

as defined in section 2(a)(3) of the Act, of a Subadvised Fund or of John Hancock, other than by reason of serving as a Sub-Adviser to one or more of the Subadvised Funds (an "Affiliated Sub-Adviser").

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of a majority of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve the matter if the Act requires shareholder approval.

2. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if such 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. Applicants believe that the requested relief meets this standard for the reasons discussed below.

3. The investment structure of the Portfolios is different from that of traditional investment companies. Applicants assert that investors are relying on John Hancock's experience to select one or more Sub-Advisers best suited to achieve a Subadvised Fund's desired investment objectives. Applicants assert that, from the perspective of the investor, the role of the Sub-Advisers is comparable to that of individual portfolio managers employed by other investment advisory firms. Applicants contend that requiring shareholder approval of the Sub-Advisory Agreements would impose unnecessary costs and delays on the Subadvised Funds, and may preclude John Hancock from acting promptly in a manner considered advisable by the Board. Applicants note that the Advisory Agreements will remain subject to the Owner approval requirements of section 15(a) of the Act and rule 18f-2 under the Act.

Applicants' Conditions

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

1. Before a Subadvised Fund may rely on the requested Order, the operation of the Subadvised Fund in the manner described in the application will be

approved by a majority of the Subadvised Fund's outstanding voting securities, as defined in the Act, or, in the case of a Subadvised Fund whose Owners purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole initial shareholder prior to offering shares of the Subadvised Fund to the public.

2. Each Subadvised Fund will disclose in its prospectus the existence, substance, and effect of the Order. In addition, each Subadvised Fund relying on the Order will hold itself out to the public as employing the manager of managers arrangement described in the application. The prospectus relating to the Subadvised Fund will prominently disclose that John Hancock has ultimate responsibility (subject to oversight by the Board) to oversee Sub-Advisers and to recommend their hiring, termination and replacement.

3. Before relying on the Order, each Subadvised Fund that sought its Owners' approval to operate in the manner described in the application prior to the date of the Order, and subsequently sold shares based on a prospectus that did not contain the disclosure described in condition 2 above, will provide its Owners with at least 30 days prior written notice of (a) the substance and effect of the Order and (b) the fact that the Subadvised Fund intends to employ the manager of managers arrangement described in the application.

4. Within 90 days of the hiring of a new Sub-Adviser, John Hancock will furnish Owners of the applicable Subadvised Fund all information about the new Sub-Adviser that would be included in a proxy statement. To meet this condition, John Hancock will provide Owners of the applicable Subadvised Fund with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Securities Exchange Act of 1934.

5. John Hancock will not enter into a Sub-Advisory Agreement with any Affiliated Sub-Adviser without such agreement, including the compensation to be paid thereunder, being approved by the Owners of the relevant Subadvised Fund.

6. At all times, a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be placed within the discretion of the then-existing Independent Trustees.

7. When a change of Sub-Adviser is proposed for a Subadvised Fund with an Affiliated Sub-Adviser, the Board, including a majority of the Independent

Trustees, will make a separate finding, reflected in the Board minutes, that such change is in the best interests of the Subadvised Fund and its Owners and does not involve a conflict of interest from which John Hancock or an Affiliated Sub-Adviser derives an inappropriate advantage.

8. John Hancock will provide management and certain administrative services to each Subadvised Fund relying on the Order, including overall supervisory responsibility for the general management and investment of the Subadvised Fund's assets, and, subject to review and approval by the Board, will: (i) Set the Subadvised Fund's overall investment strategies; (ii) evaluate, select, and recommend Sub-Advisers to manage all or a part of the Subadvised Fund's assets; (iii) when appropriate, allocate and reallocate a Sub-Advised Fund's assets among multiple Sub-Advisers; (iv) monitor and evaluate the Sub-Advisers' investment performance; and (v) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the Subadvised Fund's investment objectives, policies, and restrictions.

9. No trustee or officer of the Trust, or director or officer of John Hancock will own directly or indirectly (other than through a pooled investment vehicle over which such person does not have control) any interest in a Sub-Adviser except for: (i) Ownership of interests in John Hancock or any entity that controls, is controlled by, or is under common control with John Hancock; or (ii) ownership of less than 1% of the outstanding securities of any class of equity or debt of any other publicly traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03-17052 Filed 7-3-03; 8:45 am]

BILLING CODE 8010-01-P