

ing; and full credit is given to his evidence by my brother Ridell. If the facts are as he states—and I see no reason to doubt them—they are conclusive, in my opinion, against the defendant's contention.

It appears from Watson's evidence that the sulphite purchased by advances made upon the notes was used up within a month or two thereafter, and was replaced by purchases from time to time; that, by the direction of the defendant, about the beginning of May, 1906, the sulphite on hand began to be depleted by not being replaced as it was used. The plaintiffs were not aware of this until some time towards the end of June, when the local manager ascertained that it was all used up.

The company required advances from time to time for the running of the mill. These were obtained by selling the paper and assigning the accounts. The plaintiffs, however, did not collect these accounts. They were collected by the company; and, as soon as they were collected, the accounts so assigned to the plaintiffs were redeemed by the company. Assuming that the value of the sulphite went into this paper sold, and that the plaintiffs had the right to follow it and hold the proceeds of the paper as security for the original advances upon the notes, and that the defendant had the correlative right of insisting that the proceeds of the sale of the paper should be so paid, the question remains—and it seems to me the only question—what in fact took place upon the sale of the paper, and whether the action of the company, with the knowledge and sanction of the defendant, precludes the defendant now from claiming such right.

Watson says that, when the advances were being obtained, the sulphite hypothecations never came into discussion. He says that in May he pointed out to the defendant that they were using up the sulphite; that, as the paper was manufactured and shipped out, they would hypothecate the accounts to the bank and draw the money from it, and then repay them as the cheques came in from the different parties; that the plaintiffs thus advanced about \$28,000 in June—from 90 to 94 per cent. of the face value; that this question of advances was discussed constantly with the defendant, and they were doing the best they could to try and keep the thing afloat pending some arrangements to be made in the old country. . . .

In my opinion, the defendant, having authorised the assignment of the accounts arising from the proceeds of the paper manufactured from the sulphite forming the security for the notes, and having received the advances thereon to their full value, over and above the value of the wood, and having made