

value as reported by petitioner. The Board of Tax Appeals held that the value of the gifts was their cash-surrender value. The Circuit Court of Appeals reversed. 115 F. 2d 209. That judgment must be affirmed on the authority of *Guggenheim v. Rasquin, supra*, unless as claimed by petitioner the court below was precluded from substituting its judgment of value for that of the Board. *Helvering v. Rankin*, 295 U. S. 123, 131. But the question of what criterion should be employed for determining the "value" of the gifts is a question of law. See *Lucas v. Alexander*, 279 U. S. 573. Accordingly, the Circuit Court of Appeals was justified in reversing the decision of the Board as "not in accordance with law." Int. Rev. Code 1939, § 1141 (c) (1); 53 Stat. 164.

Affirmed.

UNITED STATES *v.* RYERSON ET AL., EXECUTORS.

CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

No. 494. Argued January 7, 1941.—Decided February 3, 1941.

The lapse of time between the issuance of single-premium policies of life insurance and their assignment as gifts, *held* not to justify the substitution of cash surrender value, instead of replacement cost at the date of the gift, as the criterion of value for the purposes of the gift tax under the Revenue Act of 1932. P. 261.

114 F. 2d 150, reversed.

CERTIORARI, 311 U. S. 640, to review the reversal of a judgment, 28 F. Supp. 265, for the taxpayer in a suit to recover alleged overpayments of gift taxes.

Mr. J. Louis Monarch, with whom *Solicitor General Biddle*, *Assistant Attorney General Clark*, and *Messrs. Sewall Key* and *Edward First* were on the brief, for the United States.

Mr. William N. Haddad, with whom *Mr. Walter T. Fisher* was on the brief, for respondents.

MR. JUSTICE DOUGLAS delivered the opinion of the Court.

The question here is the same as that in *Guggenheim v. Rasquin*, *ante*, p. 254. Consequently the decision of the Circuit Court of Appeals holding that cash-surrender value on the dates of the gifts was the proper method of valuing single-premium life insurance policies for gift-tax purposes (114 F. 2d 150) must be reversed, unless the elapse of time between the issuance of the policies and the making of the gifts calls for a different result. The single-premium policies here involved were taken out by the insured in 1928 and 1929. They were assigned as gifts in December, 1934, when the insured was 79 years old. The cost of the policies was less than their cash-surrender value at the dates of the gifts. But the cost of replacing the policies at the then age of the insured would have been in excess of their cash-surrender value. We think that such cost of replacement, as held by the District Court, is the best available criterion of the value of the policies for the purposes of the gift tax. The elapse of time between issuance and assignment of the policies does not justify the substitution of cash-surrender value for replacement cost as the criterion of value. We cannot assume with respondents that at the dates of the gifts the policies presumably had no insurance, as distinguished from investment, value to the donor. Here, as in the case where the issuance of the policies and their assignment as gifts are simultaneous, cash-surrender value reflects only a part of the value of the contracts. The cost of duplicating the policies at the dates of the gifts is, in absence of more cogent evidence, the one criterion which reflects both their insurance and investment value to the owner at that time. Cf. *Vance* on

Insurance (2d ed.) pp. 332-333; *Speer v. Phoenix Mutual Life Ins. Co.*, 36 Hun 322. The fact that the then condition of an insured's health might make him uninsurable emphasizes the conclusion that the use of that criterion will result in placing a minimum value upon such a gift.

Reversed.

WOODS, COURT TRUSTEE, *v.* CITY NATIONAL
BANK AND TRUST CO. OF CHICAGO ET AL.

CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE
SEVENTH CIRCUIT.

Nos. 281 and 282. Argued January 13, 1941.—Decided
February 3, 1941.

1. Under Chapter X of the Bankruptcy Act, the bankruptcy court has plenary power to review all fees and expenses in connection with the reorganization from whatever source they may be payable. Reasonable compensation for services rendered may be allowed. The claimant has the burden of proving their worth. P. 267.
2. "Reasonable compensation for services rendered" necessarily implies loyal and disinterested service in the interest of those for whom the claimant purported to act. P. 268.
3. No compensation should be allowed for services rendered in connection with a reorganization by a claimant who represented not only members of the investing public but also other and conflicting interests; and this although no fraud or unfairness is shown to have resulted from the conflict. P. 268.
4. In corporate reorganizations, protective committees, as well as indenture trustees, are fiduciaries. P. 268.
5. Expenditures incurred in connection with the administration of the estate are not "proper," within the meaning of § 242 of the Act, and should not be allowed, where the claimant can not show that they were made in furtherance of a project exclusively devoted to the interests of those whom the claimant purported to represent. On the other hand, those expenditures normally should be allowed which have clearly benefited the estate. P. 269.

111 F. 2d 834, reversed.