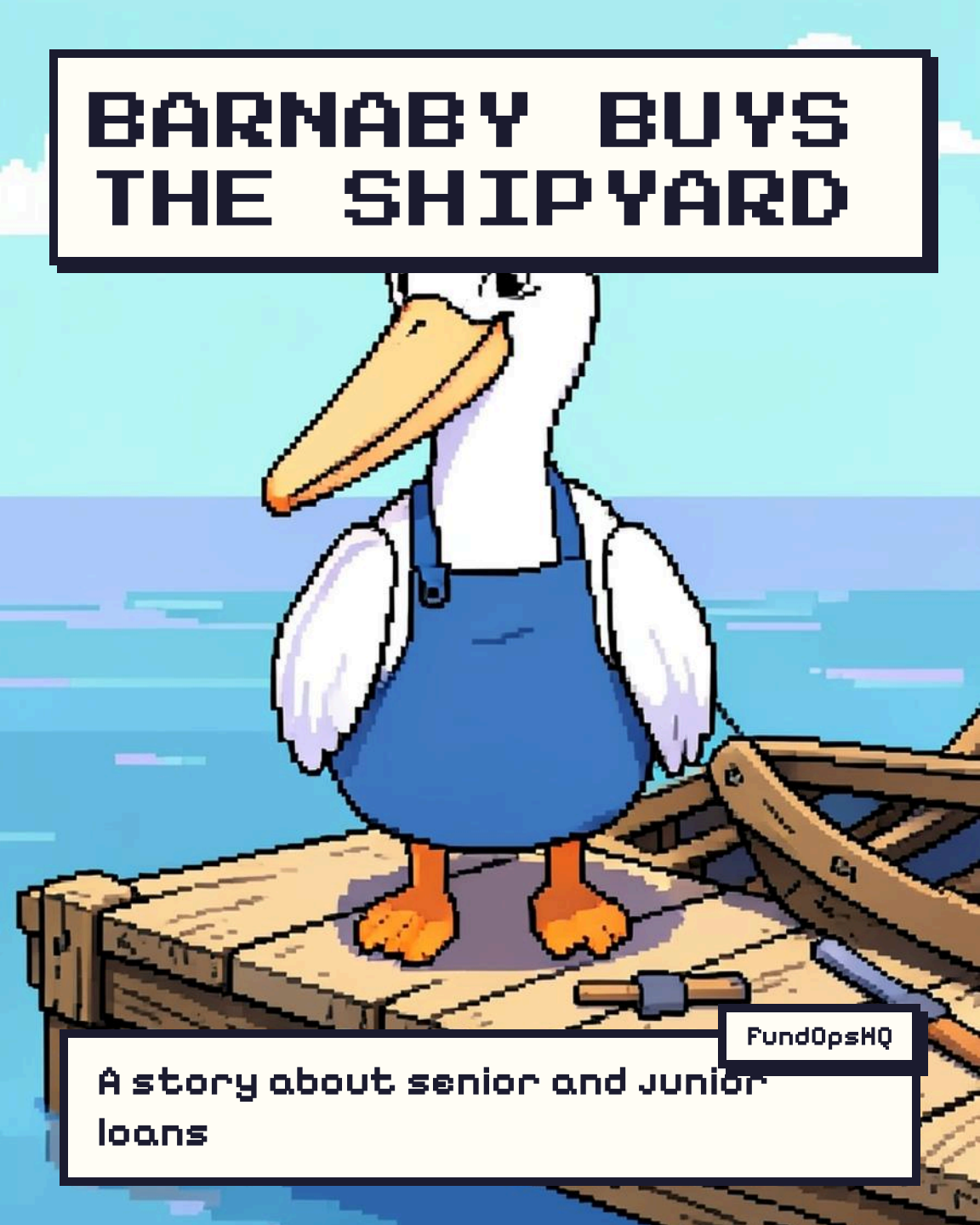
BARNABY BUYS THE SHIPYARD



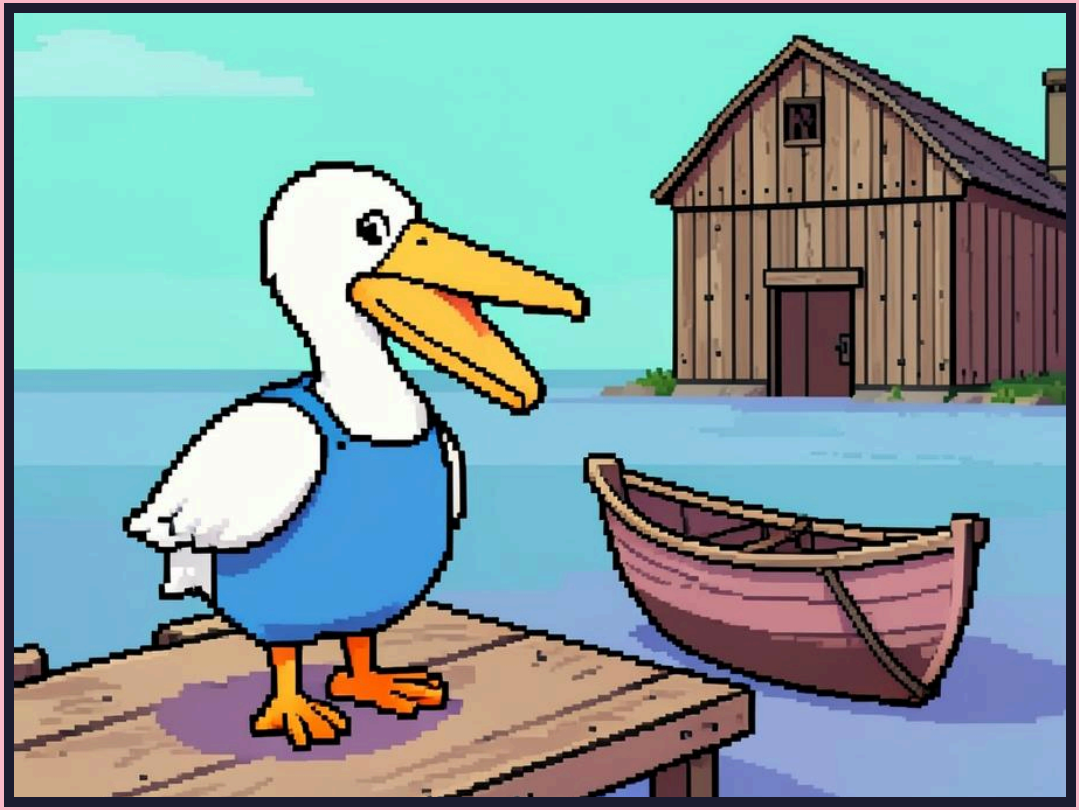
FundOpsHQ

A story about senior and junior loans



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