

PATRIOT NATIONAL BANCORP INC  
Form 10-K  
March 29, 2007

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**U. S. SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10 - K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT  
OF 1934

For the Fiscal Year Ended December 31, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**Commission file number 000-29599**

**PATRIOT NATIONAL BANCORP, INC.**  
(Exact name of registrant as specified in its charter)

**Connecticut**  
(State or other jurisdiction of incorporation or  
organization)

**900 Bedford Street**  
**Stamford, Connecticut**

(Address of principal executive offices)

**06-1559137**  
(IRS Employer Identification Number)

**06901**  
(Zip Code)

Registrant's telephone number, including area code:

**(203) 324-7500**

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value \$2.00 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Check whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer in Rule 12(b) of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12B-2 of the Act).

Yes  No

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 28, 2007 based on the last sale price as reported on the NASDAQ Global Market: \$ 87,306,174.

Number of shares of the registrant's Common Stock, par value \$2.00 per share, outstanding as of February 28, 2007: 4,739,494.

Documents Incorporated by Reference

Proxy Statement for 2006 Annual Meeting of Shareholders. (A definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this Form 10-K.)

Incorporated into Part III of this Form 10-K.

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**Patriot National Bancorp, Inc.  
2006 Form 10-K Annual Report**

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**“Safe Harbor” Statement Under Private Securities Litigation Reform Act of 1995**

Certain statements contained in Bancorp’s public reports, including this report, and in particular in “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” may be forward looking and subject to a variety of risks and uncertainties. These factors include, but are not limited to, (1) changes in prevailing interest rates which would affect the interest earned on Bancorp’s interest earning assets and the interest paid on its interest bearing liabilities, (2) the timing of repricing of Bancorp’s interest earning assets and interest bearing liabilities, (3) the effect of changes in governmental monetary policy, (4) the effect of changes in regulations applicable to Bancorp and the Bank and the conduct of its business, (5) changes in competition among financial service companies, including possible further encroachment of non-banks on services traditionally provided by banks, (6) the ability of competitors that are larger than Bancorp to provide products and services which it is impracticable for Bancorp to provide, (7) the effect of Bancorp’s opening of branches, (8) the effect of any decision by Bancorp to engage in any business not historically operated by it and (9) the ability of Bancorp to timely and successfully deploy the capital raised in the 2006 offering and any future offerings. Other such factors may be described in Bancorp’s other filings with the SEC.

Although Bancorp believes that it offers the loan and deposit products and has the resources needed for continued success, future revenues and interest spreads and yields cannot be reliably predicted. These trends may cause Bancorp to adjust its operations in the future. Because of the foregoing and other factors, recent trends should not be considered reliable indicators of future financial results or stock prices.

## PART I

### Item 1. Business

#### General

Patriot National Bancorp, Inc. (“*Bancorp*”), a Connecticut corporation, was organized in 1999 for the purpose of becoming a one-bank holding company (the “*Reorganization*”) for Patriot National Bank, a national banking association headquartered in Stamford, Fairfield County, Connecticut (the “*Bank*”). Following receipt of regulatory and shareholder approvals, the Reorganization became effective as of the opening of business on December 1, 1999. Upon consummation of the Reorganization, each outstanding share of Common Stock, par value \$2.00 per share, of the Bank (“*Bank Common Stock*”), was converted into the right to receive one share of Common Stock, par value \$2.00 per share, of Bancorp (“*Bancorp Common Stock*”), and each outstanding option or warrant to purchase Bank Common Stock became an option or warrant to purchase an equal number of shares of Bancorp Common Stock.

The Bank was granted preliminary approval by the Comptroller of the Currency (the “*OCC*”) on March 5, 1993. It received its charter and commenced operations as a national bank on August 31, 1994. Since then, the Bank has opened branch offices in Greenwich and Old Greenwich, Connecticut, two branch offices in Norwalk, Connecticut, a second Stamford location, two branch offices in Wilton, Connecticut, a branch office in Darien, Connecticut, a branch office in Southport, Connecticut, a branch office in Milford, Connecticut and two branch offices in Fairfield, Connecticut. The Bank also expanded into New York State through the purchase of a small branch office in New York City. The Bank recently received regulatory approval to open six additional branch offices.

On June 30, 1999, the Bank through its wholly-owned subsidiary, PinPat Acquisition Corporation, acquired all of the outstanding capital stock of Pinnacle Financial Corp., a Connecticut corporation, Pinnacle Financial Corp., a New Jersey corporation, and Pinnacle Financial Corp., a New York corporation (collectively, “*Pinnacle*”), a residential mortgage broker. Pinnacle surrendered its mortgage licenses and the mortgage brokerage business of Pinnacle is now conducted through the lending function of Patriot National Bank.

PinPat Acquisition Corporation currently holds one commercial property as other real estate owned transferred from the bank upon the conclusion of foreclosure proceedings in the third quarter of 2006.

On March 11, 2003, Bancorp formed Patriot National Statutory Trust I (the “*Trust*”) for the sole purpose of issuing trust preferred securities and investing the proceeds in subordinated debentures issued by Bancorp. Bancorp primarily invested the funds from the issuance of the debt in the Bank, which in turn used the proceeds to fund general operations of the Bank.

On November 17, 2006 the Bank acquired a small branch office and related deposits at 45 West End Avenue, New York, New York, from Millennium bcpbank, a national bank headquartered in Newark, New Jersey. The acquisition is in furtherance of Bancorp’s growth

strategy and will permit the Bank to establish additional branches in New York State. The Bank assumed the existing lease and plans to operate from the branch at 45 West End Avenue.

As of the date hereof, the only business of Bancorp is its ownership of all of the issued and outstanding capital stock of the Bank and the Trust. Except as specifically noted otherwise herein, the balance of the description of Bancorp's business is a description of the Bank's business.

### Commercial Banking

The Bank conducts business at its main office located at 900 Bedford Street, Stamford, Connecticut and at branch offices located at: 838 High Ridge Road, Stamford, Connecticut, 100 Mason Street, Greenwich, Connecticut, 184 Sound Beach Avenue, Old Greenwich, Connecticut, 16 River Street and 365 Westport Avenue in Norwalk, Connecticut, One Danbury Road and 5 River Road in Wilton, Connecticut, 800 Post Road in Darien, Connecticut, 3695 Post Road in Southport, Connecticut, 771 Boston Post Road in Milford, Connecticut, 45 West End Avenue in New York City, New York and 1127 Post Road and 1755 Black Rock Turnpike in Fairfield, Connecticut. The Bank also operates loan origination offices at 1177 Summer Street, Stamford, Connecticut and 200 Broad Hollow Road, Melville, New York.

The Bank offers a broad range of consumer and commercial banking services with an emphasis on serving the needs of individuals, small and medium-sized businesses and professionals. The Bank offers consumer and commercial deposit accounts that include: checking accounts, interest-bearing "NOW" accounts, insured money market accounts, time certificates of deposit, savings accounts, IRA's (Individual Retirement Accounts) and health savings accounts (HSA's). Other services include money orders, traveler's checks, ATM's (automated teller machines), internet banking and debit cards. In addition, the Bank may in the future offer Keogh accounts and other financial services.

The Bank offers commercial real estate and construction loans to area businesses and developers. Real estate loans made to individuals include home mortgages, home improvement loans, bridge loans and home equity lines of credit. Other personal loans include lines of credit, installment loans and credit cards. Commercial loans offered to small and medium-sized businesses include secured and unsecured loans to service companies, real estate developers, manufacturers, restaurants, wholesalers, retailers and professionals doing business in the region. The Bank also offers residential mortgages; the bank solicits and processes mortgage loan applications from consumers on behalf of permanent investors and originates loans for sale.

### Competition

The Bank competes with a variety of financial institutions in its market area. Most have greater financial resources and capitalization, which gives them higher lending limits and the ability to conduct larger advertising campaigns to attract business. Generally the larger institutions offer services such as trust and international banking which the Bank is not equipped to offer directly. When the need arises, arrangements are made with correspondent institutions to provide such services. In the future, if the Bank desires to offer trust services, prior approval of the OCC will be required. To attract business in this competitive environment, the Bank relies on local

promotional activities and personal contact by officers, directors and shareholders and on its ability to offer personalized services.

The customer base of the Bank is diversified so that there is not a concentration of either loans or deposits within a single industry, a group of industries, a single person or groups of people. The Bank is not dependent on one or a few major customers for either its deposit or lending activities, the loss of any one of which would have a material adverse effect on the business of the Bank.

Residents and businesses in Stamford, Greenwich, Norwalk, Wilton, Darien, Southport, Fairfield and Milford, Connecticut provide the majority of the Bank's deposits. The Bank has focused its attention on serving the segments of its market area historically served by community banks. The Bank competes in its market by providing a high level of personalized and responsive banking service for which the Bank believes there is a need. This area is bordered by New York State to the west, the Town of Ridgefield to the north, the Town of Orange to the east, and the Long Island Sound to the south.

The Bank's loan customers extend beyond Stamford, Greenwich, Norwalk, Wilton, Darien, Southport, Milford and Fairfield to include nearby towns in Fairfield County, Connecticut, and towns in Westchester County, New York, although the Bank's loan business is not necessarily limited to these areas. The Bank's mortgage brokerage business is concentrated primarily in the areas surrounding its loan origination offices. While the Bank does not currently hold or intend to attract significant deposit or loan business from major corporations with headquarters in the Fairfield County area, the Bank believes that the service, professional and related businesses which have been attracted to this area, as well as the individuals that reside in this area, represent current and potential customers of the Bank.

As the Bank expands with full service branch banking offices into Westchester County, New York, it will solicit deposits from residents and businesses located within the New York metropolitan area in addition to further developing its loan production efforts. This expansion effort will involve material deployment of the Bank's capital.

In the normal course of business and subject to applicable government regulations, the Bank invests a portion of its assets in investment securities, which may include certain debt and equity securities, including government securities. An objective of the Bank's investment policy is to seek to optimize its return on assets while limiting its exposure to interest rate movements and to maintain adequate levels of liquidity.

The Bank's employees perform most routine day-to-day banking transactions at the Bank. However, the Bank has entered into a number of arrangements with third parties for banking services such as correspondent banking, check clearing, data processing services, credit card processing and armored carrier service.

The cities of Stamford and Norwalk and the towns of Greenwich, Wilton, Darien, Southport, Milford and Fairfield are presently served by over 200 branches of commercial banks and savings banks, most of which are offices of banks which have headquarters outside of the state or area or are subsidiaries of bank or financial holding companies whose headquarters are outside of

the areas served by the Bank. In addition to banks with branches in the same areas as the Bank, there are numerous banks and financial institutions serving the communities surrounding these areas, which also draw customers from Stamford, Greenwich, Norwalk, Wilton, Darien, Southport, Milford and Fairfield, posing significant competition to the Bank for deposits and loans. Many of those banks and financial institutions are well established and well capitalized.

In recent years, intense market demands, economic pressures and significant legislative and regulatory actions have eroded banking industry classifications which were once clearly defined and have increased competition among banks, as well as other financial institutions including non-bank competitors. This increase in competition has caused banks and other financial service institutions to diversify their services and become more cost effective. The impact on Bancorp of federal legislation authorizing increased services by financial holding companies and interstate branching of banks has also resulted in increased competition. These events have resulted in increasing homogeneity in the financial services offered by banks and other financial institutions. The impact on banks and other financial institutions of these market dynamics and legislative and regulatory changes has been increased customer awareness of product and service differences among competitors and increased merger activity.

### Supervision and Regulation

As a bank holding company, Bancorp's operations are subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve Board (the "*Federal Reserve Board*"). The Federal Reserve Board has established capital adequacy guidelines for bank holding companies that are similar to the OCC's capital guidelines applicable to the Bank. The Bank Holding Company Act of 1956, as amended (the "*BHC Act*"), limits the types of companies that a bank holding company may acquire or organize and the activities in which it or they may engage. In general, bank holding companies and their subsidiaries are only permitted to engage in, or acquire direct control of, any company engaged in banking or in a business so closely related to banking as to be a proper incident thereto. Federal legislation enacted in 1999 authorizes certain entities to register as financial holding companies. Registered financial holding companies are permitted to engage in businesses, including securities and investment banking businesses, which are prohibited to bank holding companies. While the creation of financial holding companies is evolving, to date there has been no significant impact on Bancorp.

