



LITIGATION

Easterly Fund class-action lawsuit claims survive motion to dismiss

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Investors suing over last summer's [startling selloff](#) of the Easterly RocMuni High Income Municipal Bond Fund will see their claims over the fund's illiquidity and distressed debt levels move forward after Judge Denise Cote of the Southern District of New York denied a motion to dismiss the claims.

Cote tossed other claims by the investors and narrowed the number of defendants named in the lawsuit, including the fund's portfolio managers.

Investors last July [sued the James Alpha Funds Trust](#), which does business as the Easterly Funds Trust, after the fund's [sudden selloff in June, 2025](#) in which large chunks of its \$232 million portfolio were sold at basement prices.

The fund's collapse — rare in the high-yield muni sector — rattled market participants, who said it showed the risk of investing in a market where liquidity is famously limited.

In October, Cote consolidated two lawsuits into [a class-action lawsuit](#) and named Richard Fulford as the lead plaintiff. Kaplan Fox & Kilsheimer LLP is acting as lead counsel.

The plaintiff filed a second amended complaint in February, and the defendants filed the motion to dismiss in March.

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The complaint's central claims related to the fund's liquidity, valuation practices, investments in defaulted securities, and concentration in bonds that featured related businesses. The lawsuit is on behalf of bond buyers who invested between July 29, 2022 and June 12, 2025.

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Cote's [Aug. 17 opinion](#) denied the motion to dismiss claims that the fund failed to disclose its level of illiquidity and its level of defaulted securities.

Fulford contended Easterly represented to investors it would not hold more than 15% of its net assets in illiquid investments, while in fact up to 22.8% of the fund's bonds showed "characteristics" of illiquidity.

"Drawing all reasonable inferences in plaintiff's favor, the [complaint] plausibly alleges that the challenged securities met the fund's definition of an illiquid investment throughout the class period," Cote wrote.

Claims about what Cote called the fund's "understatement of its exposure to distressed assets" also survived the motion to dismiss.

Cote dismissed Fulford's claim that the fund mispriced bonds in part because the pricing service ignored odd-lot trades. "While the [complaint] complains that the valuation methodologies applied by

the pricing services and by the fund were deficient, that complaint does not allege a false statement in the SEC filings," Cote wrote.

She also threw out claims about the fund's apparent concentration in a number of related bonds, saying the fund did not make any claim about the bonds being separate.

Allegations against the fund's officers and trustees will proceed, but the judge dismissed claims against the fund's portfolio managers, Troy Willis and Charlie Pulire, and investment advisers Principal Street Partners and Easterly Investment Partners.

The defendants have until Sept. 30 to respond to the plaintiff's second amended complaint. A status hearing is set for Oct. 8.

Easterly did not respond to a request for comment.

Separately, arbitration cases filed with the Financial Industry Regulatory Authority [against brokerage firms who sold the Easterly Fund](#) to retail customers are also proceeding, said Jacob Zamansky with investment and securities fraud law firm Zamansky LLC, one of the law firms that filed FINRA arbitration cases on behalf of bond buyers who said they were misled about the risks of buying the high-yield fund.

"We have clients who were put into the Easterly Fund by Stifel Nicholas, Janney Montgomery Scott, OSAIC Wealth and National Financial Services," Zamansky said in an email.

FINRA arbitration claims aim to resolve disputes between investors and brokers, typically within a year of the claims being filed.

**Caitlin Devitt**

Caitlin Devitt has covered the municipal bond market since 2008. She began her journalism career at the Herald Newspapers on the South Side of... [Read full bio](#)



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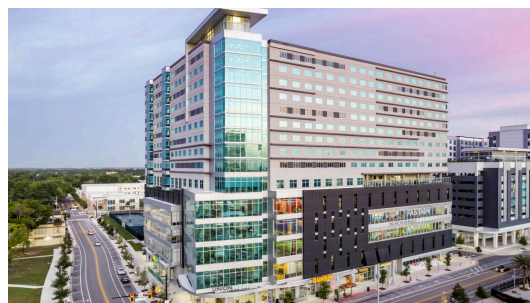
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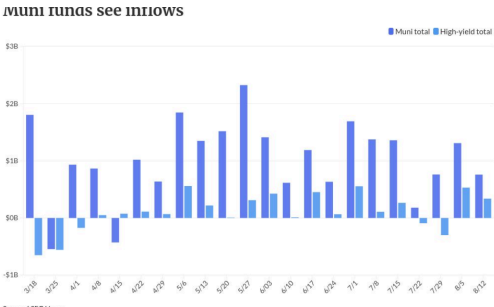
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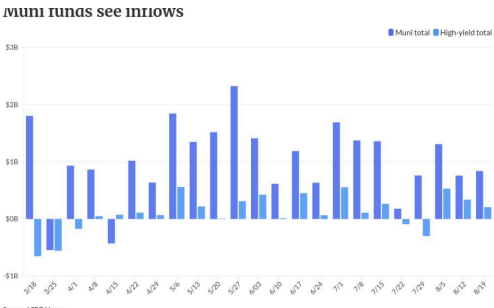
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