



## **Bondholders Represented by Grant & Eisenhofer and Gardy & Notis File Lawsuit against Cliffs Natural Resources, Accusing Company of Unfairly Leaving Retail Investors out of Exchange Offer**

*Mining company alleged to have wrongfully excluded retail bondholders from exchange of unsecured corporate bonds for secured bonds; federal suit follows on heels of similar case brought against oil company Vanguard Natural Resources; lawyers note unfair exchange offer reflects “serial pattern by distressed companies to disadvantage retail investors”*

**NEW YORK** (March 14, 2016) – Leading securities litigation law firms **Grant & Eisenhofer** and Gardy & Notis have filed a class action lawsuit against miner **Cliffs Natural Resources Inc.** (NYSE: CLF), alleging that the Cleveland-based company violated federal law when it executed a private debt exchange which allowed only select group of institutional bondholders to exchange their unsecured corporate bonds for secured bonds. The suit contends that the exchange offer, which took place late last month, wrongfully denied retail bondholders the opportunity to participate.

The class action was brought in New York federal court by two individual bond buyers on behalf of all holders of 5.90% Senior Notes due 2020 (CUSIP 18683KAA9) and 6.25% Senior Notes due 2040 (CUSIP 18683KAC5) who are not qualified institutional buyers.

The complaint alleges that Cliffs, which has experienced financial challenges in the face of falling commodity prices, attempted to alleviate the pressure on servicing its debt by making the exchange offer to a limited number of its bondholders.

Under the terms of the offer, certain senior notes would be exchanged for newly-issued 8.00% 1.5 Lien Senior Secured Notes due 2020. The suit contends that the February 29, 2016 exchange — which allowed participation only by bondholders who were qualified institutional buyers (as defined under Rule 144A of the Securities Act of 1933) — violated the rights of the remaining non-qualified institutional buyers.

Prior to the exchange, the total principal value of the 2020 and 2040 Notes outstanding was approximately \$783.6 million. After the exchange, \$259.5 million in aggregate principal amount of the notes had been tendered in the exchange offer, while approximately \$524.1 million in principal amount of the 2020 and 2040 Notes were not tendered.

A similar class action suit was filed in New York federal court earlier this month, also by Grant & Eisenhofer and Gardy & Notis, against oil and natural gas company **Vanguard Natural Resources** (NASDAQ: VNR) and one of its subsidiaries. In that case (detailed [www.vnrbonds.com](http://www.vnrbonds.com)), plaintiff bondholders also accused Vanguard of wrongfully cutting retail investors out of an exchange offer that was presented only to qualified institutional buyers.

“In both the Cliffs case and in the Vanguard matter filed recently, you have companies facing financial stress making respective exchange offers that effectively shut out retail investors and result in the creation of two classes of bondholders with very unequal rights,” said **Jay Eisenhofer**, managing director of Grant & Eisenhofer. “Qualified institutional buyers of corporate debt in each case had a

distinct advantage over the companies' retail investors — they were privy to a transaction that allowed them to exchange their unsecured notes for secure notes. That is an outright violation of the law.”

The suit against Cliffs contends that the company disclosed only to qualified institutional buyers its views on the risk of not exchanging the unsecured senior notes into the senior secured notes, while failing to share its views on risk with the plaintiff bondholders.

Mr. Eisenhofer stated, “Risk of an exchange offer wasn’t disclosed by Cliffs in their offering prospectuses for the unsecured senior notes, nor could it have been foreseen by retail investors and non-qualified institutional buyers at the time they purchased their bonds.”

The complaint notes that the exchange offer subordinates the unsecured senior notes held by the plaintiff class members to the notes held by qualified institutional buyers who elected to exchange their holdings. The suit alleges that as a result of its exchange offer, Cliffs impaired class members’ contractual rights in violation of the Trust Indenture Act of 1939.

“The Trust Indenture Act was intended to protect minority holders such as the plaintiffs from conduct of issuers in instances such as these,” said Grant & Eisenhofer director **Gordon Z. Novod**. “Both the Cliffs and Vanguard filings highlight a disturbing pattern among financially troubled commodity companies. In both cases, the M.O. was to deal with retail investors differently and to count on them to not be able to mount any meaningful, organized resistance to the companies’ shell game.”

Mr. Novod added, “Additional analysis by our firms have uncovered a pattern of similar conduct by other companies and we’re now exploring legal options for retail bondholders on a case-by-case basis.”

The case caption for the action is: *Waxman, et al. v. Cliffs Natural Resources Inc.*, Case 16-cv-1899. It was filed March 14, 2016 in the U.S. District Court for the Southern District of New York.

For additional information, please visit [www.clfbonds.com](http://www.clfbonds.com)

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#### **About Grant & Eisenhofer**

Grant & Eisenhofer is one of the top litigation and arbitration firms in the United States. The Firm represents institutional investors from across the globe in U.S. and international securities class actions, derivative lawsuits, antitrust suits, bankruptcy litigation and other complex financial litigation matters. The Firm has more than 60 attorneys, with offices in Wilmington, New York and Chicago, and an international docket of high-profile cases. G&E has recovered more than \$28 billion in the last 10 years and has twice been cited by RiskMetrics for securing the highest average investor recovery in securities class actions. G&E has been named one of the country’s top plaintiffs’ law firms by *The National Law Journal* for the past 12 years, and was named one of the nation’s “Most Feared Plaintiffs Firms” by *Law360* every year since the inception of the list. For more information please visit [www.gelaw.com](http://www.gelaw.com)

#### **About Gardy & Notis, LLP**

Gardy & Notis, LLP is a boutique litigation firm with offices in New York and New Jersey that represents individual and institutional investors in securities and derivative lawsuits and other complex class actions. The attorneys at Gardy & Notis, LLP have litigated hundreds of cases in both state and federal courts throughout the United States, primarily involving federal or state securities laws, mergers and acquisitions and corporate governance matters, consumer protection laws, employment collective and class actions and product liability claims resulting in hundreds of millions of dollars of recovery for their clients. For more information please visit [www.gardylaw.com](http://www.gardylaw.com)

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