Under the BHC Act, Bancorp is required to file annually with the Federal Reserve Board a report of its operations. Bancorp, the Bank and any other subsidiaries are subject to examination by the Federal Reserve Board. In addition, Bancorp will be required to obtain the prior approval of the Federal Reserve Board to acquire, with certain exceptions, more than 5% of the outstanding voting stock of any bank or bank holding company, to acquire all or substantially all of the assets of a bank or to merge or consolidate with another bank holding company. Moreover, Bancorp, the Bank and any other subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit or provision of any property or services. The Bank is also subject to certain restrictions imposed by the Federal Reserve Act on issuing any extension of credit to Bancorp or any of its subsidiaries or making any investments in the stock or other securities thereof and on the taking of such stock or securities as collateral for loans to any borrower. If Bancorp wants to engage in businesses permitted to financial holding companies



but not to bank holding companies, it would need to register with the Federal Reserve Board as a financial holding company.

The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses its view that a bank holding company should pay cash dividends only to the extent that the bank holding company's net income for the past year is sufficient to cover both the cash dividend and a rate of earnings retention that is consistent with the bank holding company's capital needs, asset quality and overall financial condition. The Federal Reserve Board has also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the Federal Reserve Board pursuant to applicable law, the Federal Reserve Board may prohibit a bank holding company from paying any dividends if its bank subsidiary is classified as "undercapitalized."

A bank holding company is required to give the Federal Reserve Board prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of its consolidated retained earnings. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve Board order, or any condition imposed by, or written agreement with, the Federal Reserve Board.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, ("*Riegle-Neal Act*") was enacted to ease restrictions on interstate banking. Effective September 29, 1995, the Riegle-Neal Act allows the Federal Reserve Board to approve an application of an adequately capitalized and adequately managed bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company's state, without regard to whether the transaction is prohibited by the laws of any state. The Federal Reserve Board may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state. The Riegle-Neal Act also prohibits the Federal Reserve Board from approving an application if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or 30% or more of the deposits in the target bank's home state or in any state in which the target bank maintains a branch. The Riegle-Neal Act does not affect the authority of states to limit the percentage of total insured deposits in the state which may be held or controlled by a bank or bank holding company to the extent that such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% statewide concentration limits contained in the Riegle-Neal Act. The Riegle-Neal Act also allows banks to establish branch offices in other than the bank's home state if the target state has "opted in" to interstate branching. Connecticut has "opted in"; New York has not, so at the present time the bank cannot establish a branch (deposit taking and loan making facility) in New York State except through the purchase of an existing New York bank or branch of a New York bank. The bank consummated such a purchase in November 2006.

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Bancorp is subject to capital adequacy rules and guidelines issued by the OCC, the Federal Reserve Board and the Federal Deposit Insurance Corporation (“*FDIC*”), and the Bank is subject to capital adequacy rules and guidelines issued by the OCC. These substantially identical rules and guidelines require Bancorp to maintain certain minimum ratios of capital to adjusted total assets and/or risk-weighted assets. Under the provisions of the Federal Deposit Insurance Corporation Improvements Act of 1991, the Federal regulatory agencies are required to implement and enforce these rules in a stringent manner. Bancorp is also subject to applicable provisions of Connecticut law insofar as they do not conflict with, or are not otherwise preempted by, Federal banking law.

Bancorp is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and, in accordance with the Exchange Act, files periodic reports, proxy statements and other information with the Securities and Exchange Commission (the “*SEC*”).

The Bank’s operations are subject to regulation, supervision and examination by the OCC and the FDIC.

Federal and state banking regulations regulate, among other things, the scope of the business of a bank, a bank holding company or a financial holding company, the investments a bank may make, deposit reserves a bank must maintain, the establishment of branches and the activities of a bank with respect to mergers and acquisitions. The Bank is a member of the Federal Reserve System and is subject to applicable provisions of the Federal Reserve Act and regulations thereunder. The Bank is subject to the federal regulations promulgated pursuant to the Financial Institutions Supervisory Act to prevent banks from engaging in unsafe and unsound practices, as well as various other federal and state laws and consumer protection laws. The Bank is also subject to the comprehensive provisions of the National Bank Act.

The OCC regulates the number and locations of the branch offices of a national bank. The OCC may only permit a national bank to maintain branches in locations and under the conditions imposed by state law upon state banks. At this time, applicable Connecticut banking laws do not impose any material restrictions on the establishment of branches by Connecticut banks throughout Connecticut. New York State law is similar; however, the Bank cannot establish a branch in a town with a population of less than 50,000 that is the headquarter town of another bank.

The earnings and growth of Bancorp, the Bank and the banking industry are affected by the monetary and fiscal policies of the United States Government and its agencies, particularly the Federal Reserve Board. The Open Market Committee of the Federal Reserve Board implements national monetary policy to curb inflation and combat recession. The Federal Reserve Board uses its power to adjust interest rates in United States Government securities, the Discount Rate and deposit reserve retention rates. The actions of the Federal Reserve Board influence the growth of bank loans, investments and deposits. They also affect interest rates charged on loans and paid on deposits. The nature and impact of any future changes in monetary policies cannot be predicted.

In addition to other laws and regulations, Bancorp and the Bank are subject to the Community Reinvestment Act (“CRA”), which requires the Federal bank regulatory agencies, when considering certain applications involving Bancorp or the Bank, to consider Bancorp’s and the Bank’s record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA was originally enacted because of concern over unfair treatment of prospective borrowers by banks and over unwarranted geographic differences in lending patterns. Existing banks have sought to comply with CRA in various ways; some banks have made use of more flexible lending criteria for certain types of loans and borrowers (consistent with the requirement to conduct safe and sound operations), while other banks have increased their efforts to make loans to help meet identified credit needs within the consumer community, such as those for home mortgages, home improvements and small business loans. This may include participation in various government insured lending programs, such as Federal Housing Administration insured or Veterans Administration guaranteed mortgage loans, Small Business Administration loans, and participation in other types of lending programs such as high loan-to-value ratio conventional mortgage loans with private mortgage insurance. To date, the market area from which the Bank draws much of its business is Stamford, Greenwich, Norwalk, Wilton, Darien, Southport and Milford, which are characterized by a very diverse ethnic, economic and racial cross-section of the population. As the Bank expands further, the market areas served by the Bank will continue to evolve. Bancorp and the Bank have not and will not adopt any policies or practices, which discourage credit applications from, or unlawfully discriminate against, individuals or segments of the communities served by the Bank.

On October 26, 2001, the United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the *USA Patriot Act*, was enacted to further strengthen domestic security following the September 11, 2001 attacks. This Act amends various federal banking laws, particularly the Bank Secrecy Act, with the intent to curtail money laundering and other activities that might be undertaken to finance terrorist actions. The Act also requires that financial institutions in the United States enhance already established anti-money laundering policies, procedures and audit functions and ensure that controls are reasonably designed to detect instances of money laundering through certain correspondent or private banking accounts. Verification of customer identification, maintenance of said verification records and cross checking names of new customers against government lists of known or suspected terrorists is also required. The Patriot Act was recently reauthorized and modified with the enactment of The USA Patriot Act Improvement and Reauthorization Act of 2005.

On July 20, 2002, the Sarbanes-Oxley Act of 2002 was enacted, the primary purpose of which is to protect investors through improved corporate governance and responsibilities of, and disclosures by, public companies. The Act contains provisions for the limitations of services that external auditors may provide as well as requirements for the credentials of Audit Committee members. In addition, the principal executive and principal financial officers are required to certify in quarterly and annual reports that they have reviewed the report; and based on the officers’ knowledge, the reports accurately present the financial condition and results of operations of the company and contain no untrue statement or omission of material fact. The officers also certify their responsibility for establishing and maintaining a system of internal controls which insure that all material information is made known to the officers; this certification also includes the evaluation of the effectiveness of disclosure controls and

procedures and their impact upon financial reporting. Section 404 of the Act entitled Management Assessment of Internal Controls, requires that each annual report include an internal control report which states that it is the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, as well as an assessment by management of the effectiveness of the internal control structure and procedures for financial reporting. This section further requires that the external auditors attest to, and report on, the assessment made by management. On September 21, 2005, the SEC extended the Section 404 compliance dates for non-accelerated filers (those issuers with non-affiliated public float of less than \$75 million) to fiscal years ending on or after July 15, 2007.

Bancorp does not anticipate that compliance with applicable federal and state banking laws will have a material adverse effect on its business or the business of the Bank. Neither Bancorp nor the Bank has any material patents, trademarks, licenses, franchises, concessions and royalty agreements or labor contracts, other than the charter granted to the Bank by the OCC.

#### Employees

As of December 31, 2006, Bancorp had 107 full-time employees and five part-time employees. None of the employees of Bancorp is covered by a collective bargaining agreement.

#### Item 1A. Risk Factors

##### **Management intends to continue Bancorp's emphasis on growth over earnings for the foreseeable future.**

Management has actively sought growth of the institution in recent years by opening additional branches, one through acquisition, initiating internal growth programs, and completing one acquisition of a mortgage company. Bancorp may not be able to sustain its historical rate of growth or may not even be able to continue to grow at all. Various factors, such as economic conditions and competition, or the unavailability of suitable sites, may impede or prohibit the Bank from opening new branches. In addition, Bancorp may not be able to obtain the financing necessary to fund additional growth and may not be able to find suitable candidates for acquisition. Sustaining Bancorp's growth has placed significant demands on management as well as on administrative, operational and financial resources. For Bancorp to continue to grow, it must: attract and retain qualified management and experienced bankers, find suitable markets for expansion, find suitable, affordable branch locations, attract funding to support additional growth, maintain high asset quality levels, maintain adequate regulatory capital and maintain adequate controls.

Although management believes that earnings will increase as the franchise is expanded, the rate of increase in earnings will be adversely affected by the costs associated with opening new branches and the time necessary to build a customer base in each new branch's market area.

If Bancorp is unable to continue its historical levels of growth, or if growth comes at greater financial expense than has been incurred in the past, Bancorp may not be able to achieve its financial goals and profitability may be adversely affected.

**Bancorp intends to expand into a new geographic market in which current senior management has limited experience.**

Bancorp intends to expand into Westchester County and the surrounding counties in New York State. In November 2006, Bancorp acquired a small branch office in New York City, New York from another financial institution. This acquisition will allow Bancorp to establish additional bank branch offices in Westchester County, New York, which was the primary purpose for the acquisition. Bancorp does not plan further branch expansion in New York City at this time. Bancorp has received regulatory approval for and entered into a lease agreement to establish a branch in Bedford, New York; management anticipates that this office will open during the second quarter of 2007.

The vast majority of Bancorp's deposits and loans are derived from and made to customers who live and work in Fairfield County, Connecticut. Although management believes that the demographics for Westchester County, New York closely resemble those of Fairfield County Connecticut, the Bank does not currently conduct significant deposit activity in New York State. The senior management team includes several individuals with substantial banking experience in Connecticut, but with less experience in New York. Bancorp's ability to compete effectively in New York State will depend in part on management's ability to hire and retain key employees who have extensive banking experience in the Westchester County.

**Bancorp has no experience opening bank branch offices in Westchester County, New York.**

Historically, Bancorp's investment in capital equipment to establish a new branch office has ranged between \$315,000 and \$450,000; however, total branch operating costs also include a variety of variable costs, including the prevailing rental rates in the local branch office area, the size of the branch, the availability of facilities that are ready to be operated as bank branches, and the number of employees. Bancorp has not opened branches in Westchester County in the past and may not be able to accurately estimate the variable costs associated with opening branch offices in this area. If management underestimates these variable costs, then the branches Bancorp establishes in these areas may prove to be more costly than anticipated and, as a further consequence, Bancorp's branch expansion program may be delayed or reduced in scope, or both, which may have an adverse effect on Bancorp's business and results of operations.

**Because Bancorp intends to increase its commercial real estate, construction and commercial business loan originations, its lending risk will increase, and downturns in the real estate market could adversely affect its earnings.**

Commercial real estate, construction and commercial business loans generally have more risk than residential mortgage loans. Both commercial real estate and construction loans, for example, often involve larger loan balances concentrated with single borrowers or groups of related borrowers as compared to single-family residential loans. Construction loans are secured by the property under construction, the value of which is uncertain prior to completion. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and the related loan-to-value ratios. Speculative construction loans involve additional risk because the builder does not have a contract for the sale of the property at the time of construction.

Because the repayment of commercial real estate, construction and commercial business loans depends on the successful management and operation of the borrower's properties or related businesses, repayments of such loans can be affected by adverse conditions in the real estate market or local economy. A significant portion of Bancorp's total loan portfolio is secured by real estate located in Fairfield County, Connecticut and Westchester County, New York. As a result, a downturn in the real estate market, especially within Bancorp's market area, could adversely impact the value of properties securing these loans. Bancorp's ability to recover on defaulted loans by selling the underlying real estate would be diminished, and Bancorp would be more likely to suffer losses on defaulted loans. As its commercial real estate, construction and commercial business loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase.

