

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES AND :
EXCHANGE COMMISSION, :

Plaintiff :

-v- :

Case No. IP 01-0259-C-H/G
(Judge Hamilton)

JOHN E. BRINKER, JR., :
et al., :

Defendants :

- 0 -

The deposition of **JERRY E. TERRILL**, taken before Susan K. Lee, CVR-CM, Court Reporter and Notary Public in and for the State of Ohio, at the law offices of Ulmer & Berne, 600 Vine Street, Suite 2800, Cincinnati, Ohio, on the 18th day of May, 2001, beginning at the hour of 11:00 p.m. and ending at the hour of 2:00 p.m. of the same date.

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APPEARANCES:

FOR THE PLAINTIFF: JACQUELINE SCHUSTER HOBBS, Esq.
 Attorney at Law
 600 Vine Street
 Suite 2800
 Cincinnati, Ohio 45202

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STIPULATIONS:

It is stipulated by and between counsel for the respective parties that the deposition of **JERRY E. TERRILL**, a witness herein, may be taken at this time pursuant to the Kentucky Rules of Civil Procedure and Notice; that the deposition may be taken via Stenomask by the Notary Public/Court Reporter, and transcribed by her out of the presence of witness; that there was no request for reading and signature by either the witness or counsel present.

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1 **JERRY E. TERRILL**, called as a witness, being first duly
2 sworn, testified as follows:

3 MS. HOBBS: Mr. Terrill, as I said, I'm
4 Jackie Hobbs. I'm local counsel for Mr. Knauer
5 in a case called United States Securities and
6 Exchange Commission versus John Brinker, Jr.,
7 et al. You are here under subpoena today,
8 correct? You received a subpoena?

9 THE WITNESS: Yeah.

10 MS. HOBBS: Have you ever had your
11 deposition taken before?

12 THE WITNESS: No.

13 MS. HOBBS: Before we get started, just
14 a couple of things. One, when you answer a
15 question, you need to say something out loud.
16 The court reporter can't take down nods of your
17 head or --

18 THE WITNESS: All right.

19 MS. HOBBS: -- things like that.

20 THE WITNESS: Okay.

21 MS. HOBBS: The other thing is that
22 I'll do my best not to speak over you and let
23 you finish your answers and if you could do the
24 same for me because the court reporter can't
25 take down us talking at the same time.

1 THE WITNESS: Right.

2 MS. HOBBS: And if for whatever reason
3 you need to take a break or a rest, just ask me
4 and as long as there's no question pending, we
5 can do that, okay?

6 THE WITNESS: Okay.

7 BY MS. HOBBS:

8 Q I'm going to start out just by asking
9 you: You indicated you're here under subpoena. Did
10 you bring with you any documents today?

11 A Just -- the only documents that I have
12 are the one where John -- John -- where John Brinker
13 and I had a -- an agreement with a \$100,000 loan.

14 Q Let me ask you, Mr. Terrill: What's
15 marked Exhibit 2, is that the agreement you're
16 referring to?

17 A Yeah.

18 Q Take a look at what's been marked
19 Exhibits 3, 4 and 5.

20 A Yes.

21 Q Are these copies of the other documents
22 you brought with you today?

23 A Yes. That's where I paid back \$20,000
24 on the \$100,000 loan.

25 Q Okay. We'll get into those in more

1 detail. I just want to establish for the record what
2 documents you brought.

3 A Okay.

4 Q Besides the documents that you brought
5 and the agreement that's been marked Exhibit 2, are
6 there any other documents that you didn't bring with
7 you today that were responsive to the subpoena?

8 A No. This is -- this is all that I ever
9 had.

10 Q Okay. I'm going to start out by asking
11 you some background questions to get some background on
12 you. Why don't you state your full name for the
13 record?

14 A Jerry Edward Terrill.

15 Q Can you spell your last name?

16 A T-E-R-R-I-L-L.

17 Q What is your current address?

18 A [REDACTED]

19 [REDACTED]

20 Q Where is [REDACTED]?

21 A You know where [REDACTED] is?

22 Q Yes.

23 A It's a part of [REDACTED]. It's on
24 the east side -- it's on the south side of [REDACTED]
25 towards the east end.

1 Q Okay. So sort of in the [REDACTED] area.

2 A About [REDACTED] from [REDACTED].

3 Q Okay. That's what I thought. I looked
4 at the zip code. Now, do you own the property at [REDACTED]
5 [REDACTED] in [REDACTED]?

6 A Right.

7 Q How long have you owned that property?

8 A Well, the first time or the second
9 time?

10 Q Is there more than once?

11 A I went through a divorce, so I bought
12 it again, whichever time you want.

13 Q When was the first time you bought it?

14 A I built the house. I built it myself.
15 And I finished building it in 1992. Then I got a
16 divorce in '90 I think -- or 2000 and in the divorce I
17 bought it again -- or bought it.