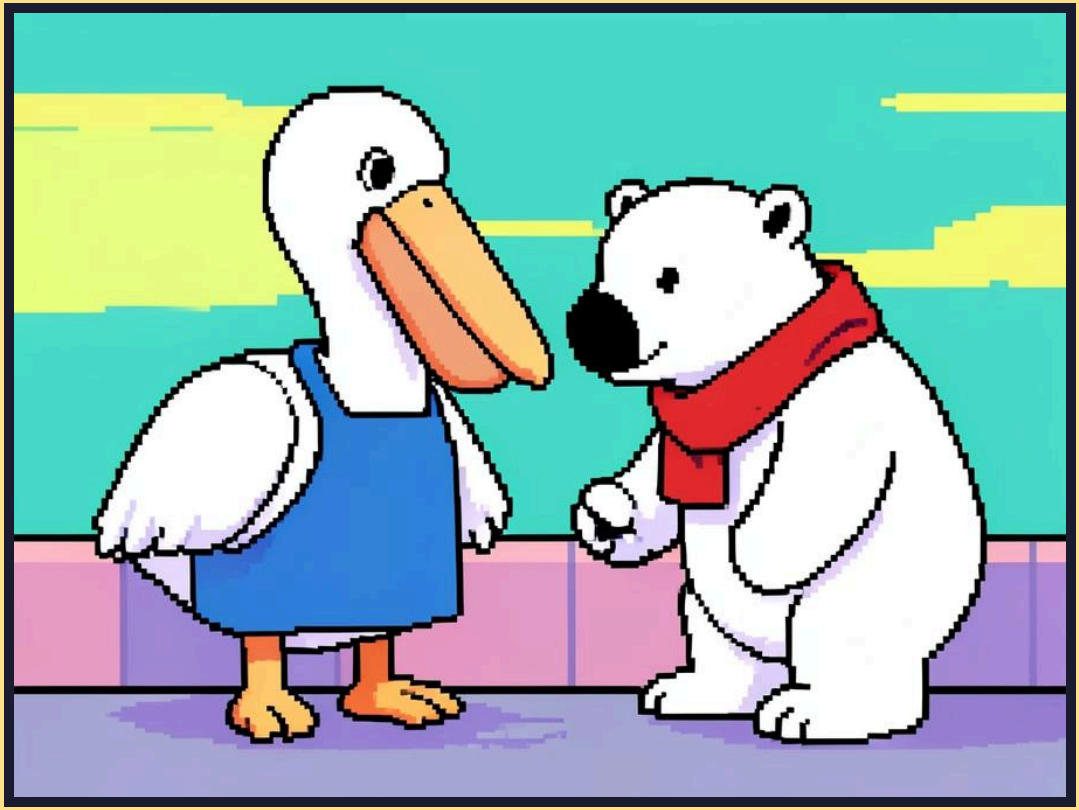
Barnaby the pelican had mended boats for years. Now the old shipyard on the bay was for sale, and he longed to build boats of his own.