**Bancorp's business is subject to various lending and other economic risks that could adversely impact Bancorp's results of operations and financial condition.**

Changes in economic conditions, particularly an economic slowdown in Fairfield County, Connecticut and the New York metropolitan area, could hurt Bancorp's financial performance. Bancorp's business is directly affected by political and market conditions, broad trends in industry and finance, legislative and regulatory changes and changes in governmental monetary and fiscal policies and inflation, all of which are beyond Bancorp's control. A deterioration in economic conditions, in particular an economic slowdown within Fairfield County, Connecticut and/or the New York metropolitan area, could result in the following consequences, any of which may hurt the business of Bancorp materially: loan delinquencies may increase; problem assets and foreclosures may increase; demand for the Bank's products and services may decline; and assets and collateral associated with the Bank's loans, especially real estate, may decline in value, thereby reducing a customer's borrowing power.

The Bank may suffer losses in its loan portfolio despite its underwriting practices. The Bank seeks to mitigate the risks inherent in its loan portfolio by adhering to specific underwriting practices. These practices include analysis of a borrower's prior credit history, financial statements, tax returns and cash flow projections, valuation of collateral based on reports of independent appraisers and verification of liquid assets. Although the Bank believes that its underwriting criteria is appropriate for the various types of loans the Bank makes, the Bank may still incur losses on loans, and these losses may exceed the amounts set aside as reserves in the allowance for loan losses.

**Bancorp's allowance for loan losses may not be adequate to cover actual losses.**

Like all financial institutions, the Bank maintains an allowance for loan losses to provide for loan defaults and non-performance. The allowance for loan losses may not be adequate to cover actual loan losses and future provisions for loan losses could materially and adversely affect Bancorp's operating results. The allowance for loan losses is based on an evaluation of the risks associated with the Bank's loans receivable as well as the Bank's prior loss experience. A substantial portion of the Bank's loans are unseasoned and lack an established record of performance. To date, losses have been negligible. The amount of future losses is susceptible to

changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Bank's control and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review the Bank's loans and assess the adequacy of the allowance for loan losses. While management believes that the allowance for loan losses is adequate to cover current losses, management cannot assure shareholders that there will not be a need to increase the allowance for loan losses or that the regulators will not require management to increase this allowance. Either of these occurrences could materially and adversely affect Bancorp's earnings and profitability.

**Bancorp's business is subject to interest rate risk and variations in interest rates may negatively affect Bancorp's financial performance.**

Bancorp is unable to predict fluctuations of market interest rates, which are affected by many factors including: inflation, recession, a rise in unemployment, a tightening money supply and domestic and international disorder and instability in domestic and foreign financial markets. Changes in the interest rate environment may reduce Bancorp's profits. Bancorp realizes income from the differential or "spread" between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. Bancorp is vulnerable to a decrease in interest rates because its interest-earning assets generally have shorter durations than its interest-bearing liabilities. As a result, material and prolonged decreases in interest rates would decrease Bancorp's net interest income. In contrast, an increase in the general level of interest rates may adversely affect the ability of some borrowers to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially and adversely affect Bancorp's net interest spread, asset quality, levels of prepayments and cash flow as well as the market value of its securities portfolio and overall profitability.

Mortgage brokerage activity is also affected by interest rate fluctuations. Generally, increases in interest rates often lead to decreases in home refinancing activity, thus reducing the number of mortgage loans that Bancorp originates.

**Bancorp's investment portfolio includes securities which are sensitive to interest rates and variations in interest rates may adversely impact Bancorp's profitability.**

Bancorp's securities portfolio is classified as available-for-sale, and is comprised of mortgage-backed securities which are insured or guaranteed by U.S. government agencies or government-sponsored enterprises, U.S. government agency securities and money market preferred equity securities. These securities are sensitive to interest rate fluctuations. Unrealized gains or losses in the available-for-sale portfolio are reported as a separate component of shareholders' equity. As a result, future interest rate fluctuations may impact shareholders' equity, causing material fluctuations from quarter to quarter. Failure to hold its securities until: payments are received on mortgage-backed securities, other investments mature or market conditions are favorable for a sale could adversely affect Bancorp's earnings and profitability.

**Bancorp is dependent on its management team, and the loss of its senior executive officers or other key employees could impair its relationship with its customers and adversely affect its business and financial results.**

Bancorp's success is dependent upon the continued services and skills of Angelo De Caro, Charles F. Howell, Robert F. O'Connell, Philip W. Wolford and other senior officers including Martin G. Noble, its chief lender, Marcus Zavattaro, its sales manager of retail brokerage, and John Kantzas, a founder and an executive vice president. While Bancorp has employment agreements containing non-competition provisions with MesTD STYLE="text-align: center; width: 100%">6



Name, (Year of Birth) and Position with the Fund	Principal Occupation(s) and Other Directorships During the Past Five Years	Number of Trustee John Hancock Funds Since Overseen
Warren A. Thomson <sup>(1)</sup> (1955) Trustee	Senior Executive Vice President and Chief Investment Officer, Manulife Financial Corporation and The Manufacturers Life Insurance Company (since 2009); Chairman and Chief Executive Officer, Manulife Asset Management (since 2001, including prior positions); Director (since 2006), and President and Chief Executive Officer (since 2013), Manulife Asset Management Limited; Director and Chairman, Hancock Natural Resources Group, Inc. (since 2013).  Trustee, John Hancock retail funds, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2012).	2012 233

(1) Because Messrs. Boyle, Bromley, and Thomson are senior executives or directors of the Advisor or its affiliates, each of them is considered an “interested person” (as defined in the 1940 Act) of the funds.

“John Hancock retail funds” is comprised of the series of John Hancock Funds III and 11 other investment companies, as well as ten closed-end funds (including the funds described in this proxy statement).

#### Additional Information About Nominees/Trustees

In addition to the description of each Trustee’s Principal Occupation(s) and Other Directorships set forth above, the following provides further information about each Trustee’s specific experience, qualifications, attributes or skills. The information in this section should not be understood to mean that any of the Trustees is an “expert” within the meaning of the federal securities laws.

There are no specific required qualifications for Board membership. The Board believes that the different perspectives, viewpoints, professional experience, education, and individual qualities of each Trustee represent a diversity of experiences and a variety of complementary skills. Each Trustee has experience as a Trustee of each fund as well as experience as a Trustee of other John Hancock funds. It is the Trustees’ belief that this allows the Board, as a whole, to oversee the business of each fund in a manner consistent with the best interests of the fund’s shareholders.

When considering potential nominees to fill vacancies on the Board, and as part of its annual self-evaluation, the Board reviews the mix of skills and other relevant experiences of the Trustees.

*Charles L. Bardelis* - As a director and former chief executive of an operating company, Mr. Bardelis has experience with a variety of financial, staffing, regulatory and operational issues. He also has experience as a director of publicly traded companies.

*James R. Boyle* - Through his former positions as Chairman and Director of the Advisor, position as a senior executive of Manulife Financial Corporation (“MFC”), the Advisor’s parent company, and positions with other affiliates of the Advisor, Mr. Boyle has experience in the development and management of registered investment companies, variable annuities and retirement products, enabling him to provide management input to the Board.

*Craig Bromley* - Through his positions as President and Chief Executive Officer of Manulife Life Insurance Company (Manulife Japan), positions as a senior executive of MFC, the Advisor’s parent company, and positions with other affiliates of the Advisor, Mr. Bromley has experience as a strategic business builder expanding product offerings and distribution, enabling him to provide valuable management input to the Board.

*Peter S. Burgess* - As a financial consultant, certified public accountant and a former partner in a major international public accounting firm, Mr. Burgess has experience in the auditing of financial services companies and mutual funds. He also has experience as a director of publicly traded operating companies.

*William H. Cunningham* - Mr. Cunningham has management and operational oversight experience as a former Chancellor and President of a major university. Mr. Cunningham regularly teaches a graduate course in corporate governance at the law school and the Red McCombs School of Business at The University of Texas at Austin. He also has oversight and corporate governance experience as a current and former director of a number of operating companies, including an insurance company.

*Grace K. Fey* - As a consultant to nonprofit and corporate boards, and as a former director and executive of an investment management firm, Ms. Fey has experience in the investment management industry. She also has experience as a director of an operating company.

*Theron S. Hoffman* - As a consultant and as a former senior executive of several large public and private companies, including a global reinsurance company and a large investment management firm, Mr. Hoffman has extensive experience in corporate governance, business operations and new product development. In addition, his prior service as chair of corporate pension trusts has given him experience in the oversight of investment managers.

*Deborah C. Jackson* - Ms. Jackson has management and operational oversight experience as the president of a college and as the former chief executive officer of a major charitable organization. She also has oversight and corporate governance experience as a current and former director of various corporate organizations, including a bank, an insurance company, a regional stock exchange and nonprofit entities.

*Hassell H. McClellan* - As a professor in the graduate management department of a major university and as a former director of several privately held companies, Mr. McClellan has experience in corporate and financial matters. He also has experience as a director of other investment companies not affiliated with the funds.

*James M. Oates* - As a senior officer and director of investment management companies, Mr. Oates has experience in investment management. Mr. Oates previously served as chief executive officer of two banks. He also has experience as a director of publicly traded companies and investment companies not affiliated with the funds. Mr. Oates, an Independent Trustee, serves as the Board's Chairperson.

*Steven R. Pruchansky* - Mr. Pruchansky has entrepreneurial, executive and financial experience as a chief executive officer of an operating services company and a current and former director of real estate and banking companies. Mr. Pruchansky, an Independent Trustee, serves as the Board's Vice Chairperson.

*Gregory A. Russo* - As a certified public accountant and former partner in a major independent registered public accounting firm, Mr. Russo has accounting and executive experience. He also has experience as a current and former director of various operating entities.

*Warren A. Thomson* - Through his positions as Chairman of Manulife Asset Management and Chief Investment Officer of MFC, the Advisor's parent company, Mr. Thomson has experience in the management of investments, registered investment companies, variable annuities and retirement products, enabling him to provide management input to the Board.

#### **Duties of Trustees; Board Meetings and Board Committees**

Each fund is organized as a Massachusetts business trust. Under the funds' Declarations of Trusts, the Trustees are responsible for managing the affairs of the funds, including the appointment of advisors and subadvisors. Each Trustee has the experience, skills, attributes or qualifications described above (see "Principal Occupation(s) and Other Directorships During the Past Five Years" and "Additional Information About Nominees/Trustees" above). The Board appoints officers who assist in managing the day-to-day affairs of the funds. The Board met five times during the fiscal year ended October 31, 2013. No Trustee attended fewer than 75% of the aggregate of: (1) the total number of Board meetings; and (2) the total number of meetings held by all committees on which he or she served. The funds hold joint meetings of the Trustees and all committees. Seven Trustees attended the joint 2013 annual meeting of shareholders of the funds that was held on November 9, 2012.

The Board has appointed an Independent Trustee as Chairperson. The Chairperson presides at meetings of the Trustees, and may call meetings of the Board and any Board committee whenever he deems it necessary. The Chairperson participates in the preparation of the agenda for meetings of the Board and the identification of information to be presented to the Board with respect to matters to be acted upon by the Board. The Chairperson also acts as a liaison with the funds' management, officers, attorneys, and other Trustees generally between meetings. The Chairperson may perform such other functions as may be requested by the Board from time to time. The Board has also designated a Vice Chairperson to serve in the absence of the Chairperson. Except for any duties specified pursuant to each fund's Declaration of Trust or By-laws, or as assigned by the Board, the designation of a Trustee as Chairperson or Vice Chairperson does not impose on that Trustee any duties, obligations or liability that are greater than the duties, obligations or liability imposed on any other Trustee, generally. The Board has designated a number of standing committees as further described below, each of which has a Chairperson. The Board also may designate working groups or ad hoc committees as it deems appropriate.

The Board believes that this leadership structure is appropriate because it allows the Board to exercise informed and independent judgment over matters under its purview, and it allocates areas of responsibility among committees or working groups of Trustees and the full Board in a manner that enhances effective oversight. The Board considers leadership by an Independent Trustee as Chairperson to be integral to promoting effective independent oversight of the funds' operations and meaningful representation of the shareholders' interests, given the specific characteristics and circumstances of the funds. The Board also believes that having a super-majority of Independent Trustees is appropriate and in the best interest of the funds' shareholders. Nevertheless, the Board also believes that having interested persons serve on the Board brings corporate and financial viewpoints that are, in the Board's view, helpful elements in its decision-making process. In addition, the Board believes that Messrs. Boyle, Bromley and Thomson as senior executives of MFC, the parent company of the Advisor and of other affiliates of the Advisor, provide the Board with the perspective of the Advisor in managing and sponsoring all of the funds. The leadership structure of the Board may be changed, at any time and in the discretion of the Board, including in response to changes in circumstances or the characteristics of each fund.