18 Q Bought your wife's share?

19 A Yes. Bought her half.

20 Q Okay. Where did you live before [REDACTED]

21 [REDACTED]

22 A [REDACTED]

23 It's on the other side of the lake. I owned that place
24 while I was building this place.

25 Q When did you buy [REDACTED]?

1 A 1990.

2 Q Okay. Did you sell [REDACTED]?

3 A No. I still have it. I bought it
4 again, too.

5 Q In the divorce?

6 A Yes. I bought them twice.

7 Q Okay. Would that have been in 2000
8 when you got the divorce, you --

9 A Yes.

10 Q -- bought it again?

11 A Yes.

12 Q Are you currently married?

13 A No.

14 Q Do you have children?

15 A No.

16 Q What is your social security number?

17 A [REDACTED]

18 Q What is your age?

19 A Fifty-three.

20 Q And are you currently employed?

21 A No, ma'am. I'm retired.

22 Q When did you retire?

23 A 1990.

24 Q Who did you work for at the time of
25 your retirement?

1 A It was American National Can.

2 Q Where is that?

3 A In Newark, Ohio.

4 Q How long were you with American
5 National Can?

6 A Well, we went through five different
7 companies, but the same company 20 years, same place.

8 Q They just maybe changed names?

9 A Yeah. We was liquidated, so to speak.

10 Q Okay. Did you work for anybody else
11 besides American National Can besides all the name
12 changes?

13 A Well, back in the '60s.

14 Q Where did you work back in the 60s?

15 A I worked for a company called Roper.

16 Q What did they do?

17 A Made lawn tractors and mowers.

18 Q Okay. Do you know approximately when?

19 I know I'm asking you --

20 A '67 -- '68.

21 Q That's when you left the company?

22 A That's -- I worked there probably '68
23 to '69.

24 Q Okay. Any other employers you can
25 recall having worked for?

1 A The only other one was Kaiser Aluminum.
2 That was '67 to '68. Laid off at both places, then you
3 have to find another job.

4 Q Okay. What is your current source of
5 income? You're pretty young to be retired at 53. I'm
6 just curious.

7 A I'm very lucky. I won the Ohio lottery
8 in 1989.

9 Q Okay. What was the jackpot?

10 A \$10 million.

11 Q Congratulations.

12 A I only got half of that.

13 Q I would have retired, too. Okay.

14 Other than your home on [REDACTED] and [REDACTED]
15 [REDACTED], do you own any other real estate?

16 A I purchased another property in [REDACTED]
17 at [REDACTED].

18 Q Is that residential?

19 A Yes.

20 Q When did you buy that property?

21 A I think it was like June of -- May of
22 -- May of 2000, something like that.

23 Q Are you the sole owner of that
24 property?

25 A Yes.

1 Q Is that it?

2 A No. I bought my mother a condominium
3 in Florida.

4 Q When would that have been?

5 A That was June of -- June of 2001 I
6 think -- or 2000. This is 2001.

7 Q Okay. Where is that condo located?

8 A You want the whole address?

9 Q Yes.

10 A It's [REDACTED]

11 Q How do you spell [REDACTED]?

12 A Wait a minute. I'm not a great
13 speller.

14 Q That's all right.

15 A There it is.

16 Q That is [REDACTED]. Oh,
17 the address -- and correct me if I'm wrong -- [REDACTED]

18 [REDACTED]

19 A Oh, yeah. [REDACTED]

20 Q [REDACTED]. Am
21 I pronouncing your name correctly, Terrill?

22 A Correct.

23 Q Mr. Terrill, is this property titled in
24 your name?

25 A Right.

1 Q What was the purchase price?

2 A \$190,000.

3 Q Okay. Besides your mother's condo in
4 Florida, do you own any other real estate?

5 A No. That's it. That's enough.

6 Q All right. Do you know Johnny Brinker,
7 Jr.? John Brinker?

8 A Oh, yes. I've never heard him called
9 Jr. Okay. Yeah.

10 Q How long have you known him?

11 A Since 2000.

12 Q How did you meet Mr. Brinker?

13 A I was a member of Prepaid Legal and I
14 went to a meeting in Columbus. I was talking to
15 Michael Drew and I was telling him that -- going
16 through the divorce and one thing or another. At one
17 time I used to have quite a bit of money, but in the
18 divorce I had to end up buying all my properties back,
19 so I had property, but I didn't have the money that I
20 used to have. So I was telling Michael about that and
21 he told me that he could introduce me to somebody that
22 might be able to help me recoup some of my money.

