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Synergy Funding, LLC
Joshua Paul Chapman

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

IN THE MATTER OF: **SYNERGY FUNDING, LLC** **JOSHUA PAUL CHAPMAN** **DENNIS JOHN ROWLEY** **Respondent.**	**RESPONSE TO ORDER TO SHOW CAUSE** **Docket No. SD-08-0045** **Docket No. SD-08-0046** **Docket No. SD-08-0047**

Synergy Funding, LLC and Joshua Paul Chapman, by and through undersigned counsel, hereby respond to the Order to Show Cause issued by the Division of Securities, Utah Department of Commerce (here and after "Division"). Respondents answer as follows:

FIRST AFFIRMATIVE DEFENSE

The Division fails to state a claim for which relief can be granted.

ANSWERS TO SPECIFIC ALLEGATIONS

1. Respondents admit that the Division has subject matter jurisdiction over violations of § 61-1-1 "securities fraud" of the Utah Uniform Securities Act but deny he violated the act in connection with the offer and sale of a security as alleged in paragraphs 2-33 of the Order to Show Cause.

2. Admit.

3. Admit.

4. Respondents have no knowledge of Dennis John Rowley's (Rowley) last known address and therefore neither admit nor deny the allegation.

GENERAL ALLEGATIONS

5. Admit.

6. Admit.

7. Admit or deny as follows:

   a. Respondent Chapman denies the allegation in so far as it suggests that Rowley (Sterling or SM) was guaranteed interest of 100% within 60 days.

   b. Admit.

   c. Respondent Chapman admits he told SM that Rowley appeared to have the necessary skills and experience to complete the purchase and renovation of the home.

   d. Respondent Chapman admits that he told SM that if the deal did not go as planned he had received an assignment of contract from Rowley stating that Chapman and SM could take possession of the home.

e. Respondent Chapman told SM that Rowley had claimed there was enough equity in the Draper home to recover SM's investment.

8. Respondent Chapman admits and affirmatively alleges that Rowley failed to disclose to Chapman that he had filed for Bankruptcy in 1998 and 1999 and had four unpaid civil judgments of over $42, 000. Respondent Chapman admits Rowley promised $70,000 from the proceeds of the sale of the Draper home.

9. Admit.

10. Respondents neither admit nor deny the allegation as the document speaks for itself.

11 Respondent Chapman admits that on or about October 23, 2006, he and SM met Rowley at Well's Fargo Bank in Salt Lake City, Utah. Rowley told SM to purchase a cashiers check for $65,000 made payable to Sean Burrows (Burrows) and affirmatively alleges that Rowley described Burrows as Rowley's accountant. Respondent Chapman has no knowledge on whether this was the first time that SM had heard of Burrows and therefore neither admits nor denies that portion of the allegation.

12. Admit.

13. Admit.

14. Admit.

15. Respondent Chapman denies the allegation in so far as it characterizes the conversation as an offering by Respondents to SM of an investment

opportunity. Respondent Chapman admits that he informed SM that Rowley was offering an investment opportunity that paid interest of 4% a month in return of SM's investment of $140,000 for flipping houses.

16. Admit.

17. Respondent Chapman admits the allegation that Rowley signed a promissory note in his and SM's presence and gave it to SM. Respondents neither admit nor deny the remaining portion of the allegation as the document speaks for itself.

18. Admit.

19. Admit.

20. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

21. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

22. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

23. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

24. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

25. Admit.

26. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

27. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

Use of Invested Funds

28. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

29. Respondents are without personal knowledge and therefore neither admit nor deny the allegations.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act

30. Respondents incorporate and re-allege Paragraphs 1-39.

31. Respondents neither admit nor deny and affirmatively allege that this allegation calls for a legal conclusion.

32. Respondents deny that he directly or indirectly made false statements in connection with the offer and sale of a security.

33. Respondents deny that in connection with the offer and sale of security that they directly or indirectly failed to disclose material information contained in subparagraphs (a) through (e) and affirmatively allege that:

    a. Respondents had no knowledge that Rowley would use a large portion of SM's investments to pay personal expenses including but not limited to his child support payments.

    b. Respondents had no knowledge that Rowley would use some of SM's investment funds to pay a friend for the use of his bank account.

c. Respondents had no knowledge that Rowley had filed Bankruptcy in 1998 and 1999.

d. Respondents had no knowledge that Rowley owed over $42, 000 in unpaid civil judgments.

e. Respondent Chapman admits that he did not disclose the amount Rowley promised him he would receive from the sale of the Draper home but objects to the characterization of his failure to do so as a material false admission.

34. Deny.

AFFIRMATIVE ALLGEATIONS

1. Respondent Chapman was introduced by mutual acquaintances to Rowley as an experienced investor in real estate transactions.
2. Rowley solicited funds from Chapman for the purchase of the Draper house and other real estate transactions.
3. On November 8, 2006, Respondent Chapman invested $5,000 with Rowley for unspecified real estate transactions.
4. Rowley instructed Chapman to make the check payable to Sean Burrows.
5. Respondent Chapman's $5,000 investment was secured by a promissory note guaranteed by Rowley. The promissory note provided for payment terms of interest at a rate of 25% per annum with the final payment of all outstanding principal due and payable by November 30, 2006.
6. Rowley defaulted on the promissory note and has never repaid Respondent Chapman.

7. Upon information and belief Rowley and or Sean Burrows used Respondent Chapman's $5,000 investment to pay personal expenses.

RESPECTFULLY submitted this 21 day of May 2008.

SKORDAS, CASTON & HYDE

Rebecca C. Hyde

CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of May, 2008, a true and correct copy of the foregoing RESPONSE TO ORDER TO SHOW CAUSE, by United States first class mail, postage pre-paid or Hand Delivery to the following:

Jeff Buckner
Assistant Attorney General
160 East 300 South, Fifth Floor
Salt Lake City, Utah 84114

Administrative Court Clerk
c/o Pam Radzinski
Division of Securities
160 East 300 South, Second Floor
Salt Lake City, Utah 84114

Skordas, Caston, & Hyde