## **Board Committees**

The Board has established an Audit Committee; Compliance Committee; Contracts, Legal & Risk Committee; Nominating and Governance Committee; and Investment Committee.

The current membership of each committee is set forth below. As Chairperson of the Board, Mr. Oates is considered an ex officio member of each committee and, therefore, is able to attend and participate in any committee meeting, as appropriate.

*Audit Committee.* The Board has an Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is comprised exclusively of Independent Trustees

(Messrs. Bardelis, Burgess and Hoffman) as defined under Section 2(a)(19) of the 1940 Act. Mr. Burgess serves as Chairperson of this Committee. Each Audit Committee member is financially literate, with at least one having accounting or financial management expertise. The Board has adopted a written charter for the Committee. This Committee recommends to the full Board independent registered public accounting firms for each fund, oversees the work of the independent registered public accounting firm in connection with each fund's audit, communicates with the independent registered public accounting firm on a regular basis and provides a forum for the independent registered public accounting firm to report and discuss any matters it deems appropriate at any time. The Audit Committee held five meetings during the fiscal year ended October 31, 2013. The written report of the Audit Committee is set forth below under "Audit Committee Report." The written charter of the Audit Committee is included as Attachment 1 to this proxy statement.

*Compliance Committee.* The Board also has a standing Compliance Committee (Ms. Jackson and Messrs. Cunningham and McClellan). This Committee reviews and makes recommendations to the full Board regarding certain compliance matters relating to the funds. Mr. McClellan serves as Chairperson of this Committee. This Committee held four meetings during the fiscal year ended October 31, 2013.

*Contracts, Legal & Risk Committee.* The Board also has a standing Contracts, Legal & Risk Committee (Ms. Fey and Messrs. Pruchansky and Russo). This Committee oversees the initiation, operation, and renewal of the various contracts between the funds and other entities. These contracts include advisory and subadvisory agreements, custodial and transfer agency agreements and arrangements with other service providers. The Committee also reviews the significant legal affairs of the funds, as well as any significant regulatory and legislative actions or proposals affecting or relating to the funds or their service providers. The Committee also assists the Board in its oversight role with respect to the processes pursuant to which the Advisor and the Subadvisor identify, manage and report the various risks that affect or could affect the funds. Mr. Russo serves as Chairperson of this Committee. The Contracts, Legal & Risk Committee held four meetings during the fiscal year ended October 31, 2013.

*Nominating and Governance Committee.* This Committee is comprised of all of the Independent Trustees as defined in Section 2(a)(19) of the 1940 Act. Mr. Oates serves as Chairperson of this Committee. The purpose of this Committee is to make determinations and recommendations to the Board on issues related to the composition and operation of the Board and corporate governance matters applicable to the Independent Trustees. This Committee is solely responsible for the selection and recommendation to the Board of Independent Trustee candidates. This Committee held three meetings during the fiscal year ended October 31, 2013.

Each fund's Board has adopted a written charter for the Nominating and Governance Committee. A copy of the Charter is included as Attachment 2 to this proxy statement. This Committee will consider nominees recommended by fund shareholders. Any recommendations from shareholders shall be directed to the Secretary of the relevant fund at 601 Congress Street, 11th Floor, Boston, Massachusetts 02210. Any shareholder nomination must be submitted in compliance with all of the pertinent provisions of Rule 14a-8 under the Securities Exchange Act of 1934 in order to be considered by the Committee. In evaluating a nominee recommended by a shareholder, the Committee, in addition to the criteria discussed below, may consider the objectives of the shareholder in submitting that nomination and whether such objectives are consistent with the interests of all shareholders.

The Committee may take into account a wide variety of factors in considering Trustee candidates, including (but not limited to), the following criteria: (i) the nominee's reputation for integrity, honesty and adherence to high ethical standards, and such other personal characteristics as a capacity for leadership and the ability to work well with others; (ii) the nominee's business, professional, academic, financial, accounting or other experience and qualifications, which demonstrate that they will make a valuable contribution as Trustees; (iii) a commitment to understand the funds and the responsibilities of a trustee of an investment company; (iv) a commitment to regularly attend and participate in meetings of the Board and its committees; (v) the ability to understand potential conflicts of interest involving management of the funds and to act in the interests of all shareholders; (vi) the absence of a real or apparent conflict of interest that would impair the nominee's ability to represent the interests of all the shareholders and to fulfill the responsibilities of an Independent Trustee; and (vii) experience on corporate or other institutional bodies having oversight responsibilities. The Committee may determine that a candidate who does not satisfy these criteria in one or more respects should nevertheless be considered as a nominee if the Committee finds that the criteria satisfied by the candidate and the candidate's other qualifications demonstrate the appropriate level of fitness to serve. This Committee will strive to achieve a group that reflects a diversity of experiences in respect of industries, professions and other experiences, and that is diversified as to gender and race.

As long as a current Independent Trustee continues, in the opinion of this Committee, to satisfy these criteria, each fund anticipates that the Committee would favor the re-nomination of a current Independent Trustee rather than a new candidate. Consequently, while this Committee will consider nominees recommended by shareholders to serve as Independent Trustees, the Committee may act upon such recommendations only if there is a vacancy on the Board or the Committee determines that the selection of a new or additional Independent Trustee is in the best interests of a fund.

While the Committee is solely responsible for the selection and recommendation to the Board of Independent Trustee candidates, the Committee may consider nominees recommended by any source, including shareholders, management, legal counsel and Board members, as it deems appropriate. All



recommendations shall include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Board members and as specified in the relevant fund's By-Laws, and must be accompanied by a written consent of the proposed candidate to stand for election if nominated for the Board and to serve if elected by shareholders. The Committee's process for identifying and evaluating nominees to serve as Independent Trustees of the funds is set forth in Annex A to the Committee's Charter.

*Investment Committee.* The Board also has an Investment Committee composed of all of the Trustees. The Investment Committee has five subcommittees with the Trustees divided among the five subcommittees (each an "Investment Sub-Committee"). Each Investment Sub-Committee reviews investment matters relating to a particular group of funds and coordinates with the full Board regarding investment matters. Mses. Fey and Jackson and Messrs. Hoffman, Bardelis and Cunningham serve as Chairpersons of the Investment Sub-Committees. In addition, the Chairperson of the Board serves on each Investment Sub-Committee as an ex officio member. The Investment Sub-Committee (formerly known as Investment Committee) that oversees the funds held five meetings during the fiscal year ended October 31, 2013.

Annually, the Board evaluates its performance and that of its Committees, including the effectiveness of the Board's Committee structure.

## **Risk Oversight**

As registered investment companies, the funds are subject to a variety of risks, including investment risks (such as, among others, market risk, credit risk and interest rate risk), financial risks (such as, among others, settlement risk, liquidity risk and valuation risk), compliance risks, and operational risks. As a part of its overall activities, the Board oversees the funds' risk management activities that are implemented by the Advisor, the funds' Chief Compliance Officer ("CCO") and other service providers to the funds. The Advisor has primary responsibility for the funds' risk management on a day-to-day basis as a part of its overall responsibilities. The funds' subadvisors, subject to oversight of the Advisor, are primarily responsible for managing investment and financial risks as a part of their day-to-day investment responsibilities, as well as operational and compliance risks at its firm. The Advisor and the CCO also assist the Board in overseeing compliance with investment policies of the funds and regulatory requirements, and monitor the implementation of the various compliance policies and procedures approved by the Board as a part of its oversight responsibilities.

The Advisor identifies to the Board the risks that it believes may affect the funds and develops processes and controls regarding such risks. However, risk management is a complex and dynamic undertaking and it is not always possible to comprehensively identify and/or mitigate all such risks at all times since risks are at times impacted by external events. In discharging its oversight responsibilities, the Board considers risk management issues throughout the year with the assistance of its various Committees as described below. Each Committee meets at least quarterly and presents reports to the Board, which may prompt further discussion of issues concerning the oversight of the funds'

risk management. The Board as a whole also reviews written reports or presentations on a variety of risk issues as needed and may discuss particular risks that are not addressed in the Committee process.

The Board has established an Investment Committee, which consists of five Investment Sub-Committees. Each Investment Sub-Committee assists the Board in overseeing the significant investment policies of the relevant funds and the performance of their subadvisors. The Advisor monitors these policies and subadvisor activities and may recommend changes in connection with the funds to each relevant Investment Sub-Committee in response to subadvisor requests or other circumstances. On at least a quarterly basis, each Investment Sub-Committee reviews reports from the Advisor regarding the relevant funds' investment performance, which include information about investment and financial risks and how they are managed, and from the CCO regarding subadvisor compliance matters. In addition, each Investment Sub-Committee (or, in certain cases, the Board as a whole) meets periodically with the portfolio managers of the funds' subadvisors to receive reports regarding management of the funds, including with respect to risk management processes.

The Audit Committee assists the Board in reviewing with the independent auditors, at various times throughout the year, matters relating to the funds' financial reporting. In addition, this Committee oversees the process of each fund's valuation of its portfolio securities, with day-to-day responsibility for valuation determinations having been delegated to the funds' Pricing Committee (comprised of officers of the funds).

The Compliance Committee assists the Board in overseeing the activities of the funds' CCO with respect to the compliance programs of the funds, the Advisor, the subadvisors, and certain of the funds' other service providers (the Distributor and transfer agent). This Committee and the Board receive and consider periodic reports from the CCO throughout the year, including the CCO's annual written report, which, among other things, summarizes material compliance issues that arose during the previous year and any remedial action taken to address these issues, as well as any material changes to the compliance programs.

The Contracts, Legal & Risk Committee assists the Board in its oversight role with respect to the processes pursuant to which the Advisor and the subadvisors identify, assess, manage and report the various risks that affect or could affect the funds. This Committee reviews reports from the funds' Advisor on a periodic basis regarding the risks facing the funds, and makes recommendations to the Board concerning risks and risk oversight matters as the Committee deems appropriate. This Committee also coordinates with the other Board Committees regarding risks relevant to the other Committees, as appropriate.

In addressing issues regarding the funds' risk management between meetings, appropriate representatives of the Advisor communicate with the Chairperson of the Board, the relevant Committee Chair, or the funds' CCO, who is directly accountable to the Board. As appropriate, the Chairperson of the Board, the Committee Chairs and the Trustees confer among themselves, with the funds' CCO, the Advisor, other service providers, external fund counsel, and counsel to the Independent Trustees, to identify and review risk management issues that may be placed on the full Board's agenda and/or that of an appropriate Committee for review and discussion.

In addition, in its annual review of the funds' advisory, subadvisory and distribution agreements, the Board reviews information provided by the Advisor, the subadvisors and the Distributor relating to their operational capabilities, financial condition, risk management processes and resources.

The Board may, at any time and in its discretion, change the manner in which it conducts its risk oversight role.

The Advisor also has its own, independent interest in risk management. In this regard, the Advisor has appointed a Risk and Investment Operations Committee, consisting of senior personnel from each of the Advisor's functional departments. This Committee reports periodically to the Board and the Contracts, Legal & Risk Committee on risk management matters. The Advisor's risk management program is part of the overall risk management program of John

Hancock, the Advisor's parent company. John Hancock's Chief Risk Officer supports the Advisor's risk management program, and at the Board's request will report on risk management matters.

**Executive Officers**

The following table presents information regarding the current principal officers of the funds. The address of each officer is 601 Congress Street, Boston, Massachusetts 02210.

<b>Name, (Year of Birth) and Position with the Fund</b>	<b>Principal Occupation(s) and Other Directorships During the Past Five Years</b>	<b>Year Commenced Service</b>
Hugh McHaffie (1959) President	Executive Vice President, John Hancock Financial Services (since 2006, including prior positions); Chairman and Director, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC, and John Hancock Funds, LLC (since 2010); President, John Hancock Advisers, LLC (since 2012); President, John Hancock Investment Management Services, LLC (since 2010). President (since 2012) and former Trustee (2010-2012), John Hancock retail funds; President, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2009).	2012
Andrew G. Arnott (1971) Executive Vice President	Senior Vice President, John Hancock Financial Services (since 2009); Director and Executive Vice President, John Hancock Advisers, LLC (since 2005, including prior positions); Director and Executive Vice President, John Hancock Investment Management Services, LLC (since 2006, including prior positions); President, John Hancock Funds, LLC (since 2004, including prior positions); Executive Vice President, John Hancock retail funds, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2007, including prior positions).	2009
Thomas M. Kinzler (1955) Secretary and Chief Legal Officer	Vice President, John Hancock Financial Services (since 2006); Secretary and Chief Legal Counsel, John Hancock Funds, LLC (since 2007); Secretary and Chief Legal Officer, John Hancock retail funds, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2006).	2006
Francis V. Knox, Jr. (1947) Chief Compliance Officer	Vice President, John Hancock Financial Services (since 2005); Chief Compliance Officer, John Hancock retail funds, John Hancock Variable Insurance Trust, John Hancock Funds II, John Hancock Advisers, LLC, and John Hancock Investment Management Services, LLC (since 2005); Vice President and Chief Compliance Officer, John Hancock Asset Management a division	2005

of Manulife Asset Management (US) LLC (2005-2008).

