

graph of the statement of defence. By the terms of the order Mr. Craig was not to act as manager beyond the 27th November, 1906, without the leave of the Court. The reason for this limitation doubtless was because all parties were looking forward to a speedy re-organisation of the company with an increase of capital, and the application for a receiver was in the nature of a protective step while such reorganisation was going on. The reorganisation, however, appears to have finally either failed or been postponed, because the receivership and managership were both continued by the subsequent orders referred to by Britton, J.

So far as appears, the first intimation given to the defendants by the receiver and manager of his appointment is that contained in Mr. Craig's letter dated the 3rd November, 1906, in answer to the defendants' letter dated the 31st October, 1906, in which they say they had seen in the newspapers an intimation that a receiver had been appointed. In that letter they also say: "What does this mean? Will you let us hear from you about it? I suppose there is no likelihood of the mill being shut down, as that would seem the last thing to do. When we last discussed the matter, I think you were hopeful of getting a considerable amount of money from London, on which you would have to pay interest? Has that materialised?" In his reply, Mr. Craig said the appointment was made on a friendly application, for the purpose of carrying out the reorganisation, and that there was "not only no likelihood of the mills being shut down, but in this appointment every assurance that the mill will be run."

The defendants were, therefore, plainly aware, almost from the first day, that the paper company affairs had passed into the control of a receiver. And, on the other hand, Mr. Craig was also, from his position as former manager for the paper company, fully aware of the outstanding and unfinished contracts which, it is now contended, he afterwards adopted and undertook to perform.

At what time the hope that Mr. Craig's appointment as receiver and manager was only to be for a short time was dispelled does not appear, but it would probably be some time before Mr. Edwards was appointed on the 9th January, 1907, joint receiver and manager, and may indeed have been as early as Mr. Craig's letter to the defendants of the 27th November, 1906, signed by him as receiver and manager, in which he reminds the defendants that the company is now in the receiver's hands—a reminder which was repeated over and over again in