The shipyard cost 100 coins. Barnaby had saved 30. He needed 70 more, so he went to see two lenders.



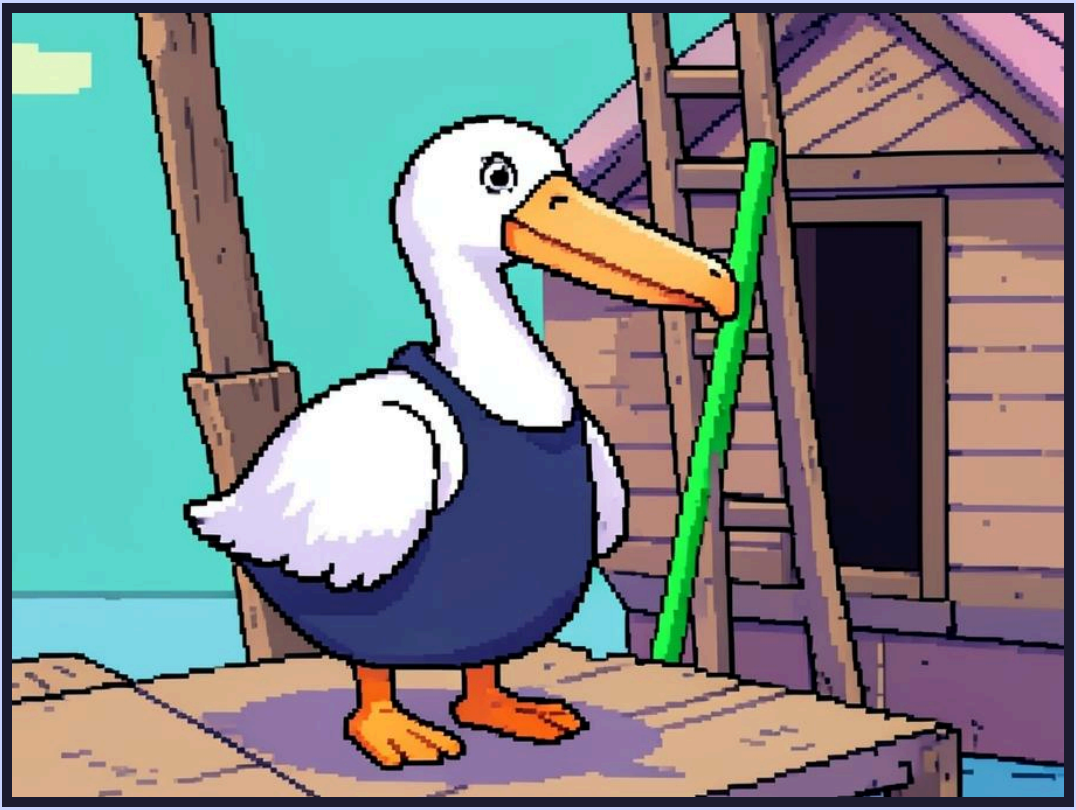
Hilde the polar bear ran a fund that made loans. "I will lend you $0," she said, "if I am paid back first, before anyone else."



