

First Respondent (LBHI)
J. E. Jones
4th Witness Statement
Exhibit JEJ4
6 September 2013

Nos 7924 and 7945 of 2008 and No 429 of 2009

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

**IN THE MATTER OF LEHMAN BROTHERS INTERNATIONAL (EUROPE)
(IN ADMINISTRATION)**

**AND IN THE MATTER OF LEHMAN BROTHERS LIMITED
(IN ADMINISTRATION)**

**AND IN THE MATTER OF LB HOLDINGS INTERMEDIATE 2 LIMITED
(IN ADMINISTRATION)**

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

BETWEEN:

- (1) The Joint Administrators of Lehman Brothers International
(Europe) (in administration)**
- (2) The Joint Administrators of Lehman Brothers Limited (in
administration)**
- (3) The Joint Administrators of LB Holdings Intermediate 2 Limited (in
administration)**

Applicants

-and-

- (1) Lehman Brothers Holdings Inc.**
- (2) Lydian Overseas Partners Master Fund Limited**

Respondents

**FOURTH WITNESS STATEMENT OF
JULIAN EDWARD JONES**

I, **JULIAN EDWARD JONES** of Alvarez & Marsal Europe Ltd., One Finsbury Circus, London
EC2M 7EB **STATE AS FOLLOWS:**

1. I am a Managing Director in the firm of Alvarez & Marsal Global Forensic and Dispute Services
LLP, part of the Alvarez & Marsal group ("A&M"), a global professional services firm at the

above address. A&M is retained to assist the board of Lehman Brothers Holdings Inc ("**LBHI**") in the wind down of LBHI and certain affiliated entities.

2. LBHI is the ultimate parent of the Lehman Brothers group of companies worldwide. It is incorporated in the State of Delaware, USA. On 15 September 2008, it commenced Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court for the Southern District of New York. On 6 December 2011, the Modified Third Amended Joint Chapter 11 Plan of LBHI and its affiliated debtors was confirmed by the United States Bankruptcy Court for the Southern District of New York. The plan became effective on 6 March 2012, at which point LBHI emerged from Chapter 11.
3. I am authorised to make this statement on behalf of LBHI in answer to the following witness statements served on behalf of the Applicants in the application dated 14 February 2013 ("**the Sub-Debt Application**"):
 - (a) the first witness statement of Anthony Lomas dated 14 February 2013, which was agreed between the Applicants and LBHI (insofar as the facts were within LBHI's knowledge) and served jointly on behalf of the Applicants ("**Lomas 1**");
 - (b) the first witness statement of Mike Jervis dated 14 June 2013 and served on behalf of LBL ("**Jervis 1**");
 - (c) the first witness statement of Derek Howell dated 14 June 2013 and served on behalf of LBHI2 ("**Howell 1**"); and
 - (d) the fourth witness statement of Russell Downs dated 2 August 2013 and served on behalf of LBIE ("**Downs 4**").
4. The facts and matters stated in this witness statement are either within my own knowledge and are true or are based on documents and information supplied to me in the course of advising LBHI and are true to the best of my knowledge, information and belief. Facts and matters relating to the period before LBIE's entry into administration on 15 September 2008 all fall within the latter category.
5. In referring to any legal advice that LBHI has received, LBHI does not intend to, and does not, waive any privilege by such reference or otherwise.
6. I refer in this witness statement to a paginated bundle of documents marked "JEJ4". Unless otherwise stated, any page references in this statement are references to the pages of that exhibit.

I also refer in this witness statement to the exhibit to Downs 4, that exhibit being numbered RD1, and to the exhibit to Lomas 1, being AVL1.

7. Further, I refer in this witness statement to comments made by Marcus Jackson, Jackie Dolby, David Rushton and Dominic Gibb in the course of the Joint Interviews that took place in the week commencing 1 July 2013.
8. Capitalised terms not otherwise defined in this witness statement have the meanings given to them in the Sub-Debt Application or in Downs 4.

