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Attorneys for Respondents

**BEFORE THE DIVISION OF SECURITIES OF THE DEPARTMENT OF
COMMERCE OF THE STATE OF UTAH**

<p>IN THE MATTER OF:</p> <p>SGS CAPITAL; STEVEN LEON SUNYICH; MELISSA JOY SUNYICH, aka, JOY GARDNER,</p> <p>Respondents.</p>	<p>ANSWER</p> <p>Docket No. SD-07-0073</p> <p>Docket No. SD-07-0074</p> <p>Docket No. SD-07-0075</p>
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Respondents SGS Capital, Steven Leon Sunyich and Melissa Joy Sunyich aka Joy Gardner (collectively, "Respondents") hereby answer the Order to Show Cause (the "Order") issued by the Utah Department of Commerce, Division of Securities (the "Division") on or about October 15, 2007. Respondents reserve the right to amend this Answer and allege additional defenses, counterclaims or cross claims as discovery and investigation may warrant.

FIRST DEFENSE

The Division's Order fails to state a claim upon which relief can be granted.

SECOND DEFENSE

In response to the specific allegations of the Division's Order, Respondents admit, deny and allege as follows:

Statement of Jurisdiction

1. Respondents admit the truth of the allegations contained in paragraph 1 of the Division's Order.

Statement of Facts

2. Respondents deny the truth of the allegations contained in paragraph 2 of the Division's Order.

3. Respondents admit the truth of the allegations contained in paragraph 3 of the Division's Order.

4. Respondents admit the truth of the allegations contained in paragraph 4 of the Division's Order.

5. Respondents deny the truth of the allegations contained in paragraph 5 of the Division's Order.

6. Respondents admit the truth of the allegations contained in paragraph 6 of the Division's Order.

7. Respondents deny the truth of the allegations contained in paragraph 7 of the Division's Order.

8. Respondents deny the truth of the allegations contained in paragraph 8 of the Division's Order.

9. Respondents deny the truth of the allegations contained in paragraph 9 of the Division's Order.

10. Respondents deny the truth of the allegations contained in paragraph 10 of the Division's Order.

11. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 11 of the Division's Order and therefore deny them.

12. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 12 of the Division's Order and therefore deny them.

13. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 13 of the Division's Order and therefore deny them.

14. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 14 of the Division's Order and therefore deny them.

15. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 15 of the Division's Order and therefore deny them.

16. Respondents admit that email messages were forwarded, but deny the truth of the remaining allegations contained in paragraph 16 of the Division's Order.

17. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 17 of the Division's Order and therefore deny them.

18. Respondents admit that the promissory note referred to speaks for itself, but deny the truth of the remaining allegations contained in paragraph 18 of the Division's Order.

19. Respondents lack sufficient information to form a belief as to the truth of the allegations contained in paragraph 19 of the Division's Order and therefore deny them.

20. Respondents deny the truth of the allegations contained in paragraph 20 of the Division's Order.

Count I

21. Respondents incorporate herein by this reference the foregoing responses to the numbered paragraphs of the Division's Order.

22. Paragraph 22 of the Division's Order states legal conclusions as to which no response is required. To the extent that a response is required, Respondents deny the truth of the allegations contained in paragraph 22 of the Division's Order.

23. Respondents deny the truth of the allegations contained in paragraph 23 of the Division's Order.

24. Respondents deny the truth of the allegations contained in paragraph 24 of the Division's Order.

25. Respondents deny the truth of the allegations contained in paragraph 25 of the Division's Order.

THIRD DEFENSE

Respondents deny each and every allegation contained in the Division's Order that is not specifically admitted herein.

FOURTH DEFENSE

The Division's claim may be barred in whole or in part by the acts, omissions, negligence, or intentional acts of third parties, over whom Respondents had no control or right of control, or, if Respondents had any right of control, such third parties were acting beyond the scope of any relationship they may have had with Respondents.

FIFTH DEFENSE

The Division's claim may be barred in whole or in part because the damage complained of, if any, was proximately caused by conditions or events over which Respondents had no control or right of control, and for which Respondents are not legally responsible.

SIXTH DEFENSE

The Division's claim may be barred in whole or in part by the applicable statutes of limitation and/or statutes of repose.

SEVENTH DEFENSE

The Division's claim may be barred in whole or in part by its failure to give proper notice thereof.

EIGHTH DEFENSE

The Division’s claim may be barred in whole or in part by the provisions of Utah Code Ann. § 61-1-1, *et seq.*

NINTH DEFENSE

The Division’s claim may be barred in whole or in part by the doctrines of estoppel and waiver.

TENTH DEFENSE

The Division’s claim may be barred in whole or in part by the doctrine of laches.

ELEVENTH DEFENSE

The Division’s claim is barred in whole or in part by the negligence and/or intentional acts of “investor SS.”

RESERVATION OF RIGHTS

Respondents hereby reserve the right to amend their Answer herein to assert any additional defenses, counterclaims and/or cross claims they may determine to be appropriate based upon further investigation and discovery herein.

PRAYER FOR RELIEF

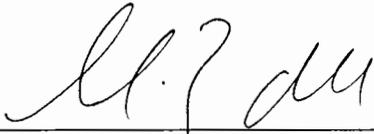
WHEREFORE, having fully answered the Division’s Order, Respondents pray as follows:

1. That the Division’s Order be dismissed with prejudice and on the merits;
2. That Respondents be awarded judgment against the Division in the amount of all costs, expenses, attorney and expert witness fees incurred by Respondents herein; and

3. That the Division grant such other and further relief to Respondents as the Division deems just and proper.

DATED this 15th day of November, 2007.

PARR WADDOUPS BROWN GEE & LOVELESS, P.C.

By: 
Jonathan O. Hafen
Matthew J. Ball
Attorneys for Respondents

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of November, 2007, a true and correct copy of the foregoing **ANSWER** was served via United States Mail, first-class postage prepaid, on the following:

Administrative Court Clerk
c/o Pam Radzinski
Division of Securities
160 East 300 South, 2nd Floor
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Salt lake City, Utah 84114-6760

Jeff Buckner
Assistant Attorney General
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