

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
April 21, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-51592

In the Matter of:	:	ORDER INSTITUTING PUBLIC
	:	ADMINISTRATIVE AND CEASE-AND-
Phlo Corporation,	:	DESIST PROCEEDINGS,
James B. Hovis and	:	PURSUANT TO SECTIONS 12(j), 17A
Anne P. Hovis	:	AND 21C OF THE SECURITIES
	:	EXCHANGE ACT OF 1934
Respondents.	:	

I.

The Securities and Exchange Commission (“Commission”) deems it necessary and appropriate for the protection of investors and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 17A and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Phlo Corporation (“Phlo”), James B. Hovis and Anne P. Hovis (collectively “Respondents”) and pursuant to Section 12(j) of the Exchange Act against Phlo.

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Phlo, a Delaware corporation incorporated in 1995, has its principal offices in Jacksonville, Florida. Phlo’s common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and its shares are quoted on the National Quotation Bureau’s Pink Sheets. Phlo has also been registered with the Commission as a transfer agent pursuant to Section 17A(c) of the Exchange Act since July 2002. Phlo’s most recent Form TA-1 lists its transfer agent offices as located in Washington, DC. The Commission is the appropriate regulatory agency pursuant to Section 17A of the Exchange Act.

2. James Hovis, 54, resides in Virginia. James Hovis has been Phlo’s president, Chief Executive Officer and a director since 1998.

3. Anne Hovis, 44, resides in Virginia. Anne Hovis has been Phlo’s executive vice president, general counsel, secretary and a director since 1998.

B. BACKGROUND

4. Phlo is a beverage manufacturer that sells its products to distributors for re-sale. Phlo, with annual revenues of about \$46,000 as of March 31, 2003, is run by the husband and wife team of James and Anne Hovis. According to its most recent Commission filing, Phlo had 208,828,909 shares outstanding as of December 31, 2004. The Hovises own approximately 22 million shares of Phlo's common stock according to Phlo's Form 10-KSB for the fiscal year ended March 31, 2003.

5. In July 2002, Phlo registered with the Commission as a transfer agent. Beginning in late 2002, Anne Hovis sought to terminate Phlo's relationship with The Depository Trust Company ("DTC"), the entity responsible for retaining custody of some 2 million securities issues so that they exist only as electronic files rather than as countless pieces of paper. Anne Hovis sought to withdraw all of Phlo's shares from deposit with DTC, thereby requiring that all transfers be done in certificate-only (paper) form. DTC responded to Phlo that only shareholders of record, and not issuers, were permitted to withdraw shares from DTC.

6. As a transfer agent, Phlo was obligated to cancel share certificates sent to it by DTC, issue new certificates in the name of "Cede, Co.", and return the new certificates within three business days to DTC for storage in its vault. Phlo refused to do so. Between May and September 2003, DTC contacted Anne Hovis on several occasions, attempting to locate Phlo shares that were not being processed and returned to DTC within the required three business days.

C. OCIE'S CAUSE EXAMINATION OF PHLO'S TRANSFER AGENT ACTIVITIES

7. In October 2003, the Office of Compliance Inspections and Examinations ("OCIE") commenced a cause examination of Phlo's transfer agent activities. On October 31, 2003, OCIE sent Phlo a document request letter pursuant to its examination of Phlo's transfer agent activities. Phlo did not provide documents in response to OCIE's request, or otherwise contact OCIE staff, other than to advise them that they were in the process of obtaining counsel. Counsel for Phlo never contacted the OCIE staff.

8. As a result of Phlo's non-compliance with its request, OCIE staff attempted an unannounced on-site examination of Phlo's transfer agent on December 12, 2003. However, the transfer agent location listed in Phlo's Form TA-1 was an empty suite of offices. The OCIE staff went to another office on the same floor where an individual who identified himself as a representative of Phlo's transfer agent immediately contacted Anne Hovis on the telephone. Anne Hovis, however, told the OCIE staff that Phlo could not make its transfer agent books and records available for examination.

D. PHLO'S FAILURE TO MAKE PERIODIC FILINGS WITH THE COMMISSION

9. Phlo has failed to timely make periodic filings since March 2003. The last annual report filed by Phlo was a Form 10-KSB for its fiscal year ended March 31, 2003, and the last quarterly report filed by Phlo was Form 10-QSB for the quarter ended December 31, 2002.

Phlo did not file its Form 10-KSB for its fiscal year ended March 31, 2003 until January 4, 2005. In addition, Phlo has not filed a Form 10-QSB since its fiscal quarter ended December 31, 2002 and has not filed a Form 10-KSB since its fiscal year ended March 31, 2003. James Hovis has been the sole signatory on all of Phlo's annual and quarterly reports filed with the Commission. According to Phlo's periodic filings, James Hovis is responsible for overall management of the Company.

E. VIOLATIONS

10. As a result of the conduct described above, Phlo willfully violated Sections 17A(d)(1) and 17(b)(1) of the Exchange Act and Rules 17Ad-2 and 17Ad-5 thereunder. Section 17A(d)(1) of the Exchange Act prohibits registered transfer agents from engaging in any activities which are in contravention of certain regulations promulgated by the Commission. Under Section 17(b)(1) of the Exchange Act, all transfer agents are subject to periodic examinations by the Commission. Rule 17Ad-2 of the Exchange Act requires that all transfer agents turnaround within three business days of receipt at least 90% of all routine items received for transfer during the month. Rule 17Ad-5 of the Exchange Act requires a registered transfer agent to respond, within five business days, to any written inquiry regarding the status of any items presented for transfer within the preceding six months.

11. As a result of the conduct described above, Anne Hovis willfully aided and abetted and caused Phlo's violations of Sections 17A(d)(1) and 17(b)(1) of the Exchange Act and Rules 17Ad-2 and 17Ad-5 thereunder.

12. As a result of the conduct described above, Phlo violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder. Rules 13a-1 and 13a-13 require the filing of annual and quarterly reports, respectively, by issuers.

13. As a result of the conduct described above, James Hovis willfully aided and abetted and caused Phlo's violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate for the protection of investors and 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 Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against the Respondents pursuant to Section 17A of the Exchange Act including, but not limited to, civil penalties pursuant to Section 21B of the Exchange Act;

C. Whether pursuant to Section 21C of the Exchange Act, Respondent Phlo should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 13(a), 17A(d)(1) and 17(b)(1) of the Exchange Act and Rules 13a-1, 13a-13, 17Ad-2 and 17Ad-5 thereunder; whether Respondent Anne Hovis should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 17A(d)(1) and 17(b)(1) of the Exchange Act and Rules 17Ad-2 and 17Ad-5 thereunder; and whether Respondent James Hovis should be ordered to cease and desist from causing violations of and any future violations of Sections 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder;

D. Whether pursuant to Section 12(j) of the Exchange Act and for the protection of investors, the Commission should revoke or suspend for a period not exceeding twelve months the registration of each class of Phlo's securities for failure to comply with Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

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 Respondents shall file Answers 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 Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them 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), 221(f) and 201.310.

This Order shall be served forthwith upon Respondents 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.

Jonathan G. Katz
Secretary