, sales of insurance contracts which offer Trust portfolios may be considered as a factor in the selection of brokers or dealers.

13. Also, John Hancock Management stated in filings with the Commission and in materials provided to the trust board that John Hancock Distributors paid its own distribution costs. For example, a variable annuity prospectus for the relevant period said that John Hancock Distributors may

pay broker-dealers additional compensation or reimbursement for their efforts in selling contracts

14. However, John Hancock Management knew that a portion of John Hancock Distributors' revenue sharing expenses was satisfied when John Hancock Management directed brokerage commissions to the broker-dealers providing marketing services to John Hancock Distributors under the arrangements. The broker-dealers, John Hancock Management and John Hancock Distributors considered these commissions to be payments under the revenue sharing arrangements. John Hancock Management never disclosed this use of fund assets to the trust board.

15. Without knowledge of this use of trust brokerage commissions, the trust board was unaware of the conflict of interest it created and was unable adequately to evaluate the trust's overall marketing expenses.

16. As a fiduciary, John Hancock Management had a duty to disclose to the trust this use of trust portfolio assets. John Hancock Management made no such disclosure.

17. John Hancock Management was primarily responsible for ensuring that the trust's prospectuses and SAIs were in compliance with the requirements of Form N-1A in describing John Hancock Management's trading practices for the John Hancock Trust. The information the Commission requires investment companies to disclose in its prospectuses and SAIs is set forth in Form N-1A. Specifically, Item 16(c) of the Form N-1A required a description in the SAI of "how the Fund will select brokers to effect securities transactions" and required that "if the Fund will consider the receipt of products or services other than brokerage or research services in selecting brokers, [the Fund should] specify those products or services." During the relevant period, the SAIs disclosed that John Hancock Management may consider sales of shares of the Trust as a factor in selecting brokers or dealers, to execute the Trust's portfolio transactions. The SAIs did not make the distinction between directing commissions "in consideration of fund sales" and using brokerage commissions to reduce its affiliate's revenue sharing obligations. The SAIs failed to

disclose that John Hancock Management directed brokerage commissions to pay its affiliate's revenue sharing obligations.

18. John Hancock Distributors knew when it offered and sold trust products that the brokerage commissions John Hancock Management directed to revenue sharing broker-dealers offset John Hancock Distributor's own revenue sharing obligations and knew, or should have known, that John Hancock Management did not disclose this use of fund assets to the trust board.

19. John Hancock Management and John Hancock Distributors failed to ensure that the commissions were used only for the benefit of the funds that generated them. As a result, these commissions were used to pay revenue sharing obligations across the entire Manulife Financial complex.

20. John Hancock Management and John Hancock Distributors benefited from this use of trust portfolio assets. If the revenue sharing arrangements increased fund sales, John Hancock Management would benefit from an increase in its compensation, which was calculated as a percentage of net assets under management. John Hancock Distributors benefited from not having to pay for the marketing services provided under these arrangements from its own resources.

21. In total, John Hancock Management directed \$14,838,943.65 in brokerage commissions to 55 broker-dealers during the relevant period as payment for John Hancock Distributors' obligations under the revenue sharing arrangements.

**John Hancock Advisers' and John Hancock Funds'**  
**Directed Brokerage and Revenue Sharing**

22. John Hancock Funds marketed and distributed John Hancock retail mutual funds through a number of broker-dealers. John Hancock Advisers provided investment advisory and portfolio management services to John Hancock's retail mutual funds. During the relevant period, John Hancock Funds entered into revenue sharing arrangements with certain broker-dealers pursuant to which John Hancock Funds agreed to compensate these broker-dealers to promote the sale of John Hancock retail mutual funds. For example, these broker-dealers placed John Hancock mutual funds on "preferred lists" of mutual funds and gave John Hancock Funds increased access to registered representatives and sales conferences. In return John Hancock Funds agreed to make payments to these broker-dealers equal to a set percentage of gross sales and/or assets under management. These fees ranged from 10 to 25 basis points (or 0.1% to 0.25%) on sales and from 5 to 10 basis points (or 0.05% to 0.10%) on assets. In some instances, these broker-dealers agreed to accept brokerage commissions as payments under the revenue sharing arrangements.

