

The Capital Stack

@fmaunlv

Who gets paid when a company goes under. The higher your seat, the safer your money.

PAID 1ST

Senior debt

The bank's loan (e.g. Bank of America). Repaid before anyone else. Lowest risk.

PAID 2ND

Mezzanine / junior debt

Usually an investment bank. Paid after senior debt, ahead of all owners.

PAID 3RD

Preferred equity

Founders, board control. First among owners, but still behind every lender.

PAID LAST

Common equity (the stock)

You, when you buy shares. Paid only after everyone above. Often nothing is left.

THE RULE

Debt can beat equity

Same company, safer seat. Lending is often more protected than owning.

Buying the stock = last in line.

Before you chase the upside, find your seat in the stack.