Charles A. Rizzo  
(1957)  
Chief Financial Officer

Vice President, John Hancock Financial Services (since 2008);  
Senior Vice President, John Hancock Advisers, LLC and John  
Hancock Investment Management Services, LLC (since 2008);  
Chief Financial Officer, John Hancock retail funds, John Hancock  
Variable Insurance Trust and John Hancock Funds II (since 2007).

2007

Name, (Year of Birth) and Position with the Fund	Principal Occupation(s) and Other Directorships During the Past Five Years	Year Commenced Service
Salvatore Schiavone (1965) Treasurer	Assistant Vice President, John Hancock Financial Services (since 2007); Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2007); Treasurer, John Hancock retail funds (since 2007, including prior positions); Treasurer, John Hancock Variable Insurance Trust and John Hancock Funds II (2007-2009 and since 2010, including prior positions).	2009

“John Hancock retail funds” is comprised of the series of John Hancock Funds III and 11 other investment companies, as well as ten closed-end funds (including the funds described in this proxy statement).

### Communications with the Trustees

Shareholders may communicate with the Trustees as a group or individually. Any such communication should be sent to the Board or an individual Trustee c/o The Secretary of the funds at the following address: 601 Congress Street, Boston, Massachusetts 02210. The Secretary may determine not to forward any letter to Trustees that does not relate to the business of a fund.

### Trustee Share Ownership

The following table shows the number of shares beneficially owned by each Trustee, as well as the dollar range of each Trustee’s ownership of the funds and all John Hancock funds overseen by the Trustee.

### Trustee Holdings<sup>(1)</sup>

Name of Trustee Independent Trustees	Amount Income Securities of Shares Investors	Amount All John Hancock of Shares Funds Overseen
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Charles L. Bardelis	\$ 10,001 - \$50,000	850	\$ 1 - \$ 10,000	500	Over \$100,000
Peter S. Burgess	\$ 10,001 - \$50,000	826	\$ 10,001 - \$ 50,000	592	Over \$100,000
William H. Cunningham	\$ 10,001 - \$50,000	799	\$ 10,001 - \$ 50,000	598	Over \$100,000
Grace K. Fey	\$ 10,001 - \$50,000	736	\$ 10,001 - \$ 50,000	556	Over \$100,000
Theron S. Hoffman	\$ 10,001 - \$50,000	801	\$ 10,001 - \$ 50,000	585	Over \$100,000
Deborah C. Jackson	\$ 10,001 - \$50,000	1,439	\$ 10,001 - \$ 50,000	674	Over \$100,000
Hassell H. McClellan	\$ 10,001 - \$50,000	711	\$ 10,001 - \$ 50,000	595	Over \$100,000
James M. Oates	\$ 10,001 - \$50,000	772	\$ 10,001 - \$ 50,000	592	Over \$100,000
Steven R. Pruchansky	\$ 10,001 - \$50,000	961	\$ 10,001 - \$ 50,000	663	Over \$100,000
Gregory A. Russo	\$ 10,001 - \$50,000	955	\$ 10,001 - \$ 50,000	668	Over \$100,000

**Non-Independent Trustees**

James R. Boyle	\$0	0	\$	0 0	Over \$100,000
Craig Bromley	\$0	0	\$ 10,001 - \$ 50,000	919	Over \$100,000
Warren A. Thomson	\$0	0	\$	0 0	Over \$100,000

Trustee share ownership is provided as of November 30, 2013. The amounts reflect the aggregate dollar range of equity securities beneficially owned by the Trustees in the funds and in all John Hancock funds overseen by each Trustee. For each Trustee, the amounts reflected include share equivalents of certain John Hancock funds in which (1) the Trustee is deemed to be invested pursuant to the Deferred Compensation Plan for Independent Trustees, as more fully described under "Independent Trustee Compensation." The information as to beneficial ownership is based on statements furnished to the funds by the Trustees. Each of the Trustees has all voting and investment powers with respect to the shares indicated.



### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires a fund's executive officers, Trustees and persons who own more than 10% of a fund's shares ("10% Shareholders") to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, Trustees and 10% Shareholders are also required by SEC regulations to furnish each fund with copies of all Section 16(a) forms they file. Based solely on a review of the copies of these reports furnished to the funds and representations that no other reports were required to be filed, each fund believes that, during the past fiscal year, its executive officers, Trustees and 10% Shareholders complied with all applicable Section 16(a) filing requirements, except for a late filing of Form 5 for an independent Trustee covering one transaction in Income Securities due to an administrative oversight.

### Independent Trustee Compensation

Each fund pays fees only to its Independent Trustees. Trustees are also reimbursed for travel and other out-of-pocket expenses. Each Independent Trustee receives in the aggregate from each fund and the other closed-end funds in the John Hancock Funds Complex an annual retainer of \$40,000.

The following table provides information regarding the compensation paid by each fund and the other investment companies in the John Hancock Fund Complex to the Independent Trustees for their services during each fund's fiscal year ended October 31, 2013.

### Aggregate Compensation for the

### Fiscal Year Ended October 31, 2013

Name of Trustee	Income Securities Investors	Total Compensation All Funds in the John Hancock Fund Complex <sup>(1)</sup>
Charles L. Bardelis	\$4,340	\$416,250
Peter S. Burgess	\$4,340	\$458,000
William H. Cunningham	\$4,340	\$361,250
Grace K. Fey	\$4,340	\$416,250
Theron S. Hoffman	\$4,340	\$416,250
Deborah C. Jackson	\$4,340	\$351,161

Hassell H. McClellan	\$4,340	\$4,340	\$441,250
James M. Oates	\$4,340	\$4,340	\$608,000
Steven R. Pruchansky	\$4,340	\$4,340	\$358,750
Gregory Russo	\$4,340	\$4,340	\$386,250

As of October 31, 2013, the value of the aggregate accrued deferred compensation amount from all funds in the John Hancock Fund Complex for Mr. Cunningham was \$356,657 and for Mr. Pruchansky was \$509,784 under the John Hancock Deferred Compensation Plan for Independent Trustees (the “Plan”). Under the Plan, which was terminated in November 2012, Messrs. Cunningham and Pruchansky had elected to have their deferred fees (1) invested in shares of one or more funds in the John Hancock Fund Complex, with the amounts ultimately payable to them under the Plan to be determined based upon the performance of such investments. Deferral of Trustees’ fees did not obligate the John Hancock funds to retain the services of either such Trustee or obligate such funds to pay any particular level of compensation to the Trustee.

### Legal Proceedings

There are no material pending legal proceedings to which any Nominee, Trustee or affiliated person of such Nominee or Trustee is a party adverse to the funds or any of their affiliated persons or has a material interest adverse to the funds or any of their affiliated persons. In addition, there have been no legal proceedings that are material to an evaluation of the ability or integrity of any Nominee, Trustee or executive officer of the funds within the past ten years.

## **Audit Committee Report**

The information contained in this report shall not be deemed to be “soliciting material” or “filed” or incorporated by reference in future filings with the Securities and Exchange Commission (the “SEC”), or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The Audit Committee has reviewed and discussed with the funds’ management and PricewaterhouseCoopers LLP (“PwC”) the audited financial statements of the funds contained in the Annual Reports on Form N-CSR for the most recent fiscal year.\* The Audit Committee also has discussed with PwC the matters required to be discussed pursuant to Public Company Accounting Oversight Board Auditing Standards, AU Section 380, which includes, among other items, matters related to the conduct of the audit of the funds’ financial statements.

The Audit Committee has received and reviewed the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC’s communications with the Audit Committee concerning independence and has discussed with PwC its independence from the funds.

Based on the review and discussions referred to above the Audit Committee, pursuant to the authority delegated to the Audit Committee by the Board of Trustees, approved the inclusion of the audited financial statements in the fund’s Annual Report on Form N-CSR for filing with the SEC.

Submitted by the Audit Committee

Peter S. Burgess – Chairman

Charles L. Bardelis

Theron S. Hoffman

Report issued on December 16, 2013

\* For purposes of this report, the funds' most recently completed fiscal year is October 31, 2013.

### Independent Registered Public Accounting Firm

The Trustees of each fund, including a majority of each fund's Independent Trustees, have selected PwC, 125 High Street, Boston, Massachusetts 02110, to act as independent registered public accounting firm.

Representatives of PwC are not expected to be present at the meeting, but have been given the opportunity to make a statement, if they desire to do so, and will be available should any matter arise requiring their participation.

The following tables set forth the aggregate fees billed by PwC for the funds' two most recently completed fiscal years for professional services rendered for: (i) the audit of the funds' annual financial statements and the review of financial statements included in the funds' reports to shareholders, (ii) assurance and related services that are reasonably related to the performance of the audit or review of the funds' financial statements, (iii) tax compliance, tax advice or tax planning and (iv) all other services provided by PwC other than (i), (ii) and (iii). None of the services described below were approved by the Audit Committee pursuant to the "de minimis exception" from the pre-approval requirement set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X under the Securities Act of 1933, as amended.

### Fees Paid to PwC for the Fiscal Years Ended October 31, 2013 and 2012

	Audit Fees		Audit-Related Fees		Tax Fees		All Other Fees	
	2013	2012	2013	2012	2013	2012	2013	2012
Income Securities	\$46,704	\$48,638	\$0	\$0	\$3,200	\$3,200	\$3,964	\$419
Investors	\$50,281	\$48,115	\$0	\$0	\$3,200	\$3,200	\$3,964	\$419

Each fund’s Audit Committee has adopted procedures that require the pre-approval of audit and non-audit services provided by the fund’s independent registered public accounting firm to the fund, the Advisor and any entity controlling, controlled by or under common control with the Advisor that provide services to each fund (the “Advisor Affiliates”) and that relate directly to each fund’s operations and financial reporting. In addition, these procedures identify certain types of audit and non-audit services that are anticipated to be provided by PwC during a calendar year and, provided the services are within the scope and value standards set forth in the procedures, such services are deemed to be pre-approved by the Audit Committee. The scope and value criteria are reviewed annually. Unless a service is pre-approved under the procedures, it must be specifically pre-approved by the Audit Committee.

In recommending PwC as the funds’ independent registered public accounting firm, the Audit Committee has considered the compensation paid to PwC for audit and non-audit services to the Advisor and the Advisor Affiliates, and has determined that such compensation is not incompatible with maintaining PwC’s independence.

The following table sets forth the aggregate non-audit fees billed by PwC for services rendered to each fund for the two most recently completed fiscal years.

<b>Fund</b>	<b>2013</b>	<b>2012</b>
Income Securities	\$7,164	\$3,619
Investors	\$7,164	\$3,619

The aggregate non-audit fees billed by PwC for services rendered to the advisor and the Advisor Affiliates for the fiscal years ended October 31, 2013 and October 31, 2012 amounted to \$4,598,869 and \$3,655,934 respectively.

**Required Vote For Proposal 1**

Approval of Proposal 1 will require a plurality of all votes cast, assuming a quorum exists. A “plurality” means that the thirteen Nominees presented for election receiving the greatest number of votes will be elected as Trustees, regardless of the number of votes cast.

**The Board of Trustees, including all the Independent Trustees, recommends that shareholders vote “FOR” Proposal 1.**



## MISCELLANEOUS

### Voting Procedures

Directions to attend the Meeting where you may vote in person can be found on our website at [www.jhinvestments.com/proxy](http://www.jhinvestments.com/proxy). Valid photo identification may be required to attend the Meeting in person. **All valid proxies will be voted in accordance with specifications thereon, or in the absence of specifications, for each Nominee in the proposal.** The proposal described in this proxy statement is considered a routine matter on which brokers holding shares in “street name” may vote on this proposal without instruction under the rules of the NYSE.

**Revocation of Proxies.** Proxies may be revoked at any time before the Meeting either: (i) by a written revocation received by the Secretary of the funds; (ii) by a properly executed later-dated proxy received by the Secretary of the funds; or (iii) by an in-person vote at the Meeting. Attendance at the Meeting will not in and of itself revoke a proxy. Shareholders may revoke a proxy as often as they wish before the Meeting. Only the latest dated, properly executed proxy card received prior to or at the Meeting will be counted.