23. In calculating the amount of brokerage commissions used to reduce revenue sharing payments, in some instances, broker-dealers used a formula that required John Hancock Funds to spend a higher amount in brokerage commissions than it would have

paid in cash. In these instances, John Hancock Funds and the broker-dealers used a ratio to convert brokerage commission amounts into a cash equivalent amount.

24. During the relevant period, John Hancock Advisers stated in its filings with the Commission and materials provided to the mutual fund boards and shareholders that John Hancock Funds may have paid broker-dealers from its own resources for services they provided in connection with their sales of John Hancock mutual fund products. For example, the prospectus for the funds stated that:

[John Hancock Funds] may pay significant compensation out of its own resources to your broker-dealer.

Also, during the relevant period, the SAI for the funds stated that:

[John Hancock Funds], at its expense, and without additional cost to the Fund or its shareholders may provide significant additional compensation to Selling Firms in connection with their promotion of the Fund or sale of shares of the Fund.

25. However, John Hancock Advisers knew that a portion of John Hancock Funds' revenue sharing expenses was satisfied when John Hancock Advisers directed brokerage commissions for fund portfolio transactions to certain broker-dealers. John Hancock Advisers never disclosed to the retail mutual fund boards this use of fund assets.

26. As a fiduciary, John Hancock Advisers had a duty to disclose to the retail mutual funds this use of fund assets. John Hancock Advisers made no such disclosure.

27. John Hancock Advisers was primarily responsible for ensuring that the John Hancock retail mutual fund prospectuses and SAIs were in compliance with the requirements of Form N-1A in describing John Hancock Funds' trading practices for the John Hancock retail mutual funds. The information the Commission required investment companies to disclose in their prospectuses and SAIs is set forth in Form N-1A. Specifically, during the relevant period, Item 16(c) of the Form N-1A requires a description in the SAI of "how the Fund will select brokers to effect securities transactions" and required that "if the Fund will consider the receipt of products or services other than brokerage or research services in selecting brokers, [the Fund should] specify those products or services." During the relevant period, the SAIs disclosed that John Hancock Advisers may consider sales of shares of the Funds as a factor in selecting brokers or dealers to execute the Fund's portfolio transactions. The SAIs did not make the distinction between directing commissions "in consideration of fund sales" and using brokerage commissions to reduce revenue sharing obligations. The SAIs failed to disclose that John Hancock Advisers directed brokerage commissions to pay its affiliate's revenue sharing obligations.

28. John Hancock Funds knew when it offered and sold these products that the brokerage commissions John Hancock Advisers directed to revenue sharing broker-dealers

offset John Hancock Funds' own revenue sharing obligations and knew, or should have known, that John Hancock Advisers did not disclose this use of fund assets to the fund boards.

29. Nor did John Hancock Funds or John Hancock Advisers ensure that the commissions were used only in connection with revenue sharing expenses associated with the funds that generated them. As a result, commissions generated by particular funds were used to pay revenue sharing obligations relating to the marketing of other funds in the John Hancock mutual fund complex.

30. In total, John Hancock Advisers directed \$2,899,907 in brokerage commissions to 12 broker-dealers during the relevant period as payment for John Hancock Funds' payment obligations under the revenue sharing arrangements. Based on the application of ratios that converted brokerage commissions into cash, John Hancock Funds received credit against revenue sharing obligations of approximately \$2,087,477.46, which is the amount it benefited from the use of these commissions to satisfy its revenue sharing arrangements.

### **Violations**

31. As a result of the conduct described above, Respondents John Hancock Advisers and John Hancock Management willfully<sup>2</sup> violated Section 206(2) of the Advisers Act in that they engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. Specifically, John Hancock Advisers and John Hancock Management failed to disclose to the trust and retail mutual fund boards the conflict of interest created by the use of brokerage commissions, which were assets of the funds and trusts they advised, to pay revenue sharing expenses incurred by John Hancock Funds and John Hancock Distributors.

32. As a result of the conduct described above, John Hancock Distributors and John Hancock Funds willfully<sup>3</sup> aided and abetted and caused violations of Sections 206(2) of the Advisers Act, which prohibits fraudulent conduct by an investment adviser, when they offered products while knowing that brokerage commissions generated by John Hancock Management and John Hancock Advisers' transactions in the trust portfolios and retail mutual funds they advised were used to pay John Hancock Distributors' and John Hancock Funds' revenue sharing obligations and knew, or should have known, that John

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<sup>2</sup> "Willfully" as used with respect to direct violations in this Order means intentionally committing the act which constitutes the violation. *See Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000); *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). There is no requirement that the actor also be aware that it is violating one of the Rules or Acts.

<sup>3</sup> "Willfully" as used with respect to aiding and abetting violations in this Order means knowingly committing the act which constitutes the violation. *See Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000); *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). There is no requirement that the actor also be aware that it is violating one of the Rules or Acts.

Hancock Management and John Hancock Advisers failed to disclose this use of fund assets to the trust and retail mutual fund boards.

33. As a result of the conduct described above, John Hancock Management and John Hancock Advisers willfully violated Section 34(b) of the Investment Company Act in that they made untrue statements of material fact in a registration statement, application, report, account, record, or other document filed or transmitted pursuant to the Investment Company Act, or omitted to state therein, any fact necessary in order to prevent the statements made therein, in the light of the circumstances under which they were made, from being materially misleading.

34. As a result of the conduct described above, John Hancock Management, John Hancock Distributors, John Hancock Advisers and John Hancock Funds willfully violated Section 17(d) of the Investment Company Act and Rule 17d-1 thereunder, which provide in pertinent part that it is unlawful for any “affiliated person of or principal underwriter for any registered investment company . . . , acting as principal, [to] participate in, or effect any transaction in connection with, any joint enterprise or other joint arrangement or profit-sharing plan in which any such registered company . . . is a participant . . . unless an application regarding such joint enterprise or profit-sharing plan has been filed with the Commission and has been granted by an order entered prior to the submission of such plan[.]”

### **Respondents’ Cooperation**

35. In determining to accept the Offers, the Commission considered the cooperation afforded the Commission staff by the Respondents.

### **Undertakings**

36. The Respondents undertake the following:

a. Written Compliance Policies and Procedures. Each Respondent shall, within 90 days from the entry of the Order, require a senior level employee to implement and maintain the following written compliance policies and procedures:

i. Procedures designed to ensure that when Respondent’s traders place trades with a broker-dealer that also sells Respondent’s mutual fund or variable annuity products, the person responsible for selecting such broker-dealer is not informed of, and does not take into account, the broker-dealer’s promotion or sale of fund shares or variable annuity products;

ii. Procedures requiring the documentation of all revenue sharing arrangements and requiring each Respondent to enter into written contracts memorializing revenue sharing arrangements between Respondent and the broker-dealer or other intermediary. The documentation of each revenue sharing

arrangement will set forth the payment schedule and the services that the broker-dealer or other intermediary will provide and include a provision preventing the broker-dealer or other intermediary from accepting compensation for promoting or selling Respondent's fund shares or variable annuity products in the form of commissions for brokerage transactions directed to it from a Respondent's portfolio transactions;

iii. All revenue sharing arrangements concerning the sale of John Hancock retail fund shares must be approved in writing by the Respondent's Chief Compliance Officer and the form of any such arrangements, or any material deviation therefrom, presented to the fund boards prior to implementation;

iv. All revenue sharing arrangements concerning the sale of variable annuities offered through John Hancock registered separate accounts that invest in the John Hancock Trust must be approved in writing by the Respondent's Chief Compliance Officer and the form of any such arrangements, or any material deviation therefrom, presented to the trust board no later than the next regularly scheduled meeting;

v. Each Respondent will supplement its compliance manual to establish guidelines for entering into revenue sharing arrangements which shall not be inconsistent with the terms of this order;

vi. Subject to the approval of the Respondents' boards, Respondents will prepare disclosures for the mutual funds and variable series trust portfolios to include in their prospectuses or SAIs information about payments made by Respondents to broker-dealers or other intermediaries in respect of the sale of fund shares in addition to dealer concessions, shareholder servicing payments, and payments for services that Respondents or an affiliate otherwise would provide, such as sub-accounting, and state that such payments are intended to compensate broker-dealers for various services, including without limitation, placement on the broker-dealer's preferred or recommended list, access to the broker-dealers' registered representatives, assistance in training and education of personnel, marketing support and other specified services;

vii. Respondents shall cause there to be a senior level employee whose responsibilities shall include compliance matters regarding conflicts of interest relating to the Respondents' businesses, as the case may be;

viii. Respondents shall develop policies and procedures to ensure that fund brokerage expenses are not used to finance distribution of funds;

ix. At least once per year, John Hancock Management and John Hancock Advisers will make a presentation to the boards, including an overview of their revenue sharing arrangements and policies, including any material changes to

such policies, the number and types of such arrangements, the types of services received, the identity of participating broker-dealers and the total dollar amounts paid. John Hancock Management and John Hancock Advisers will also provide the Boards with a summary quarterly report setting forth amounts paid by Respondent for revenue sharing arrangements and the broker-dealers that received such payments.

37. Certification. No later than twenty-four months after the entry date of the Order, the chief executive officer of each Respondent shall certify to the Commission in writing that the Respondent has fully adopted and complied in all material respects with the undertakings set forth in this section, or in the event of material non-adoption or non-compliance, shall describe such material non-adoption or non-compliance.

38. Recordkeeping. Respondents shall preserve for a period not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of Respondents' compliance with the undertakings set forth in paragraph 36.

39. Deadlines. For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 203(e) of the Advisers Act, Respondents John Hancock Advisers and John Hancock Management are hereby censured.

B. Pursuant to Section 15(b)(4) of the Exchange Act, Respondents John Hancock Funds and John Hancock Distributors are hereby censured.

C. Pursuant to Section 203(k) of the Advisers Act, and Section 9(f) of the Investment Company Act, Respondents John Hancock Management, John Hancock Distributors, John Hancock Advisers and John Hancock Funds shall cease and desist from committing or causing any violations and any future violations of Sections 206(2) of the Advisers Act, Respondents John Hancock Management and John Hancock Advisers shall cease and desist from committing or causing any violations and any future violations of Section 34(b) of the Investment Company Act, and Respondents John Hancock Management, John Hancock Distributors, John Hancock Advisers and John Hancock Funds shall cease and desist from committing or causing any violations and any future violations of Section 17(d) of the Investment Company Act and Rule 17d-1 thereunder;

D. IT IS FURTHER ORDERED that:

1. John Hancock Management and John Hancock Distributors shall, within 30 days from the date of entry of the Order, on a joint and several basis, pay disgorgement of \$14,838,943.65 and prejudgment interest of \$2,001,999.21 to the John Hancock Trust portfolios,<sup>4</sup> based upon the amount of cash payments that the Respondents avoided paying under revenue sharing arrangements by using portfolio brokerage commissions to pay for revenue sharing obligations. John Hancock Management and John Hancock Distributors shall also provide evidence of a wire transfer that is acceptable to the Securities and Exchange Commission staff as proof of such payment. The amounts that will be paid to each John Hancock Trust portfolio are detailed below:

Fund	Amount
All Cap Core	\$ 655,372.00
All Cap Growth	\$ 731,112.07
All Cap Value	\$ 176,133.60
Blue Chip Growth	\$ 708,820.67
Capital Appreciation	\$ 725,943.97
Dynamic Growth	\$ 146,759.93
Emerging Growth	\$ 13,181.32
Emerging Small Company	\$ 333,109.47
Equity-Income	\$ 417,364.61
Financial Services Trust	\$ 36,472.87
Fundamental Value	\$ 136,967.18
Global	\$ 806,885.41
Global Allocation	\$ 13,405.03
Health Sciences	\$ 70,129.00
Income & Value	\$ 441,367.45
International Core	\$ 355,158.90
International Equity Index A	\$ 55,798.31
International Small Cap	\$ 422,206.61
International Value	\$ 1,147,276.86
Large Cap Trust	\$ 2,789,923.76
Large Cap Value	\$ 185,990.04
Mid Cap Index	\$ 155,880.34
Mid Cap Stock	\$ 798,213.56
Mid Cap Value	\$ 459,569.65
Natural Resources	\$ 21,208.73
Quantitative All Cap	\$ 1,141.27
Quantitative Mid Cap	\$ 232,155.25
Real Estate Securities	\$ 161,839.32
Science & Technology	\$ 505,747.40
Small Cap Opportunities	\$ 187,019.04

<sup>4</sup> The disgorgement and prejudgment interest amounts will be paid to the affected portfolios or their successors.

