

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
January 13, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13337

In the Matter of

DIANE M. KEEFE,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 9(b) AND 9(f) OF THE
INVESTMENT COMPANY ACT OF 1940,
SECTION 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act"), Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") against Diane M. Keefe ("Respondent" or "Keefe").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Respondent was associated with registered investment adviser Pax World Management Corp. from April 1999 through December 2007 and was also the portfolio manager of the Pax World High Yield Fund (a registered investment company) from April 1999 through October 2006. Respondent was a registered representative associated with broker-dealers registered with the Commission from March 1987 through August 1998, April 1999 through July 2006, and June 2007 through December 2007. Respondent, 50 years old, is a resident of Wilton, Connecticut.

B. OTHER RELEVANT ENTITIES

1. **Pax World Management Corp.** (SEC File No. 801-8517) ("Pax World") is a private Delaware corporation with its headquarters in Portsmouth, New Hampshire. Pax World has been an investment adviser registered with the Commission since 1972 and, at all relevant times, provided investment advisory services to the four Pax World Funds, each of which was an investment company registered with the Commission.

2. **Pax World High Yield Fund** (the "Fund") was established in 1999 and was a Delaware corporation headquartered in Portsmouth, New Hampshire, and was an investment company registered with the Commission. In 2007, the Fund changed its name to the Pax World High Yield Bond Fund.

C. KEEFE CREATED FALSE INVESTMENT COMMITTEE NOTES

1. For most of the period from 1999 through 2004 ("relevant period"), the Fund's prospectuses and proxy statements stated that the Fund had an investment committee made up of three individuals, including Keefe. The Fund's proxy statements for most of the period stated that the investment committee had the responsibility of overseeing the Fund's investments, that it met twice each year, and that Keefe and two other individuals served on the investment committee.¹ In fact, from 1999 until at least August 2003, these individuals never met as a group to discuss Fund investments.

2. In August 2003, Pax World's compliance liaison, located in Pax World's New Hampshire headquarters, asked Keefe for the notes of the Fund's investment committee meetings in connection with a routine examination being conducted by the Commission staff at that time.

3. Keefe knew that she and the two other individuals whom the Fund represented were members of the investment committee did not have any investment committee meetings during the period from 1999 through at least August 2003. Nevertheless, on August 13, 2003, she sent by facsimile from her office in New York to Pax World's headquarters a set of notes she had created and labeled "investment committee meeting" and represented them to be notes of nine Fund investment committee meetings that purportedly occurred from February 1999 to August 2003. These investment committee notes, which reflected investment advice, were false in that they consisted of notes of three-way conversations that never occurred. In fact, the date of the first purported meeting reflected in the notes Keefe created – February 2, 1999 – pre-dates Keefe's employment at Pax World by at least two months; those notes nonetheless represent that an investment committee meeting occurred and that Keefe was in attendance. The representations in the notes that the three members of the committee had met and discussed investments were untrue statements of a material fact.

¹ The proxy statement filed June 8, 2000 stated that for 1999 the functions of the Fund's investment committee were performed by the management and officers of the Fund. This proxy statement does not indicate that the investment committee met in 1999.

4. Pax World's compliance liaison inserted these purported notes into Pax World's files for the Fund, which were available to the Commission's examination staff.

5. These false investment committee notes remained in the Fund's files maintained by Pax World for approximately one year.

D. VIOLATIONS

1. As a result of the conduct described above, Keefe willfully violated Section 34(b) of the Investment Company Act, which prohibits the making of any untrue statement of material fact in any document the keeping of which is required pursuant to Section 31(a). Rule 31a-1(b)(11) requires that every registered investment company maintain files of all advisory material received from the investment adviser, any advisory board or advisory committee, or any other persons from whom the investment company accepts investment advice. Keefe was a person from whom the Fund accepted investment advice and the investment committee notes constitute advisory material for purposes of Rule 31a-1(b)(11).

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, civil penalties pursuant to Section 9(d) of the Investment Company Act;

C. Whether, pursuant to Section 9(f) of the Investment Company Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 34(b) of the Investment Company Act;

D. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act; and

E. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against her upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary