

security to the plaintiffs upon the sulphite so purchased for the advances so made. It was in these circumstances that the advances were made on the notes sued on. The money was directly used for the purchase of sulphite. Craig, as manager of the company and as owner of the sulphite, allowed the same to be used in the manufacture of paper, upon the understanding that the amount so used should be replaced from time to time by the company. This was done. Paper was manufactured and sold and the sulphite replaced down to May, 1906. The company continued to use the sulphite without replacing it, and by July it had been all used up. The defendant contends that it went into paper, which was sold, and of which the plaintiffs got the benefit; in short, that they were paid in full for the advances made upon the notes by receiving the whole of the proceeds of the paper when manufactured and sold; and that the plaintiffs were bound to account to the defendant, to the extent of the value of the sulphite, on a sale of the paper; which, he contends, realised sufficient to pay the notes in full.

It is, I think, rather a question of fact than of law.

It is clear that the plaintiffs did not lose their security for the advances made to the defendant by the substitution of other sulphite in place of that first given in pledge, as this was the intention of all parties under the arrangement.

Sub-section 2 of sec. 88 expressly provides that the bank may allow the goods covered by such security to be removed, and other goods of substantially the same character and value substituted therefor, and such substituted goods shall be covered by the security as if originally covered thereby. Under sec. 89 it is provided that the bank may continue to hold security during the process and after completion of its manufacture with the same right and title by which it held the original goods. Sub-section 2 gives the bank priority over an unpaid vendor, unless the vendor also has a lien known to the bank. . . .

In dealing with questions of fact, the trial Judge states that he had no reason to doubt the veracity of any of the witnesses; but that the recollection of other witnesses was to be preferred to that of the defendant in regard to matters on which they disagreed. After a careful perusal of the evidence, I have formed the same opinion.

The case turns largely upon what took place in carrying on the business between the 1st May and the end of June or the 1st July, when the crash came. Watson was assistant-treasurer, acting under the direction of the defendant. He did the financ-