

Reasonably Prudent Investor Interest Rate Used in Takings Judgment

The CFC recently awarded interest at the Moody's long-term corporate bond rate to several groups of rails-to-trails plaintiffs as part of their just compensation judgment, rejecting the Government's argument that the court should instead use the much lower short-term Treasury bond rate. The court explained that Moody's rate cover the broadest segment of the interest-rate spectrum:

[T]he court is persuaded that in this instance, as it was in Biery, an objective "reasonably prudent investor" would have sought yields consistent with the Moody's Rate. See [Pitcairn, 547 F.2d at 1124](#) ("[L]ong-term corporate bond yields are an indicator of broad trends and relative levels of investment yields or interest rates. They cover the broadest segment of the interest rate spectrum.").

The court also compounded the interest from the date of taking to payment, concluding that an award of compound interest was necessary to accomplish complete justice:

In addition, the court finds that it is appropriate to compound interest annually. Compound interest may be necessary "to accomplish complete justice" under the Just Compensation Clause. [Dynamics Corp. of Am. v. United States, 766 F.2d 518, 519 \(Fed. Cir.1985\)](#) (citations and quotation marks omitted). Compound interest is also in accord with prudent investment practices. [Brunswick Corp. v. United States, 36 Fed. Cl. 204, 219 \(1996\)](#) ("[I]nterest rates shall be compounded annually since no prudent, commercially reasonable investor would invest at simple interest.").

The opinion may be found [here](#).