



Grant & Eisenhofer and Gardy & Notis File Lawsuit on Behalf of Bondholders against Vanguard Natural Resources, Alleging Company Unfairly Cut Retail Investors out of Exchange Offer

Complaint accuses energy company of excluding retail bondholders from exchange of unsecured corporate bonds for secured bonds; suit claims company unjustly enriched itself by impairing contractual rights in violation of federal securities law

NEW YORK (March 2, 2016) – Leading securities litigation law firms **Grant & Eisenhofer** and **Gardy & Notis** have filed a class action lawsuit against natural gas and oil company **Vanguard Natural Resources** (NASDAQ: VNR) and its subsidiary VNR Finance Corp., alleging that the Houston-based company violated federal securities 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 alleges that the exchange offer, which took place earlier in February, wrongfully denied retail bondholders the opportunity to participate.

The class action was brought in New York federal court by an individual Vanguard bond buyer on behalf of all holders of 7.875% Senior Notes due 2020 (CUSIP 92205CAA1) who are not qualified institutional buyers.

The complaint alleges that Vanguard, facing a challenging financial climate marked by falling oil and natural gas 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 2020 Notes would be exchanged for newly-issued 7.0% Senior Secured Second Lien Notes due 2023. The suit contends that the Feb. 10, 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 Notes outstanding was approximately \$550 million. After the exchange, Vanguard reported that \$168,170,000 in aggregate principal amount of the 2020 Notes had been validly tendered and were exchanged.

“Vanguard’s exchange offer effectively created two classes of holders of the 2020 Notes: the haves and the have-nots,” explained **Jay Eisenhofer**, managing director of Grant & Eisenhofer. “The non-qualified buyers of the notes — that is, average retail investors — have in most instances been holders of these bonds for years, and should have had the same opportunity to an exchange as the qualified institutional buyers were.”

He continued, “The oil and gas sector has been hit hard and Vanguard has not been immune. Qualified institutional buyers of the company’s debt were given a VIP opportunity to exchange unsecured 2020 Notes for new, secured 2023 Notes, putting them in a far superior position in the event they become creditors in a bankruptcy. In contrast, the non-qualified institutional buyers — the have-nots — were denied the privilege of participating in the exchange offer and have become significantly disadvantaged in a default scenario.”

The suit contends that Vanguard deliberately concealed from non-QIBs the company’s dire outlook of the exchange offer’s effect on the 2020 Notes’ liquidity.

The suit contends that, since the direct effect of the exchange was the subordination of the 2020 Notes held by Class Members to the QIBs holding 2023 Notes, Vanguard impaired class members' contractual rights in violation of the Trust Indenture Act of 1939. The complaint also alleges that the private exchange offer violated the implied covenant of good faith and fair dealing, and that Vanguard executives unjustly enriched themselves as a result of the exchange offer.

Grant & Eisenhofer director **Gordon Z. Novod** stated: "To paraphrase George Orwell, Vanguard regarded some 2020 Noteholders as more equal than others. The defendants' under-the-table dealing, while it would help reduce their own indebtedness, impaired the rights of our client and other class members to receive principal and interest, and reduced the liquidity of the 2020 Notes."

Mr. Novod adds that the risk of such an exchange offer was not disclosed by the defendants in their prospectus for the 2020 Notes, nor could it have been foreseen by the non-qualified institutional buyers at the time they purchased their 2020 Notes.

"These were public bonds, registered under the Securities Act, and the non-qualified institutional buyers of these bonds bought them on the open market," he said. "They had no indication that their rights might have been impaired because the company struck a better, secret deal to institutional buyers who were allowed to trade up their positions from unsecured ones to secure ones."

Mr. Eisenhofer added, "We intend to vigorously pursue legal relief for bondholders who were excluded from the company's exchange offer."

The case caption for the action is: *Maniatis v. Vanguard Natural Resources, LLC*, Case 1:16-cv-01578. It was filed March 1, 2016 in the U.S. District Court for the Southern District of New York.

For additional information, please visit the website www.vnrbonds.com

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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 11 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

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

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