Small Company Value	\$	83,600.86
Special Value	\$	15,855.45
U.S. Core	\$	2,116,692.27
U.S. Global Leaders Growth	\$	293,517.27
U.S. Large Cap	\$	857,469.77
Utilities Trust	\$	69,129.97
Value	\$	512,523.65
<b>Total</b>	\$	<b>16,840,942.86</b>

2. John Hancock Advisers and John Hancock Funds shall, within 30 days from the date of entry of the Order, on a joint and several basis, pay disgorgement of \$2,087,477.46 and prejudgment interest of \$359,460.63 to the John Hancock mutual funds,<sup>5</sup> based upon the amount of cash payments that the Respondents avoided paying under revenue sharing arrangements by using fund brokerage commission to pay for revenue sharing obligations. John Hancock Advisers and John Hancock Funds shall also provide evidence of a wire transfer that is acceptable to the Securities and Exchange Commission staff as proof of such payment. The amounts that will be paid to each fund are detailed below:

<b>Fund / Account</b>	<b>Amount</b>
Balanced	\$ 3,144.97
Bank & Thrift Opportunity	\$ 129,567.26
Classic Value	\$ 4,200.25
Financial Industries	\$ 442,273.26
Financial Trends	\$ 19,769.61
Focused Equity	\$ 1,867.79
Growth Trends	\$ 45,781.17
Health Sciences	\$ 31,056.08
High Yield	\$ 1,529.79
Institutional Accounts	\$ 99,623.67
JHT Blue Chip Growth <sup>6</sup>	\$ 808.82
JHT Financial Services	\$ 16,180.36
JHT Growth & Income	\$ 20,949.10
JHT Mid Cap Stock	\$ 1,248.95
JHT Small Cap Growth	\$ 18,374.57
Large Cap Equity	\$ 614,955.42
Mid Cap Growth	\$ 172,696.75
Multi-Cap Growth	\$ 928.07
Patriot Global Dividend	\$ 2,512.96
Patriot Preferred Dividend	\$ 1,058.00
Patriot Premium Dividend I	\$ 1,913.63
Patriot Premium Dividend II	\$ 3,197.36

<sup>5</sup> The disgorgement and prejudgment interest amounts will be paid to the affected portfolios or their successors.

<sup>6</sup> This fund was formerly a John Hancock mutual fund, but has since merged into a portfolio of the John Hancock Trust. Thus, the payment will be made to the appropriate portfolio of the John Hancock Trust.

Patriot Select Dividend	\$	2,202.52
Preferred Income III	\$	1,050.07
Regional Bank	\$	221,684.29
Small Cap Equity	\$	229,809.55
Sovereign Investors	\$	68,817.75
Technology	\$	45,535.23
U.S. Global Leaders Growth	\$	244,200.86
<b>Total</b>	<b>\$</b>	<b>2,446,938.09</b>

3. Within 30 days from the date of the entry of the Order, John Hancock Management, John Hancock Distributors, John Hancock Advisers and John Hancock Funds shall each pay a civil monetary penalty in the amount of \$500,000 to the United States Treasury. All such payments shall be made by United States postal money order(s), wire transfer, certified check(s), bank cashier's check(s) or bank money order(s); made payable to the Securities and Exchange Commission; hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, Stop 0-3, VA 22312; and submitted under one or more cover letters that identify John Hancock Investment Management Services, LLC, John Hancock Distributors, LLC, John Hancock Funds, LLC and John Hancock Advisers, LLC as Respondents in these proceedings and the file number of these proceedings. A copy of the cover letter(s), wire transfer instructions, money order(s) or check(s) shall be sent to David Bergers, Director, Boston Regional Office, 23<sup>rd</sup> Floor, 33 Arch Street, Boston, MA 02110.

E. Respondents shall comply with the undertakings set forth in paragraph 36.

By the Commission.

Nancy M. Morris  
Secretary