**Quorum.** Shareholders of record at the close of business on the Record Date will be entitled to vote at the Meeting or any adjournment of the Meeting. The holders of a majority of the outstanding shares of fund at the close of business on that date present in person or by proxy will constitute a quorum for the Meeting.

Shareholders are entitled to one vote for each share held and fractional votes for fractional shares held. No shares have cumulative voting rights.

In the event the necessary quorum to transact business or the vote required to approve a proposal is not obtained at the Meeting, the persons named as proxies may propose one or more adjournments of the Meeting with respect to any proposal in accordance with applicable law to permit further solicitation of proxies. Any adjournment of the Meeting will require the affirmative vote of the holders of a majority of the fund’s shares cast at the Meeting, and any adjournment with respect to any proposal will require the affirmative vote of the holders of a majority of the shares entitled to vote on the proposal cast at the Meeting. The persons named as proxies will vote for or against any adjournment in their discretion.

**Abstentions and Broker “Non-Votes.”** Abstentions and broker non-votes (i.e., shares held by brokers or nominees as to which: (i) instructions have not been received from the beneficial owners or the persons entitled to vote; and (ii) the

broker or nominee indicates on the proxy that it does not have discretionary voting power on a particular matter) are counted as shares entitled to vote at the Meeting in determining whether a quorum is present, but do not count as votes cast for a proposal. Therefore, abstentions and broker non-votes have the same effect as a vote “against” a proposal.

***Cost of Preparation and Distribution of Proxy Materials.*** The costs of the preparation of these proxy materials and their distribution will be borne by the funds.

***Solicitation of Proxies.*** In addition to the mailing of these proxy materials, proxies may be solicited by telephone, by fax, by e-mail or in person by the Trustees, officers and employees of the funds and/or by personnel of the Advisor, its affiliates, or by broker-dealer firms. Broadridge has been retained to assist in the solicitation of proxies at a cost of approximately \$15,000 plus reasonable expenses.

### **Telephone Voting**

In addition to soliciting proxies by mail, by fax, by e-mail or in person, the funds may also arrange to have votes recorded by telephone by officers and employees of the funds or by the personnel of the Advisor, the transfer agent or solicitor. The telephone voting procedure is designed to verify a shareholder’s identity, to allow a shareholder to authorize the voting of shares in accordance with the shareholder’s instructions and to confirm that the voting instructions have been properly recorded.

A shareholder will be called on a recorded line at the telephone number in each fund’s account records and will be asked to provide certain identifying information.

The shareholder will then be given an opportunity to authorize proxies to vote his or her shares at the Meeting in accordance with the shareholder’s instructions.



Alternatively, a shareholder may call the funds' Voice Response Unit to vote by taking the following steps:

- Read the Proxy Statement and have your proxy card(s) at hand.
- Call the toll-free-number located on your proxy card(s).
- Enter the "control number" found on the front of your proxy card(s).
- Follow recorded instructions to cast your vote.

With both methods of telephone voting, to ensure that the shareholder's instructions have been recorded correctly, the shareholder will also receive a confirmation of the voting instructions. If the shareholder decides after voting by telephone to attend the Meeting, the shareholder can revoke the proxy at that time and vote the shares at the Meeting.

### **Internet Voting**

You will also have the opportunity to submit your voting instructions via the Internet by utilizing a program provided through a vendor. Voting via the Internet will not affect your right to vote in person if you decide to attend the Meeting. Do not mail the proxy card(s) if you are voting via the Internet. To vote via the Internet, you will need the "control number" that appears on your proxy card(s). These Internet voting procedures are designed to authenticate shareholder identities, to allow shareholders to give their voting instructions and to confirm that shareholders' instructions have been recorded properly. If you are voting via the Internet, you should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which you must bear.

To vote via the Internet:

- Read the Proxy Statement and have your proxy card(s) at hand.
- Go to the Web site on the proxy card(s).
- Enter the "control number" found on the front of your proxy card(s).
- Follow the instructions on the Web site.

To ensure that your instructions have been recorded correctly, you will receive a confirmation of your voting instructions immediately after your submission.

### **Shareholders Sharing the Same Address**

As permitted by law, only one copy of this Proxy Statement may be delivered to shareholders residing at the same address, unless such shareholders have notified the applicable fund of their desire to receive multiple copies of the shareholder reports and other materials that a fund sends. If you would like to receive an additional copy, please contact the applicable fund by writing to 601 Congress Street, Boston, Massachusetts 02210, Attn: Michael Heffernan, or by calling 1-855-742-8269. The fund will then promptly deliver, upon request, a separate copy of this Proxy Statement to any shareholder residing at an address to which only one copy was mailed. Shareholders wishing to receive separate copies of the fund's shareholder reports and other materials in the future, and shareholders sharing an address that wish to receive a single copy if they are receiving multiple copies, also should send a request as indicated.

### **Other Matters**

The Board does not know of any matters to be presented at the Meeting other than the proposal described in this Proxy Statement. If any other matters properly come before the Meeting, the shares represented by proxies will be voted in accordance with the best judgment of the person or persons voting the proxies.

## **SHAREHOLDER PROPOSALS**

Shareholder proposals, including Nominees for Trustee, intended to be presented at a fund's 2015 annual meeting, in accordance with Rule 14a-8 under the Exchange Act, must be received by that fund at its offices at 601 Congress Street, Boston, Massachusetts 02210, by no later than the close of business on September 11, 2014, for inclusion in that fund's proxy statement and form of proxy relating to that meeting (subject to certain exceptions). Written notice of a shareholder proposal submitted outside of the processes of Rule 14a-8 must be delivered to the Secretary of the relevant fund at 601 Congress Street, Boston, Massachusetts 02210 by no later than the close of business on October 11, 2014 and no earlier than September 11, 2014. In order to be included in a fund's proxy statement and form of proxy, a shareholder proposal must comply with all applicable legal requirements. Timely submission of a proposal does not guarantee that such proposal will be included.

## **BY ORDER OF THE BOARD OF TRUSTEES**

Dated: December 23, 2013

Boston, Massachusetts

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING IN PERSON ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE PROXY CARD(S) IN THE ENCLOSED ENVELOPE OR, ALTERNATIVELY, TO VOTE BY TOUCH-TONE TELEPHONE OR THE INTERNET.**

Adopted December 12, 2012

As Amended December 18, 2013

## **ATTACHMENT 1**

### **JOHN HANCOCK FUNDS**

#### **AUDIT COMMITTEE CHARTER**

A. *Overall Role and Responsibility*

1. *Overall Role.* The Audit Committee (the “Committee”) shall assist the Board of Trustees (collectively, the “Board”) of each registered investment company in the John Hancock Funds complex1 (collectively, the “Trust”) in its oversight role with respect to:

a. the integrity of the Trust’s financial statements;

b. the financial reporting process;

c. the system of internal controls over financial reporting;

d. the Trust’s independent registered public accounting firm’s

(the “Independent Auditor”) qualifications and independence;

e. the performance of the Trusts’ Independent Auditor; and

f. the Trusts’ compliance with legal and regulatory requirements applicable to accounting, internal accounting controls or auditing matters and related disclosures.

2. *Responsibility of the Committee.* The function of the Committee is oversight. Management (“Management”) is responsible for financial reporting and maintaining appropriate systems for accounting and internal control over financial reporting. The Trust’s Independent Auditor is responsible for planning and carrying out an audit in accordance with legal and regulatory requirements and the standards of the PCAOB or other similar accounting and auditing standards organization and for providing other audit and non-audit services for which it may be engaged by the Trust.

“John Hancock Funds” includes John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Current Interest, John Hancock Funds II, John Hancock Funds III, John Hancock Investment Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Municipal Securities Trust, John Hancock Sovereign Bond Fund, John Hancock Strategic Series, John Hancock Tax-Exempt Series Fund, John Hancock Variable Insurance Trust, John Hancock Financial Opportunities Fund, John Hancock Emerging Markets Income Fund, John Hancock Floating Rate High Income Fund, John Hancock Hedged Equity & Income Fund, John Hancock Income Securities Trust, John Hancock Investors Trust, John Hancock Preferred Income Fund, John Hancock Preferred Income Fund II, John Hancock Preferred Income Fund III, John Hancock Premium Dividend Fund, John Hancock Strategic Diversified Income Fund, John Hancock Tax-Advantaged Dividend Income Fund and John Hancock Tax-Advantaged Global Shareholder Yield Fund and for those Trust that are series companies, each investment portfolio thereof.

In fulfilling the Committee's responsibilities hereunder, it is recognized that it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Accordingly, the Committee's oversight role does not provide any expert or special assurance as to the financial statements and other financial information provided by the Trust to its shareholders and others. The authority and responsibilities set forth in this Charter recognize that the Committee members are not acting as accountants or auditors, and this Charter does not reflect or create any duty or obligation of the Committee to plan or conduct any audit, to determine or certify that the Trust's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the Independent Auditor's report.

*Reliance on Other Persons and Information.* Each Committee member shall be entitled to rely on: (i) the integrity of those persons and organizations within and outside the Trust from which the Committee receives information; (ii) the accuracy of the financial and other information provided to the Committee by such persons and organizations, absent actual knowledge to the contrary (which shall be promptly reported to the Board); and (iii) statements made by the officers and employees of the Trust, the Trust's investment adviser (the "Adviser"), or other third parties as to any information technology, internal audit and other non-audit services provided by the Independent Auditor to the Trust. In addition, the evaluation of the Trust's financial statements by the Committee is not of the same scope as, and does not involve the extent of detail as, audits performed by the Independent Auditor, nor does the Committee's evaluation substitute for the responsibilities of Management for preparing, or the Independent Auditor for auditing, the financial statements.

B. *Membership*

1. *Number of Committee Members.* The Committee shall consist of at least three Trustees of the Trust, none of whom is an "interested person" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), of the Trust (an "Independent Trustee").

2. *Appointment of Committee Members.* The full Board shall designate the members of the Committee and the Committee Chair. Committee members shall serve at the pleasure of the Board.

3. *Qualifications of Committee Members.*

Except as otherwise permitted by the applicable rules of the NYSE Euronext, each member of the Committee shall<sup>a</sup> be "independent," as defined by such rules and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

No Committee member may receive, directly or indirectly, any consulting, advisory or other compensatory fee from b. the Trust, other than fees paid in his or her capacity as a member or Chair of the Board, or of any committee of the Board.

Each Committee member must be financially literate, as such qualification is interpreted by the Board in its business c. judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

At least one Committee member must have accounting or related financial management expertise, as the Board d. interprets such qualification in its business judgment. The Board may presume that a person who satisfies the definition of “audit committee financial expert” (discussed below) has such expertise.

Unless otherwise permitted by the Board, no member of the Committee may serve on the audit committee of more e. than two other public companies (other than another John Hancock fund).

4. *Audit Committee Financial Expert.* The Board shall determine annually whether any member of the Committee is an “audit committee financial expert,” as defined in Item 3 of Form N-CSR. The designation of a person as an “audit committee financial expert,” within the meaning of the rules under Section 407 of the Sarbanes-Oxley Act of 2002, shall not impose any greater responsibility or liability on that person than the responsibility and liability imposed on such person as a Committee member, nor shall it decrease the duties and obligations of other Committee members or the Board.

C.

*Operations*

1. *Meetings and Actions by Written Consent.* The Committee shall meet as often as it deems appropriate. Meetings may be called and notice given by the Committee Chair or a majority of the Committee members. Committee members may attend meetings in person or by telephone. The Committee may act by written consent to the extent permitted by law and the Trust's governing documents. The Committee shall maintain minutes or other records of its meetings and activities and report to the Board on any action it takes not later than the next following Board meeting.
2. *Delegation to Subcommittees.* The Committee may delegate any portion of its authority, including the authority to grant preapprovals of audit and permitted non-audit services, to a subcommittee of one or more members.
3. *Appointment of Chair.* As noted above, one member of the Committee shall be appointed as Chair by the Board. The Chair shall be responsible for leadership of the Committee, including scheduling meetings or reviewing and approving the schedule for them, preparing agendas or reviewing and approving them before the meetings, presiding over the meetings, and making reports to the Board, as appropriate.
4. *Executive Sessions.* The Committee may meet privately and may admit non-members by invitation. The Committee shall meet with Management and the Independent Auditor in separate executive sessions as the Committee deems appropriate, and may meet with internal legal counsel and compliance personnel of the Adviser and with representatives of the Trust's service providers, to discuss matters that relate to the areas for which the Committee has responsibility.
5. *Required Vote and Quorum.* The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution. No resolution may be adopted unless at least 50% of the Committee members are present at the meeting in person or by telephone.
6. *Appropriate Resources and Authority.* The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain special counsel and other advisers, experts or consultants, at the Trust's expense, as it determines necessary or appropriate to carry out its duties. The Committee shall have direct access to such officers of, and service providers to, the Trust, including subadvisers to the Trusts, as it deems desirable.
7. *Review of Charter.* The Committee shall review and assess the adequacy of this Charter at least annually and, where necessary, will recommend changes to the Board for its approval. The Board may amend this Charter at any time in response to recommendations from the Committee or on its own motion.