23 Q Did he say who that person was?

24 A Well, he told me that he would
25 introduce me to him, you know, like at the next meeting

1 or something.

2 Q Okay. Did you know Michael Drew before
3 this meeting?

4 A No, not -- not -- I mean not until the
5 Prepaid Legal meeting, no.

6 Q When did this meeting take place?

7 A It was, like I said, in about 2000.

8 Q In the beginning of 2000?

9 A Might have been.

10 Q And this meeting in Columbus for
11 Prepaid Legal was the first time you had ever met
12 Michael Drew?

13 A Yes.

14 Q Did Mr. Drew introduce you to anybody
15 at that meeting?

16 A Just his wife.

17 Q What was Mr. Drew's -- how was he
18 associated with Prepaid Legal?

19 A I think him and his wife are into
20 selling Prepaid Legal.

21 Q So they have a business, a franchise or
22 something, and they sell prepaid legal services?

23 A I think. I don't -- I don't really
24 know.

25 Q Are you and Mr. Drew friends or

1 acquaintances or --

2 A Just -- like I said, I didn't know him
3 until the meeting there.

4 Q Okay. Did Mr. Drew eventually
5 introduce you to somebody who could help you recoup
6 this money?

7 A John Brinker.

8 Q When did you meet John Brinker for the
9 first time?

10 A About a week after or two weeks after I
11 had talked to Michael.

12 Q Where did that meeting take place?

13 A I think it was after the Prepaid Legal
14 meeting.

15 Q Were these weekly meetings of some
16 kind?

17 A About every two weeks or --

18 Q So this was the next Prepaid Legal
19 meeting; is that correct?

20 A Yeah. I think so.

21 Q Was that in Columbus?

22 A Yes.

23 Q Was Mr. Brinker -- did he sell Prepaid
24 Legal, too?

25 A At one time I think he did.

1 Q Do you know if he was selling it at
2 that time, at that meeting?

3 A No, I don't -- I don't think so.

4 Q Okay. Tell me what happened when you
5 were introduced.

6 A Michael introduced me to John and I
7 just listened to him. I told him that -- Michael told
8 him that I had some properties, but I didn't have the
9 money, I was wanting to recoup some of my money back.
10 And John said that he could probably help me get it
11 back, but on the properties that I had, my houses and
12 stuff.

13 Q When you say get your money back, are
14 you saying get the money so you could buy the property
15 -- your wife's one-half share? Is that what you were
16 talking about?

17 A No. I had already -- I had already
18 bought the places with my own money, so I had them free
19 and clear. But when you put the money out, then you
20 don't -- instead of having this much money, then you
21 don't have very much. So --

22 Q So just so I understand, Mr. Brinker
23 told you that you could recoup that money by using the
24 properties you already had?

25 A Right, to --

1 Q How would you do that, using those
2 properties?

3 A The way I understood it was that --
4 it's like you take a mortgage out on them for what
5 they're worth and he said -- you know, take a mortgage
6 out, then he invests the money for me, that he had a
7 bank in Grenada that paid more interest than what --
8 what the banks do here.

9 Q Did Mr. Brinker tell you he would take
10 that money and invest it for you in his bank in
11 Grenada?

12 A Yes.

13 Q Okay. Was the loan going to be taken
14 out in your name, the mortgage? Obviously, you being
15 the owner.

16 A I guess. As far as I know.

17 Q Okay. Did this ever come to pass?

18 A No. It never did.

19 Q So you didn't put mortgages on your
20 property and give --

21 A No.

22 Q -- the money to John?

23 A No.

24 Q Did you ever have any other
25 conversations with him about doing that besides this

1 first conversation?

2 A I called him a couple of times and
3 wondered, you know, whether we was going to do this,
4 you know, or when it was going to come to pass.

5 Q What did he tell you?

6 A He just said that he was working on it,
7 that it just hadn't happened yet.

8 Q What do you think he meant when he said
9 he was working on it?

10 A I don't know.

11 Q Because you were the one who was going
12 to take the mortgage and give Mr. Brinker the funds to
13 invest in his bank in Grenada, correct?

14 A Yeah, I guess.

15 Q So you don't -- do you know what he
16 meant when he said he was working on it?

17 A No.

18 Q Did there ever come a point when you
19 and Mr. Brinker had a conversation and he said "Hey,
20 I'm not going to be able to invest that money for you"
21 or did you change your mind at some point? I guess I'm
22 just trying to figure out why this part of it didn't
23 happen.

24 A Well, according to our contract that I
25 borrowed the \$100,000 to pay for my mom's condo, it was

1 stated in the contract that if our deal didn't go
2 through with my properties and the money being
3 invested, that I was to pay back this \$100,000 loan.
4 And one day John called me and said that, you know, we
5 couldn't -- he couldn't do the loan deal.