Introduction

9. As the ultimate parent of the Lehman Brothers group, LBHI is an indirect creditor of many companies in the group and is the ultimate shareholder of all of the companies. Whilst dependent on the outcome of many events and variables, LBHI currently estimates that, by virtue of these indirect creditor claims and shareholdings, it will ultimately receive 87% of all distributions made by LBHI2. LBHI therefore has a very substantial economic interest in the outcome of the Sub-Debt Application insofar as it affects LBHI2.
10. LBHI may also have a material economic interest in distributions made by LBL, although the extent of that interest is heavily dependent on issues which are not the subject of the Sub-Debt Application. In light of this uncertainty, LBHI has presently adopted a neutral position with respect to certain issues affecting LBL in the Sub-Debt Application.
11. One of the overarching issues in the Sub-Debt Application is the question whether the LBHI2 Sub-Debt should be paid by the LBIE Administrators ahead of any interest that may be payable to ordinary unsecured creditors of LBIE pursuant to Insolvency Rule 2.88(7) (Lomas 1, paragraph 28.1). I am advised that, in considering this question, the Court will be asked to look at the terms on which the outstanding LBHI2 Sub-Debt was lent and may be asked to take account of its use and treatment as regulatory capital.
12. In this regard, I understand that there are three LBHI2 Sub-Debt agreements between LBHI2 and LBIE entered into on 1 November 2006 and these comprise:
 - (a) a €3.0 billion Long Term Subordinated Loan Facility – the “**Long Term Euro Facility**” (AVL1, pages 210 to 224);
 - (b) a US\$ 4.5 billion Long Term Subordinated Loan Facility – the “**Long Term Dollar Facility**” and together with the Long Term Euro Facility, the “**Long Term Facilities**” (AVL1, pages 225 to 240); and

(c) a US\$ 8.0 billion Short Term Subordinated Loan Facility – the “**Short Term Facility**” (AVL1, pages 241 to 260).

13. I am advised by Weil Gotshal & Manges that it would be helpful to establish under which of the above three LBHI2 Sub-Debt Agreements the money was lent and to which tier of regulatory capital it was attributed by LBIE when making reports to its regulator (the FSA). Having investigated these issues, LBHI has concluded that all of the outstanding LBHI2 Sub-Debt was lent under the Short Term Facility and was treated and reported to the FSA as being tier 3 regulatory capital. The purpose of this witness statement is to explain the reasons for these conclusions.

The Applicants’ evidence on the “short term” nature of the outstanding LBHI2 Sub-Debt

14. In his evidence, Mr Lomas identifies the outstanding LBHI2 Sub-Debt by reference to LBHI2’s proof of debt, which includes an unsecured claim for: “£1,254,165,598.48 pursuant to three subordinated loan agreements entered into on 1 November 2006” (Lomas 1, paragraph 23.2). This statement was made prior to the disclosure exercise, makes no comment on the short or long term nature of the Sub-Debt, and could be read as implying that the outstanding LBHI2 Sub-Debt was drawn on all three loan agreements, or that it was drawn on any one or more of them.
15. In his evidence, Mr Downs addresses the history of the LBHI2 Sub-Debt in greater detail, with the benefit of the disclosure exercise and the Joint Interviews (Downs 4, paragraphs 17 to 56). In summary, he recounts that, as a consequence of a restructuring during 2006, the LBHPLC Sub-Debt was replaced with new funding in the form of US\$ 2 billion of Preference Shares issued to LBHI2 and US\$ 5.7 billion of LBHI2 Sub-Debt which was drawn down under the Short Term Facility in November 2006 (Downs 4, paragraph 37.3).
16. At paragraph 55 of his witness statement, Mr Downs states that the sum outstanding at the date of administration in respect of the LBHI2 Sub-Debt was US\$ 2.225 billion. However, he does not say whether the outstanding LBHI2 Sub-Debt was drawn on one of the Long Term Facilities or whether it was drawn on the Short Term Facility. Instead, at paragraph 49 he states that because “the relevant Lehman Brothers finance systems did not link trades in LBHI2 Sub-Debt to specific LBHI2 Sub-Debt agreements...” the process of determining whether the outstanding LBHI2 Sub-Debt is long term or short term is: “a forensic process involving analysis of the relevant finance systems alongside other relevant documents and information”.
17. Using documents disclosed in the course of these proceedings, and information provided in the Joint Interviews, LBHI has concluded that the US\$ 2.225 billion of outstanding LBHI2 Sub-Debt was all drawn on the Short Term Facility. LBHI has also concluded that the outstanding

LBHI2 Sub-Debt was treated as tier 3 regulatory capital and was reported to the FSA as such. The reasons for these conclusions are as follows.

LBIE's financing arrangements (2006 to 2008)

18. As explained by Mr Downs at paragraph 46 of Downs 4, LBIE held subordinated debt for regulatory capital purposes. LBIE was a regulated entity and as such had to maintain a certain level of regulatory capital under the FSA rules. This regulatory capital could consist of various types of equity and debt, which were ranked from tier one to tier three.
19. Mr Downs discusses the role of LBHI2 subdebt at paragraphs 46 and 47 of Downs 4. He explains that the role was essentially two-fold, albeit inter-related:
 - (a) *"The LBHI2 Sub-Debt formed part of LBIE's regulatory capital for the purposes of the FSA's capital adequacy requirements";* and
 - (b) It *"was a particularly flexible form of regulatory capital funding"* and that the *"terms of the LBHI2 Sub-Debt Agreements allowed for rapid drawdown and repayment of LBHI2 Sub-Debt"*.
20. He states that the drawdowns and repayments of LBHI2 Sub-Debt *"occurred quickly"* and *"involved an assessment on the part of the Lehman Brothers group of LBIE's capital adequacy requirements to determine whether LBIE required a drawdown or had spare LBHI2 Sub-Debt funding in excess of its capital adequacy requirements"*.

Restructuring in November 2006

21. The Lehman Brothers group conducted a restructuring of its European business in November 2006 (the **"2006 Restructuring"**) as explained by Mr Downs at paragraphs 24 to 37. This restructuring resulted in LBHI2 becoming LBIE's majority shareholder and in the refinancing and replacing of LBHPLC Sub-Debt with new funding in the form of:
 - (a) US\$ 2 billion of Preference Shares issued to LBHI2 on 1 November 2006; and
 - (b) US\$ 5.7 billion of LBHI2 Sub-Debt drawn down under the Short Term Facility in November 2006 (Downs 4, paragraph 37.3).

Restructuring in May 2007

22. A further restructuring of LBIE's financing arrangements was effected in May 2007, as described by Mr Downs at paragraph 53, when US\$ 5.1 billion of then outstanding LBHI2 Sub-Debt was converted into Preference Shares.

Restructuring in November 2007

23. In November 2007, there was a further restructuring of the UK regulated business of Lehman Brothers when the ownership of various companies in the Mortgage Capital Division ("**MCD**") was transferred out of the UK regulated group. In summary, as at 16 November 2007 the impact of the UK MCD restructure on the UK regulated group was estimated to result in a small reduction (US\$ 328 million) in the relevant "Financial Resources" and a significant reduction (US\$ 2.86 billion) in the relevant "Total Requirement" of capital. This restructuring was forecast to increase excess capital to US\$ 4.856 billion largely as a result of moving illiquid real estate assets out of the UK group (letter to the FSA attached to an email from Ray O'Grady dated 8 January 2008, at JEJ4 tab 4, page 50).
24. The UK MCD restructure had no impact on LBHI2 Sub-Debt at the time. However, as indicated above, it did significantly reduce LBIE's capital requirements and may in part explain why repayments of LBHI2 Sub-Debt took place after 30 November 2007.

Accounting by LBIE

25. The Applicants' witness statements refer to the accounting methods adopted by LBIE and other entities for the LBHI2 Sub-Debt. LBHI accepts that, using the Lehman finance systems and the published financial statements alone, it is not possible to determine under which of the LBHI2 Sub-Debt agreements the subordinated debt balances are held.
26. As identified by Mr Downs, LBIE's IT systems include the Lehman Treasury Work Station system ("**TWS**"), which was used to book and manage trades. Records from TWS show how entries related to the LBHI2 Sub-Debt loans were recorded. I refer to a copy of a spreadsheet extract from TWS (the "**TWS Spreadsheet**") at JEJ4, tab 1. This spreadsheet is a print out from TWS which details draw-downs and repayments from 27 April 2007 under a US Dollar contract with Trade ID 1920496L.
27. I understand from Dentons, who disclosed the TWS Spreadsheet on behalf of LBHI2, that the TWS Spreadsheet should be read in the following way:

- (a) drawdowns of LBHI2 Sub-Debt are recorded as Type “XNL” and repayments are also recorded as Type “XNL” with the figures in parentheses;
 - (b) interest payments or accruals are recorded as Type “INT” and appear to have been made on a monthly basis; and
 - (c) the column headed “Flows” records each drawdown or repayment, while the column headed “Notional” records the running total following each issuance/repayment.
28. Interpreting the TWS Spreadsheet in this way is consistent with the US\$ 600 million drawdown that it records on 27 April 2007 resulting in an outstanding balance of US\$ 600 million. When asked about this in his Joint Interview, Mr Rushton said that it is fair to infer that, taking account of the conversion that took place on 1 May 2007, there was nothing else drawn down on the relevant LBHI2 Sub-Debt Agreement at that time. In other words, the drawdown on 27 April 2007 represents the opening balance, from which the amount of LBHI2 Sub-Debt now outstanding can be traced.
29. This is confirmed by the 18 June 2007 PwC opinion letter on the UK tax treatment of the replacement of subordinated debt financing with preference share capital, which states that ALL outstanding LBHI2 Sub-Debt as at 1 April 2007 was being converted to Preference Capital. The first paragraph on the fifth page of the PwC letter (JEJ4 tab 2, page 7) states:
- “As at 1 April 2007 LBIE had previously drawn down the equivalent of US\$ 5.1bn under the above [subordinated debt] facilities (“LBIE Debt”). The subordinated debt is provided to LBIE for general business purposes. This debt is ultimately provided by LBHI and comes down the Lehman Brothers corporate chain as shown in Appendix 1. US\$ 2bn of the subordinated debt that LB UK2 holds in LBIE was capitalised by way of an issue of preference shares by LBIE (“LBIE Prefs”) in November 2006. The remaining balance of LBIE Debt is US\$ 5.1bn and will be capitalised in this transaction [the May 2007 Restructuring].” (Emphasis added.)
30. It can be seen in the “Flows” column of the TWS Spreadsheet that, following the 27 April 2007 drawdown, there was a series of drawdowns and repayments ultimately leading to the outstanding balance in the “Notional” column of US\$ 2.225 billion in September 2008. This is the £1,254,165,598.48 balance referred to at paragraph 23.2 of Lomas 1 as being the balance which is the subject of this application (albeit the GBP figure includes both the notional (£1,240,452,696) and the claimed LBHI2 Sub-Debt interest (£13,712,903)). The series of drawdowns and repayments is summarised in tabular form below:

Date	Drawdown / (Repayment) (US\$ millions)	Notional (US\$ millions)
27 April 2007	600	600
22 May 2007	750	1,350
18 June 2007	500	1,850
26 June 2007	1,000	2,850
23 July 2007	700	3,550
5 October 2007	350	3,900
20 November 2007	500	4,400
29 November 2007	375	4,775
29 February 2008	(1,000)	3,775
7 March 2008	400	4,175
29 May 2008	(700)	3,475
29 August 2008	(1,250)	2,225
15 September 2008		2,225

31. The “Flows” column of the TWS Spreadsheet shows that the final drawdown of LBHI2 Sub-Debt was US\$ 400 million on 7 March 2008. After that date, there were only repayments. Following the repayment on 29 May 2008, the TWS Spreadsheet shows an outstanding balance of US\$ 3.475 billion. The outstanding balance remained at US\$ 3.475 billion until a further repayment of US\$ 1.250 billion on 29 August 2008 reduced it to US\$2.225 billion. However, the entries in TWS do not themselves identify whether the applicable LBHI2 Sub-Debt agreement for each drawdown was short term or not.

Documents identified indicating drawn under Short Term Facility

32. The disclosure in this matter includes a number of contemporaneously prepared documents that indicate that the drawdowns that led to the outstanding LBHI2 Sub-Debt balance at 15 September 2008 were drawn on the Short Term Facility. The documents include:
- (a) A LBIE board minute dated 1 May 2007 which states that the US\$ 5.1 billion of LBHI2 Sub-Debt that was converted into Preference Shares in May 2007 was all drawn on the Short Term Facility (RD1, page 301).

- (b) An email written by Ben Hall dated 24 July 2007 at 1.06 pm (JEJ4 tab 3, page 41). I understand from a former Lehman employee that Mr Hall worked in the regulatory team at Lehman in the UK. Mr Hall was responding to a request from Lee Goldblatt to provide a breakdown of the then-outstanding subordinated debt between long term and short term debt. Mr Goldblatt had requested clarification following an earlier email from Mr Hall where he asked Mr Goldblatt to co-ordinate the appropriate treasury bookings in New York with regard the US\$ 700 million short dated LBHI2 Sub-Debt injection into LBIE down the corporate chain from New York. Mr Hall stated (in his 1.06pm email) that:

“The sub-debt injection post APB23 has all been short dated and breaks down as follows:”

The figures inserted in the email were disclosed in a separate image document at JEJ4, page 45, as follows:

<u>“Short Dated Sub Debt</u>	
27/04/2007 LBIE Sub debt	600
22/05/2007 LBIE Sub debt	750
18/06/2007 LBIE Sub debt	500
26/06/2007 LBIE Sub debt	1,000
23/07/2007 LBIE Sub debt	<u>700</u>
	3,550”

- (c) Reports by LBIE to the FSA, which are discussed further below. LBIE was required to report to the FSA on its regulatory capital position on a regular basis. This reporting took several forms with varying frequencies. One such form comprised the FSA003 regulatory capital report prepared and submitted on a monthly basis to the FSA. Within the disclosure exercise a number of such FSA003 documents have been identified. Additionally, a number of LBIE Daily Capital Adequacy Reports, that contain information that is recorded in the monthly FSA 003 reports, have also been identified. Among these:
- i. The FSA 003 report for August 2008 is at tab 9 of JEJ4. This appears to be the last such report prepared. Row 60 of this FSA report (page 72) states that LBIE’s **short term** subordinated debt is US\$ 2.225 billion.
 - ii. The LBIE Daily Capital Adequacy Report for 12 September 2008 is at tab 10 of JEJ4. It appears to be the last such report prepared prior to LBIE going into administration. Row 60 of this report (page 89) states that LBIE’s **short term** subordinated debt is US\$ 2.225 billion.

33. The comments in documents (a) and (b) above are consistent with the full balance of US\$ 5.1 billion of Sub-Debt that was outstanding on 1 April 2007 being the amount that was converted to Preference Shares on 1 May 2007. What these comments show is that, even if the position stated in the board minute referred to in paragraph 32(a) above is not correct and amounts were drawn down under any of the Long Term Sub-Debt arrangements prior to 1 April 2007, these amounts were no longer outstanding subsequent to the May 2007 restructuring. As stated at paragraph 28 above, US\$ 600 million of Sub-Debt was drawn down on 27 April 2007 and at 1 May 2007, based on the review undertaken, following the preference share conversion transaction, this resulted in the outstanding LBHI2 Sub-Debt balance of US\$ 600 million at that time.
34. The drawdown figures in Ben Hall's e-mail (document 32(b)) match the first five drawdowns in the TWS Spreadsheet and identify that all of those drawdowns were drawn on the Short Term Facility. The figures are also consistent with there being no other outstanding amounts under other Sub-Debt facilities at that time.
35. The FSA 003 report for August 2008 and the 12 September 2008 Daily Capital Adequacy report both confirm that LBIE was reporting the outstanding Sub-Debt (i.e. US\$ 2.225 billion) as short term.
36. In terms of tracing the history of the outstanding LBHI2 Sub-Debt, the above documents show that the 27 April 2007 drawdown was the first transaction of a series of transactions that led to the balance that remains outstanding now.

Regulatory Capital Treatment by LBIE when disclosing to FSA

37. As explained above, LBIE was required to report to the FSA on its regulatory capital position on a regular basis. One such report was the FSA003 regulatory capital report prepared and submitted on a monthly basis to the FSA.
38. As part of the disclosure exercise in this application, LBHI disclosed a draft of one of LBIE's FSA003 regulatory capital reports (JEJ4, tab 6). The draft FSA003 in question is dated 3 June 2008 and was used for reference in the Joint Interviews. The figures in the draft FSA003 were written in US\$ in thousands, so should be read as having a further three zeros at the end. The draft FSA003 is in the form of a spreadsheet with numbered rows, including:
- (a) row 17: "Core tier one capital 6,764,861[,000]";
 - (b) row 42: "Lower tier two capital 3,382,414[,000]";
 - (c) row 43: "Lower tier two capital instruments 7,100,000[,000]";

- (d) row 44: "Excess on limits for lower tier two capital 3,717,586[,000]";
 - (e) row 58: "Total tier three capital 7,350,565[,000]";
 - (f) row 59: "Excess on limits for total tier two capital transferred to tier three capital 3,717,586[,000]"; and
 - (g) row 60: "Short term subordinated debt 3,475,000[,000]".
39. As stated at paragraph 34.1 of Downs 4, the non-cumulative preference shares issued by LBIE were treated as lower tier 2 capital. Following the May 2007 Restructuring, LBIE had issued a total of US\$ 7.1 billion of preference shares. Mr Jackson confirmed that it is these preference shares that are reflected as "Lower tier two capital instruments 7,100,000[,000]" at row 43 of the draft FSA003 report.
40. Mr Jackson explained that there was a cap on a firm's lower tier 2 capital, and that the cap was calculated as 50% of the firm's tier 1 capital. This explains why, although LBIE was reporting US\$ 7.1 billion of lower tier 2 capital instruments, it is shown as having only US\$ 3.38 billion of lower tier 2 capital. The balance is treated as excess (row 44) and is included in the total of tier 3 capital (row 59). In other words, LBIE reported all of the preference shares as lower tier 2 capital instruments, but as some exceeded the limit on lower tier 2 capital they were applied as tier 3 capital.
41. Row 60 then refers to "Short term subordinated debt 3,475,000[,000]". This figure matches the outstanding amount of LBHI2 Sub-Debt at the time (per the TWS Spreadsheet and the table at paragraph 30 above), which indicates that all of the outstanding LBHI2 Sub-Debt was drawn on the Short Term Facility. Given that row 60 forms part of the total for tier 3 capital at row 58, it also shows that all of the outstanding LBHI2 Sub-Debt was reported as tier 3 capital. Unlike the preference shares, the LBHI2 Sub-Debt was not reported as being lower tier 2 capital and then transferred to tier 3 as being excess over permitted lower tier 2 capital: it was reported directly as tier 3 capital.
42. When asked about the draft FSA003 report in the Joint Interviews:
- (a) Mr Jackson said he understood it to show that all of the outstanding LBHI2 Sub-Debt at the time was short term and reported to the FSA as being tier 3 capital;
 - (b) Mr Rushton also said he understood it to show that the outstanding LBHI2 Sub-Debt at that time was reported to the FSA as being short term and tier 3 capital; and

(c) Mr Gibb said it would be a fair conclusion that all of the LBHI2 Sub-Debt outstanding in June 2008 was the LBHI2 Sub-Debt being reported to the FSA as short term subordinated debt and tier 3 capital. Mr Gibb also confirmed in response to a separate question that, as at March 2008, all of the outstanding LBHI2 Sub-Debt was short term.

43. Following the interviews, on 10 July 2013 LBIE disclosed the FSA003 reports actually submitted to the FSA with the period end dates of 31 May 2008, 30 June 2008, and 31 July 2008. These reports are in materially the same terms as the draft referred to above, and copies are at JEJ4 tabs 5, 7 and 8. As stated at paragraph 32(c) above, LBIE has since disclosed an FSA003 report for August 2008 and a LBIE Daily Capital Adequacy Report dated 12 September 2008, which both show LBIE having outstanding "short term subordinated debt" of US\$ 2.225 billion.

44. Summarising the capital position on the August 2008 FSA 003 report:

	US\$'000s
Total capital after deductions	14,436,248
Total Tier 1 capital after deductions	6,764,827
Total Tier 2 capital after deductions, being	
Upper Tier 2 capital	0
Lower Tier 2 capital	3,382,413
Lower Tier 2 capital instruments (being the preference share capital)	7,100,000
Excess on limits for Lower Tier 2 capital	3,717,587
Total Tier 3 capital	6,040,268
Total Tier 3 capital, being	
Excess on limits for Lower Tier 2 capital	3,717,587
Short term subordinated debt	2,225,000
Net interim trading book profit and loss	97,681

Conclusion

45. In conclusion, the documents and the Joint Interviews demonstrate that:

(a) all of the US\$ 3.475 billion of LBHI2 Sub-Debt that was outstanding in June 2008 was drawn on the Short Term Facility and was reported to the FSA as being tier 3 capital;

- (b) there were no further drawings of LBHI2 Sub-Debt after June 2008, only repayments;
and
- (c) as a result, all of the US\$ 2.225 billion of LBHI2 Sub-Debt that was outstanding
when LBIE entered administration, and is outstanding now, was drawn on the Short
Term Facility and was reported to the FSA as being tier 3 capital.

I believe that the facts stated in this witness statement are true.



Julian Edward Jones

6 September 2013

First Respondent (LBHI)
J. E. Jones
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(1) The Joint Administrators of Lehman
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-and-

(1) Lehman Brothers Holdings Inc. and another

Respondents

FOURTH WITNESS STATEMENT
OF JULIAN EDWARD JONES

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