8. *Performance Evaluation.* The Committee shall undertake and review with the Board an annual performance evaluation of the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Committee Chair or by any other member of the Committee or by counsel to the Independent Trustees if designated by the Committee to make this report.

D. *Duties and Powers of the Committee*

To carry out its purposes, the Committee shall:

1. *Selection of Independent Auditor*

Approve and recommend to the Board for its ratification and approval the selection, retention or termination of the  
a. Independent Auditor (or any other public accounting firm engaged for the purpose of performing other audit, review or attest services for a Trust).

Periodically review and evaluate the lead partner and other senior members of the Independent Auditor's team and  
b. confirm the regular rotation of the lead audit partner and reviewing partner as required by Section 203 of the Sarbanes-Oxley Act.

Review and evaluate matters potentially affecting the capabilities of the Independent Auditor, and in that connection  
c. obtain an understanding of the Independent Auditor's quality control and independence procedures and results of review by third parties.

d. Approve the engagement of the Independent Auditor to provide an annual audit of and report on the Trust's financial statements.

e. Preapprove all other audit services provided by the Independent Auditor to the Trust.

Preapprove all non-audit services provided by the Independent Auditor to the Trust, the Adviser or any entity  
f. controlling, controlled by or under common control with the Adviser (an "Adviser Affiliate") that provides ongoing services to the Trust, if the engagement relates directly to the operations and financial reporting of the Trust.

g. Develop, to the extent it deems appropriate, policies and procedures for preapproval of the Independent Auditor to provide non-audit services.

h. Consider the controls applied by the Independent Auditor and any measures taken by Management in an effort to assure that all items requiring preapproval by the Committee are timely identified and referred to the Committee.

i. Review the performance of the Independent Auditor.

j. Review and preapprove the fees proposed to be charged to the Trust by the Independent Auditor for each audit and non-audit service.

Obtain and review, at least annually, a report by the Independent Auditor describing: the firm's independence, the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps  
k. taken to deal with any such issues; and all relationships between the Independent Auditor and the Trust, including the disclosures required by any applicable Independence Standards Board Standard or the PCAOB, or any similar accounting or auditing standards organization. The Committee shall engage in an active dialogue with the Independent Auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.

l. Set clear hiring policies for the Trust and the Adviser for employees or former employees of the Independent Auditor.

m.

Periodically consider whether, to assure continuing auditor independence, there should be a regular rotation of the independent audit firm.

2. *Evaluation of Independence*

a. Review and evaluate matters potentially affecting the independence of the Independent Auditor, and in that connection:

- i. Receive from the Independent Auditor a formal written statement delineating the relationships between the Independent Auditor and the Trust and its affiliates.

Consider whether the type and/or annual total monetary amount of non-audit services provided by the Trust's  
aa. Independent Auditor to the Adviser or any Adviser Affiliate that provides ongoing services to the Trust, are inconsistent with maintaining the independence of the Independent Auditor.

Recommend that the full Board take such action as the Committee deems appropriate regarding matters relating to  
b. the independence and performance of the Independent Auditor including, if appropriate, replacement of the Independent Auditor.

3. *Oversight of Audit Process*

a. Review the arrangements for and scope of the annual audit, interim reviews and any special audits.

b. Review with Management and/or the Independent Auditor:

i. Significant current financial reporting issues and practices.

ii. Significant matters arising in the preparation of and the quality, accuracy or fairness of the annual and interim financial statements and reports, and assess whether the financial statements and reports reflect appropriate accounting policies.

iii. Judgments about the quality, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Trust and, particularly, about the preferability and objectivity of its accounting principles and underlying estimates.

c. Inquire of Management and the Independent Auditor regarding:

i. Significant risks to or exposure of the Trust relating to deficiencies in internal controls over financial reporting and the steps that Management has taken to minimize such risks or exposure.

ii. Significant tax positions elected by the Trust and their effect on amounts distributed and reported to shareholders for federal personal income tax purposes.

iii. Pricing and valuation matters generally, and specifically with respect to:

aa. Procedures used to assess the securities valuations provided by external pricing sources, particularly where such valuations are not based on prices last quoted in organized markets.

bb. Procedures established by the Board to value securities at “fair value” as determined in good faith, the Independent Auditor conclusions as to the reasonableness of the procedures, Management’s adherence to established “fair value” procedures and adequacy of supporting documentation.

iv. Audit adjustments recorded in the annual financial statements and adjustments not recorded because their effects were considered immaterial, both individually and in the aggregate, to the financial statements taken as a whole, with a view to gaining an understanding of Management’s and the Independent Auditor’s concept of materiality.

v. Accounting for unusual transactions.

vi. Any Securities and Exchange Commission (“SEC”) staff comments on the Trust’s SEC reports, including, in particular, any accounting or disclosure compliance comments.

d. Receive from the Independent Auditor one or more reports on the matters specified in Rule 2-07 of Regulation S-X, “*Communications with Audit Committees*,” including:

i. All critical accounting policies and practices to be used.

ii. All alternative treatments within generally accepted accounting principles for policies and practices related to material items, including ramifications of the use of alternative disclosures and treatments and the reasonableness of quality of accounting principles adopted.

iii. Other material written communications between the Independent Auditor and Management, such as any management letter or schedule of unadjusted differences.

iv. All non-audit services provided to the Adviser or an Adviser Affiliate that were not preapproved by the Committee.

e. Review and discuss with Management and the Independent Auditor the results of annual audits and related comments, with particular focus on the following items:

i. The Independent Auditor's audit of the Trust's annual financial statements, including footnotes and its report thereon, and any significant audit findings, including any adjustments to the financial statements recommended by the Independent Auditor.

ii. The Independent Auditor's judgement regarding the reasonableness and quality of significant estimates made by Management.

iii. The Independent Auditor's views as to the adequacy of disclosures in the Trust's financial statements in relation to generally accepted accounting principles.

iv. Any serious difficulties or disputes with Management encountered during the course of the audit.

v. Any significant changes to the audit plan.

vi. The form of report on financial statements that the Independent Auditor proposes to render to the Board and shareholders.

vii. Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards as required by any audit oversight agency (e.g., the PCAOB).

f. Inquire of the Independent Auditor concerning the quality, not just the acceptability, of the Trust's accounting determinations and other judgmental areas.

#### *4. Review of Matters Related to the Valuation of Portfolio Securities*

Review matters related to valuation of portfolio securities, including valuation policies, and oversee valuation process including fair value determinations, use of pricing vendors and pricing committee procedures and membership. The Committee shall report and make recommendations to the Board regarding approval of valuation policies, pricing committee actions, fair value determinations, and related matters.

#### 5. *Oversight of Internal Controls*

- a. Consider and review with Management and the Independent Auditor:

i. The adequacy of the internal controls, including computerized information system controls and controls over the daily net asset valuation process (including valuation of securities), and the Independent Auditor's letter as to the adequacy of such controls as required by Form N-SAR.

ii. The adequacy of internal controls at servicing agents employed on behalf of the Trust, including significant comments contained in service auditors' reports on those controls.

iii. Recommendations of the Independent Auditor on internal controls maintained both by the Trust and its service providers, together with responses of Management, including the status of previous audit recommendations.

- iv. Any reports prepared by Management dealing with internal controls.

b. Review with the Trust's principal executive officer and principal financial officer in connection with required certifications on Form N-CSR, any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any reported evidence of fraud involving Management or other employees who have a significant role in the Trust's internal control over financial reporting.

c. Inquire, to the extent the Committee deems appropriate, with respect to the integrity of the Trust's financial statements, as to the adequacy of internal controls of third-party service providers such as custodians, transfer agents and accounting and other recordkeeping service agents.

d. Meet periodically with representatives of internal audit personnel of the Adviser or the Adviser's Affiliates and discuss the results of any audit of the services provided to the Trust by the Adviser and the Adviser Affiliates. The Committee shall:

i. Review the scope of the internal audit work as it relates to services provided to the Trust by the Adviser and the Adviser Affiliates.

- ii. Review the results of internal audits performed that relate to operations and financial reporting of the Trust.

6. *Review of Financial Statements*

Recommend to the Board the selection, pursuant to Section 32(b) of the 1940 Act, of the Trust's principal accounting officer who will participate in the preparation of any financial statements of the Trust that is to be filed with the SEC.

b. Review with counsel legal and regulatory matters that may have a material impact on the Trust's financial statements, related compliance policies and programs and reports received from regulators.

c. Review at least annually the Trust's Disclosure Controls and Procedures relating to the Trust's financial statements.

d. The financial statements of each open-end fund overseen by the Committee shall be made available to the Chairman of the Audit Committee for his or her review prior to issuance and for discussion with Management and the Independent Auditor, as the Chairman considers appropriate, and the results of such review and discussion shall be reported by the Chairman to the Committee.

7. *Oversight of Closed-End John Hancock Funds*

In addition to the matters noted above, with respect to any closed-end John Hancock Fund (a "Closed-End Fund"), the Committee shall:

a. Meet periodically, including separately, with the Independent Auditor and with Management to, as appropriate, review, to the extent required by applicable law or regulation, the form and substance of a Closed-End Fund's financial statements and reports, including such fund's disclosures under "Management's Discussion of Fund Performance" and to discuss any matters of importance relating to the Closed-End Funds' financial statements, including any adjustments to such statements recorded by Management or recommended by the Independent Auditors, or other results of an audit. Consider whether it will recommend to the Board that the financial statements be included in a Closed-End Fund's annual or semi-annual report and if so recommended, release the financial statements for publication in the annual or semi-annual report pursuant to the Committee's delegated authority from the Board, subject to the Board's right to review and ratify such financial statements following publication. The financial statements so released shall be provided to the Board no later than its next meeting following their release.

b. Discuss guidelines and policies to govern the process by which financial risk assessment and financial risk management is undertaken including the Trust's major risk exposure and other steps management has taken to monitor and control such exposure.. The Committee is not the primary body responsible for oversight of risk assessment and risk management, which is primarily the role of the Adviser and Management.



c. Prepare an annual Committee report for inclusion where necessary in a Closed-End Fund's proxy statement relating to its annual meeting of security holders, or in any other filing required by the SEC's rules.

d. Discuss generally the types of information to be disclosed in press releases concerning dividends, as well as financial information provided to analysts and rating agencies (if any), and the type of presentations to be made.

e. Each Committee member will have the qualifications set forth in B.3. above.

f. Discuss with management any notice to an exchange of a violation of the exchanges' corporate governance listing standards.

8. *Review of Other Matters*

a. Review with the full Board any issues that arise with respect to the quality or integrity of the Trust's financial statements and the performance and independence of the independent auditors.

In coordination with the Trust's Compliance Committee, review and report to the Board on the Trust's compliance with legal and reporting requirements. The Compliance Committee has primary responsibility for these requirements except for those that relate directly to accounting, internal accounting controls, auditing matters and financial reporting. To the extent these responsibilities are delegated to another committee of the Board, the Committee will coordinate the review and reporting with this committee.

In coordination with the Trust's Contracts, Legal and Risk Committee, review and report to the Board on the Trust's significant risks and exposure of the Trust to deficiencies in internal controls over financial reporting. The Contract, Legal and Risk Committee has primary responsibility for these requirements except for those that relate directly to accounting, internal accounting controls, auditing matters and financial reporting. To the extent these responsibilities are delegated to another committee of the Board, the Committee will coordinate the review and reporting with this committee.

Review and report to the Board the Committee's recommendation regarding approval of matters related to the declaration of dividends and distributions for the Trust.

Perform other tasks assigned to it from time to time by the Board and report findings and recommendations to the Board, as appropriate.

Regularly report to the Board of Trustees regarding the activities of the Committee.

#### *E. Complaints*

The Committee shall follow the procedures below for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters ("Complaints"):

##### *1. Complaints Received Directly by the Trust*

Any Complaints that the Trust receives directly from shareholders, owners of contracts that participate indirectly in the performance of portfolios of the Trust, or any other person will be forwarded to the Secretary of the Trust, who will then forward the Complaint to the Committee Chair.

Any reports from attorneys or the Independent Auditor of possible violations of federal or state law or fiduciary duty shall be forwarded directly to the Committee Chair.

