

Comment on Notice 2016-07

from G. Lettieri, Breena Llc

on Tuesday, February 23, 2016

Comment:

A critical component of all Municipal Bonds is the Bond Factor.

Although it may seem obvious, if ignored, it can have disastrous results in all portfolios, Mutual Funds, ETF's etc., if a prevailing price is not at least at or above the Bond Factor.

Also, because Municipals are primarily for long- term holdings, it is not considered a negative or a detriment to the last recorded price, even if that price was recorded many years ago ; in other words, if it has never been bought or sold in many years, but simply held, the prevailing price is the last price or Bond Factor, whichever is greater, at the very least.

Liquidity is a key component to pricing. Brokers and investors need to have the ability to buy or sell the bonds at the above fair prices.

The last component to this scenario, of course , is in the event of a default of the issue which should be a rare occurrence, so that the integrity of the market itself, let alone the pricing, isn't compromised.

In our view, all of the preceding, is not hard to achieve, where all participants needs are met and not harmed by the misalignment of pricing movements.