6 Q Do you remember when it was that he
7 called you, Mr. Terrill?

8 A It's when that -- when that check was
9 wrote, when I wrote the check. I don't remember the
10 date.

11 Q Would it be possibly February of 2001?

12 A That would be about right, yeah.

13 Q Okay. What did he say? I'm sorry I
14 interrupted.

15 A He just said he was sorry, but he
16 couldn't do the property deals and wanted to know if I
17 could pay some on the loan. And I had had it figured
18 that if it didn't happen, that I was going to try to
19 pay the loan off in five years \$20,000 a year. So I
20 asked him if \$20,000 was okay and he said yes.

21 Q When he said he couldn't do the
22 property deals, did he elaborate on that at all?

23 A Just said he was under investigation.

24 Q Did he tell you anything else?

25 A No.

1 Q He didn't say for what?

2 A No. He just said that he was under
3 investigation and that he wouldn't be able to do the
4 deals, that he was sorry.

5 Q When you say "the deals," are you
6 referring to you taking out your mortgage --

7 A Yeah.

8 Q -- giving him the money and him
9 investing it --

10 A Right.

11 Q -- in his bank in Grenada?

12 A Right.

13 Q Okay. I'm going to have you identify
14 for the record -- Mr. Terrill, Exhibit 1 is a copy of
15 the subpoena that was served upon you, correct?

16 A Right.

17 Q Take a look at what's been marked
18 Exhibit 2. I believe you previously identified it as
19 the loan agreement --

20 A Right.

21 Q -- that you and Mr. Brinker entered
22 into, right?

23 A Right.

24 Q I'm going to ask you some questions
25 about the loan agreement.

1 A Okay.

2 MS. HOBBS: Can we go off the record?

3 (OFF THE RECORD)

4 BY MS. HOBBS:

5 Q Mr. Terrill, we were just talking about
6 Exhibit 2 and I told you I wanted to ask you some
7 questions about it.

8 A yeah.

9 Q First of all, who drafted this
10 document; do you know?

11 A You mean who wrote it? Must have been
12 John -- John Brinker.

13 Q You didn't draft this?

14 A Oh, no. No, ma'am.

15 Q Did Mr. Brinker present you with this
16 document and say, you know, "Here's our agreement.
17 Let's sign"?

18 A Yes, on this \$100,000 loan, yes.

19 Q Correct. I'm still talking about the
20 loan --

21 A Yes.

22 Q -- and the loan agreement that's marked
23 Exhibit 2. Okay. This says on May 30th, 2000 Mr.
24 Brinker was going to advance you the sum of \$100,000
25 U.S. dollars?

1 A Evidently, yes, ma'am.

2 Q For the purpose of purchasing a
3 condominium for your mother, correct?

4 A Right.

5 Q I know when we spoke earlier that you
6 had said that you wanted to recoup some of the money
7 that had gone into purchasing your property.

8 A Right.

9 Q This is a little bit different, this
10 loan here, this \$100,000. That wouldn't have actually
11 helped you recoup; that would let you do something nice
12 for your mom, right?

13 A Right.

14 Q Can you tell me I guess your reasons
15 for borrowing the \$100,000 to buy the condo for your
16 mother instead of to recoup the money that you had said
17 you needed from the property?

18 A The reason was that I didn't have all
19 of the money to buy the condominium and I had said
20 something to John about it, that "Beings we're going to
21 do this with my properties, can I get a loan here and
22 then we'll just take it out of my money," you know and
23 he said "Yeah." So --

24 Q So the reason for borrowing it was so
25 that you could buy your mother a condo?

- 1 A Oh, yeah.
- 2 Q Not to recoup the money so that --
- 3 A No.
- 4 Q -- you would have money?
- 5 A No. I just didn't have enough money to
- 6 buy it on my own.
- 7 Q Okay. Because the condo was \$190,000,
- 8 right?
- 9 A Right.
- 10 Q Did you borrow the rest, the \$90,000?
- 11 A I had that.
- 12 Q You had \$90,000.
- 13 A Right.
- 14 Q Okay. Did Mr. Brinker give you a check
- 15 on May 30th, 2000, the date of this agreement?
- 16 A No. I was down in [REDACTED] at [REDACTED]
- 17 [REDACTED] and the -- and the money was actually sent to
- 18 like a title agency that was selling properties. So I
- 19 never seen the money, it just went to them directly.
- 20 Q So the money was wired --
- 21 A Wired.
- 22 Q -- I guess to a title agency for your
- 23 mom's condo?
- 24 A That's right.
- 25 Q Okay. You never received a check?