2. *Anonymous Submission of Complaints by Employees and Others*

Employees of the Trust, the Adviser, any Adviser Affiliate, administrator, principal underwriter or any other provider of accounting related services (“Employees”) may anonymously submit Complaints to the Committee by forwarding the Complaint to the Corporate Secretary of Manulife Financial Corporation (“MFC”) in a sealed envelope addressed to the Chair of the Committee, care of the Corporate Secretary. The Corporate Secretary will then forward the sealed envelope to the Chair of the Committee.

The Committee will request the Adviser to provide appropriate notice to Employees of these procedures for anonymous submission of Complaints (such as posting these procedures on the Adviser’s intranet site and providing them to service providers).

## **ATTACHMENT 2**

### **JOHN HANCOCK FUNDS<sup>1</sup>**

#### **NOMINATING AND GOVERNANCE COMMITTEE CHARTER**

##### **Overall Role and Responsibility**

The Nominating and Governance Committee (the “Committee”) of each of the Trusts shall (1) make determinations and recommendations to the Board of Trustees (the “Board”) regarding issues related to (a) the composition of the Board and (b) corporate governance matters applicable to the Trustees who are not “interested persons” as defined in the Investment Company Act of 1940, as amended (the “1940 Act”), of any of the Trusts, or of any Fund’s investment adviser, subadviser or principal underwriter and who are “independent” as defined in the rules of the New York Stock Exchange (“NYSE”) (the “Independent Trustees”) and (2) discharge such additional duties, responsibilities and functions as are delegated to it from time to time.

##### **Membership**

The Nominating and Governance Committee (the “Committee”) shall be composed of all of the Independent Trustees of the Board. One member of the Committee shall be appointed by the Board as Chair of the Committee. The chair shall be responsible for leadership of the Committee, including scheduling meetings or reviewing and approving the schedule for them, preparing agendas or reviewing and approving them before meetings, presiding over meetings of the Committee and making reports to the full Board, as appropriate.

##### **Structure, Operations and Governance**

*Meetings and Actions by Written Consent.* The Committee shall meet as often as required or as the Committee deems appropriate, with or without management present. Meetings may be called and notice given by the Committee chair or a majority of the members of the Committee. Members may attend meetings in person or by telephone. The Committee may act by written consent to the extent permitted by law and the Funds’ governing documents. The Committee shall report to the Board on any significant action it takes not later than the next following Board meeting.

*Required Vote and Quorum.* The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee at which a quorum is present is necessary for the adoption of any resolution. At least a majority of the Committee members present at the meeting in person or by telephone shall constitute a quorum for the transaction of business.

“John Hancock Funds” includes each trust and series thereof listed in Appendix A, as may be amended from time to time (each individually, a “Trust,” and collectively, the “Trusts,” and each series thereof, a “Portfolio” or “Fund,” and collectively, the “Portfolios” or “Funds”).

*Delegation to Subcommittees.* The Committee may delegate any portion of its authority to a subcommittee of one or more members.

*Appropriate Resources and Authority.* The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain special counsel and other advisers, experts or consultants, at the Funds' expense, as it determines necessary or appropriate to carry out its duties and responsibilities. In addition, the Committee shall have direct access to such officers of and service providers to the Funds as it deems desirable.

*Review of Charter.* The Committee Charter shall be approved by at least a majority of the Independent Trustees of the Trust. The Committee shall review and assess the adequacy of this Charter periodically and, where necessary or as it deems desirable, will recommend changes to the Board for its approval. The Board may amend this Charter at any time in response to recommendations from the Committee or on its own motion.

*Executive Sessions.* The Committee may meet privately and may invite non-members to attend such meetings. The Committee may meet with representatives of the Investment Management Services department of the Funds' advisers, internal legal counsel of the Funds' advisers, members of the John Hancock Funds Risk & Investment Operations Committee (the "RIO Committee") and with representatives of the Funds' service providers, including the subadvisers, to discuss matters that relate to the areas for which the Committee has responsibility.

### **Specific Duties and Responsibilities**

The Committee shall have the following duties and powers, to be exercised at such times and in such manner as the Committee shall determine:

- Except where a Trust is legally required to nominate individuals recommended by another, to identify individuals
1. qualified to serve as Independent Trustees of the Trusts, and to consider and recommend to the full Board nominations of individuals to serve as Trustees.
  2. To consider, as it deems necessary or appropriate, the criteria for persons to fill existing or newly created Trustee vacancies. The Committee shall use the criteria and principles set forth in Annex A to guide its Trustee selection process.
  3. To consider and recommend changes to the Board regarding the size, structure, and composition of the Board.

4. To evaluate, from time to time, and determine changes to the retirement policies for the Independent Trustees, as appropriate.

5. To periodically review the Board's committee structure and, in collaboration with the Chairs of the various Committees, the charters of the Board's committees, and recommend to the Board of Trustees changes to the committee structure and charters as it deems appropriate.

6. To retain and terminate any firm(s) to be used to identify or evaluate or assist in identifying or evaluating potential Independent Board nominees, subject to the Board's sole authority to approve the firm's fees and other retention terms.

7. To consider and determine the amount of compensation to be paid by the Trusts to the Independent Trustees, including the compensation of the Chair of the Board or any Vice-Chair of the Board and of Committee Chairs, and to address compensation-related matters. The Chair of the Board has been granted the authority to approve special compensation to Independent Trustees in recognition of any significant amount of additional time and service to the Trusts provided by them, subject to ratification of any such special compensation by the Committee at the next regular meeting of the Committee.

8. To coordinate and administer an annual self-evaluation of the Board, which will include, at a minimum, a review of its effectiveness in overseeing the number of Funds in the Fund complex and the effectiveness of its committee structure.

9. To review the Board Governance Procedures and recommend to the Board of Trustees changes to the Procedures as the Committee deems appropriate.
10. To report its activities to the full Board and to make such recommendations with respect to the matters described above and other matters as the Committee may deem necessary or appropriate.

**Additional Responsibilities**

The Committee will also perform other tasks assigned to it from time to time by the Chair of the Board or by the Board, and will report findings and recommendations to the Board, as appropriate.

Adopted: June 26, 2013



## ANNEX A

The Committee may take into account a wide variety of factors in considering Trustee candidates, including (but not limited to) the criteria set forth below. The Committee may determine that a candidate who does not satisfy these criteria in one or more respects should nevertheless be considered as a nominee if the Committee finds that the criteria satisfied by the candidate and the candidate's other qualifications demonstrate the appropriate level of fitness to serve.

### General Criteria

1. Nominees should have a reputation for integrity, honesty and adherence to high ethical standards, and such other personal characteristics as a capacity for leadership and the ability to work well with others.
2. Nominees should have business, professional, academic, financial, accounting or other experience and qualifications which demonstrate that they will make a valuable contribution as Trustees.
3. Nominees should have a commitment to understand the Funds, and the responsibilities of a trustee/director of an investment company and to regularly attend and participate in meetings of the Board and its committees.
4. Nominees should have the ability to understand the sometimes conflicting interests of the various constituencies of the Funds, including shareholders and the investment adviser, and to act in the interests of all shareholders.
5. Nominees should not have, nor appear to have, a conflict of interest that would impair their ability to represent the interests of all the shareholders and to fulfill the responsibilities of a trustee.
6. Nominees should have experience on corporate or other institutional bodies having oversight responsibilities.

It is the intent of the Committee that at least one Independent Trustee be an "audit committee financial expert" as that term is defined in Item 3 of Form N-CSR.

### Application of Criteria to Current Trustees

The re-nomination of current Trustees should not be viewed as automatic, but should be based on continuing qualification under the criteria set forth above based on, among other things, the current Trustee's contribution to the Board and any committee on which he or she serves.

### **Review of Nominations**

1. The Committee believes that it is in the best interests of each Trust and its shareholders to obtain highly-qualified candidates to serve as members of the Board.

In nominating candidates who would be Independent Trustees, the Committee believes that no particular qualities or skills nor any specific minimum qualifications or disqualifications are controlling or paramount. The Committee shall take into consideration any such factors as it deems appropriate. These factors may include (but are not limited to) the person's character, integrity, judgment, skill, diversity and experience with investment companies and other organizations of comparable purpose, complexity and size and subject to similar legal restrictions and oversight; the interplay of the candidate's experience with the experience of other Board members; and the extent to which the candidate would be a desirable addition to the Board and any Committees thereof. Other factors that the Committee may take into consideration include a person's availability and commitment to attend meetings and perform his or her responsibilities; whether or not the person has or had any relationships that might impair or appear to impair his or her independence, such as

any business, financial or family relationships with Fund management, the investment adviser and/or any subadviser of the Funds, as applicable, Fund service providers, or their affiliates or with Fund shareholders. The Committee will strive to achieve a group that reflects a diversity of experiences in respect of industries, professions and other experiences, and that is diversified as to gender and race.

3. While the Committee is solely responsible for the selection and recommendation to the Board of Independent Trustee candidates, the Committee may consider nominees recommended by any source, including shareholders, management, legal counsel and Board members, as it deems appropriate. The Committee may retain a professional search firm or a consultant to assist the Committee in a search for a qualified candidate. Any recommendations from shareholders shall be directed to the Secretary of the relevant Trust at such address as is set forth in the Trust's disclosure documents. Recommendations from management may be submitted to the Committee Chair. All recommendations shall include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Board members and as specified in the relevant Trust's By-Laws, and must be accompanied by a written consent of the proposed candidate to stand for election if nominated for the Board and to serve if elected by shareholders.

4. Any shareholder nomination must be submitted in compliance with all of the pertinent provisions of Rule 14a-8 under the Securities Exchange Act of 1934 in order to be considered by the Committee. In evaluating a nominee recommended by a shareholder, the Committee, in addition to the criteria discussed above, may consider the objectives of the shareholder in submitting that nomination and whether such objectives are consistent with the interests of all shareholders. If the Board determines to include a shareholder's candidate among the slate of its designated nominees, the candidate's name will be placed on the Trust's proxy card. If the Board determines not to include such candidate among its designated nominees, and the shareholder has satisfied the requirements of Rule 14a-8, the shareholder's candidate will be treated as a nominee of the shareholder who originally nominated the candidate. In that case, the candidate will not be named on the proxy card distributed with the Trust's proxy statement.

5. As long as a current Independent Trustee continues, in the opinion of the Committee, to satisfy the criteria listed above, the Committee generally would favor the re-nomination of a current Trustee rather than a new candidate. Consequently, while the Committee will consider nominees recommended by shareholders to serve as trustees, the Committee may only act upon such recommendations if there is a vacancy on the Board, or the Committee determines that the selection of a new or additional Trustee is in the best interests of the relevant Trust. In the event that a vacancy arises or a change in Board membership is determined to be advisable, the Committee will, in addition to any shareholder recommendations, consider candidates identified by other means as discussed in this Annex A.

6. With respect to candidates for Independent Trustee, a biography of each candidate shall be acquired and shall be reviewed by counsel to the Independent Trustees and counsel to the Trust to determine the candidate's eligibility to serve as an Independent Trustee.

7. The Committee may from time to time establish specific requirements and/or additional factors to be considered for Independent Trustee candidates as it deems necessary or appropriate.

8. After its consideration of relevant factors, the Committee shall present its recommendation(s) to the full Board for its consideration.

## Appendix A

### List of John Hancock Fund Trusts

<b>John Hancock Financial Opportunities Fund</b>	<b>John Hancock Investors Trust</b>
<b>John Hancock Bond Trust</b>	<b>John Hancock Municipal Securities Trust</b>
<b>John Hancock California Tax-Free Income Fund</b>	<b>John Hancock Preferred Income Fund</b>
<b>John Hancock Capital Series</b>	<b>John Hancock Preferred Income Fund II</b>
<b>John Hancock Current Interest</b>	<b>John Hancock Preferred Income Fund III</b>
<b>John Hancock Emerging Markets Income Fund</b>	<b>John Hancock Premium Dividend Fund</b>
<b>John Hancock Floating Rate High Income</b>	<b>John Hancock Sovereign Bond Fund</b>
<b>John Hancock Funds II</b>	<b>John Hancock Strategic Diversified Income Fund</b>
<b>John Hancock Funds III</b>	<b>John Hancock Strategic Series</b>
<b>John Hancock Hedged Equity &amp; Income Fund</b>	<b>John Hancock Tax-Advantaged Dividend Income Fund</b>
<b>John Hancock Income Securities Trust</b>	<b>John Hancock Tax-Advantaged Global Shareholder Yield Fund</b>
<b>John Hancock Investment Trust</b>	<b>John Hancock Tax-Exempt Series Fund</b>
<b>John Hancock Investment Trust II</b>	<b>John Hancock Variable Insurance Trust</b>
<b>John Hancock Investment Trust III</b>	

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