

The decision below is hereby signed. Dated: April 28, 2006.



S. Martin Teel, Jr.
S. Martin Teel, Jr.
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA

In re)	
)	
GREATER SOUTHEAST COMMUNITY)	Case No. 02-02250
HOSPITAL CORP. I, <i>et al.</i> ,)	(Chapter 11)
)	(Jointly Administered)
Debtors.)	
_____)	
)	
SAM J. ALBERTS, TRUSTEE FOR)	
THE DCHC LIQUIDATING TRUST,)	
)	
Plaintiff,)	Adversary Proceeding No.
)	04-10247
v.)	
)	
DALJIT MAC, M.D.,)	
)	
Defendant.)	

DECISION RE PREJUDGMENT INTEREST

After the trial of this matter, the plaintiff has filed a proposed judgment which provides for "interest at the legal rate from November 18, 2004 until the judgment is paid in full as provided by 28 U.S.C. § 1961." This language muddles the proper treatment of prejudgment and postjudgment interest. First, prejudgment interest runs until the entry of the judgment and, with the principal obligation and any costs taxed, becomes part

of the judgment amount upon which interest then runs from the date of entry of the judgment as provided by 28 U.S.C. § 1961. Second, prejudgment interest is generally at the prime rate, not at the rate specified by § 1961. See Webster v. Harris Corp. (In re NETtel Corp.), 327 B.R. 8 (Bankr. D.D.C. 2005). Moreover, given the short-term nature of the loans that a prime rate covers, it is appropriate to compute interest at the prime rate on an annual basis. See In re NETtel Corp., 327 B.R. at 13-14. See also Esser v. First Fed. Fin. Services, Inc. (In re Carini), 245 B.R. 319, 326 (Bankr. E.D. Wis. 2000) ("The plaintiff is also entitled to pre-judgment interest . . . computed annually . . .").

The adversary proceeding was commenced in November 2004, but service of the complaint was not made until December 2004. Prejudgment interest should be calculated from the date of service of the complaint, December 15, 2004. Given the short-term nature of the loans to which the prime rate applies and for simplicity of calculation, it is appropriate to use the monthly bank prime rate for December of each year that the proceeding has been pending (5.15% for December 2004; and 7.15% for December 2005), with interest compounded on each anniversary.

The trustee seeks the recovery of an avoided transfer of \$8,110.00, plus a \$150.00 filing fee, plus prejudgment interest. The prejudgment interest will run on the basic amount to be

recovered, \$8,110.00, not on the cost of \$150.00. (Costs are generally taxed after entry of the judgment, and the court is unaware of any decision permitting the recovery of prejudgment interest on costs.)

This results in a judgment owed as of April 28, 2006, of \$8,110.00, plus prejudgment interest of \$641.52,¹ plus costs of \$150.00, for a total judgment amount of \$8,901.52.² A judgment follows.

[Signed and dated above.]

Copies to: Office of the United States Trustee; all counsel of record.

¹ The calculation of the amount owed is:

$1.0515 \times \$8,110.00 = \$8,527.67$ owed at December 15, 2005.
 $.0715 \times \$8,527.67 \times 134/365 = \223.85 in interest from December 15, 2005, to April 28, 2006.

Total judgment before costs = $\$8,527.67 + \$223.85 = \$8,751.52$.

Prejudgment interest = $\$8,751.52 - \$8,110.00 = \$641.52$.

² Failure of the plaintiff to provide the court with a calculation of prejudgment interest in other adversary proceedings may result in the court's denying prejudgment interest in the exercise of its discretion. The prime rates of interest to be employed for the starting month and for each succeeding anniversary are found on the Federal Reserve website at www.federalreserve.gov/releases/h15/data.htm under the category of "Bank prime loan" and the subcategory "monthly."