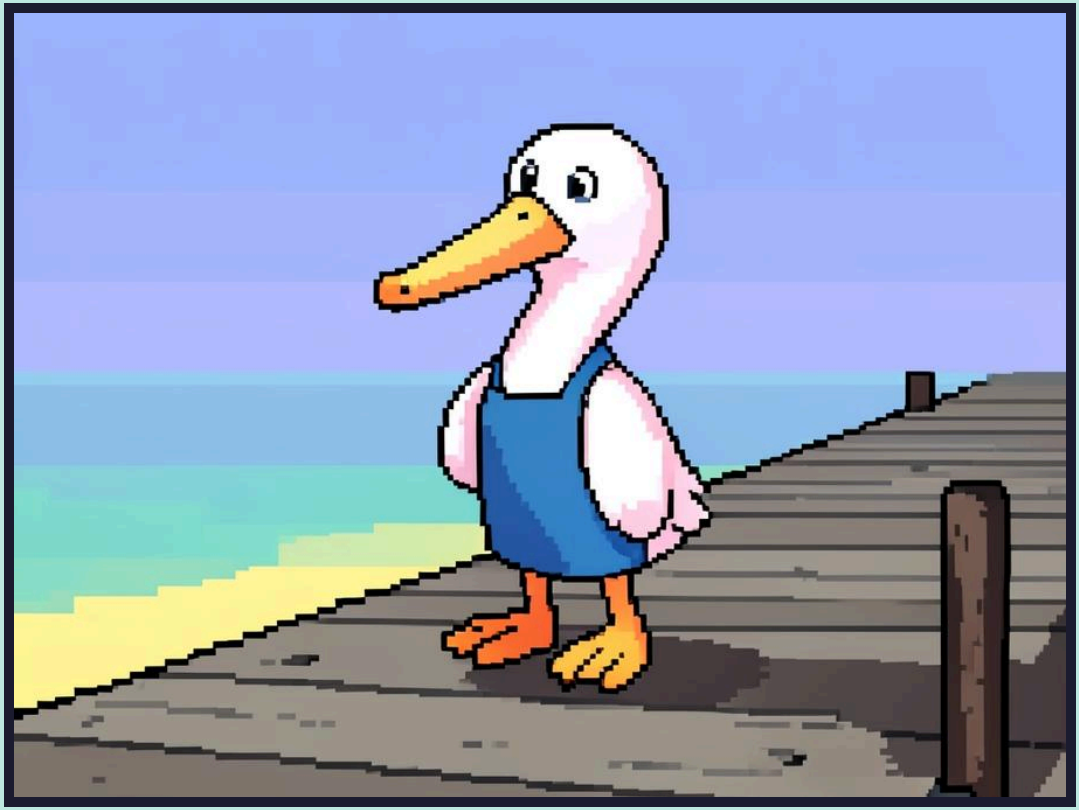
First in line is called senior debt. It is the safest place to stand, so Hilde asked only a low rate of interest.



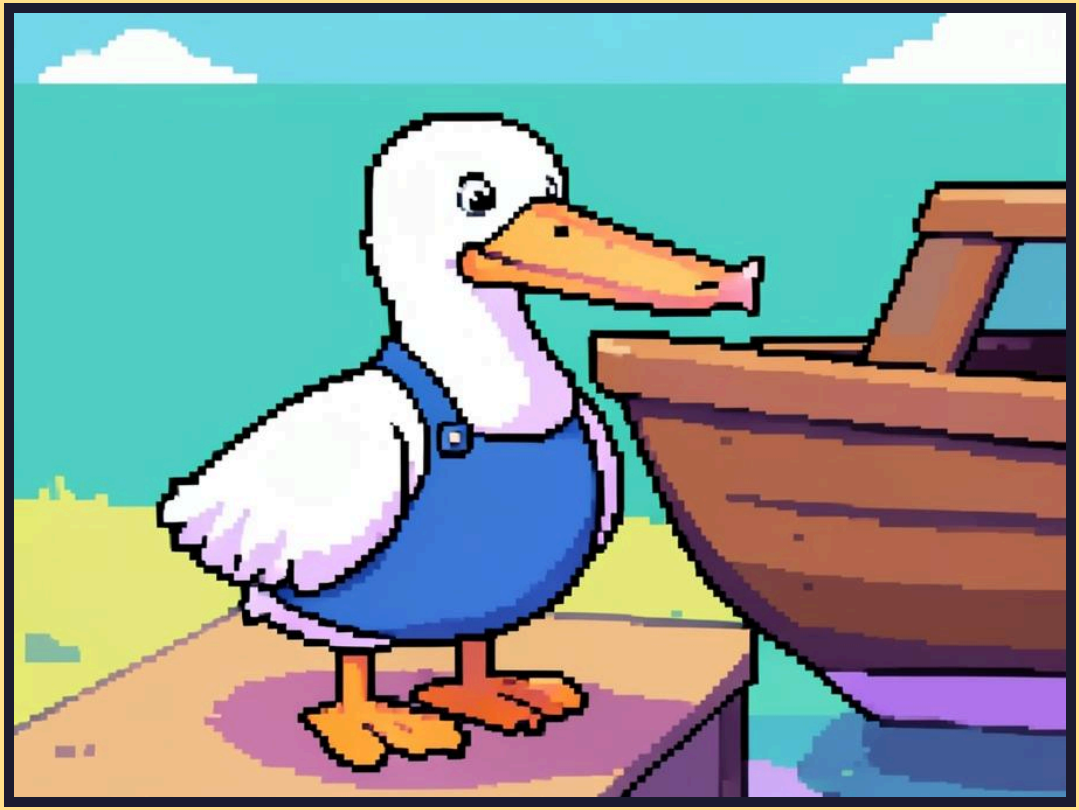
Sorrel the lynx lent the last 20. "I will stand behind Hilde," she said, "so I will ask a higher rate. Waiting second is riskier."



Her loan is called mezzanine. It sits in the middle: after the senior loan, but before the owner.



And Barnaby? His 30 coins stood at the back of the line. If the shipyard were ever sold, he would be paid last of all.



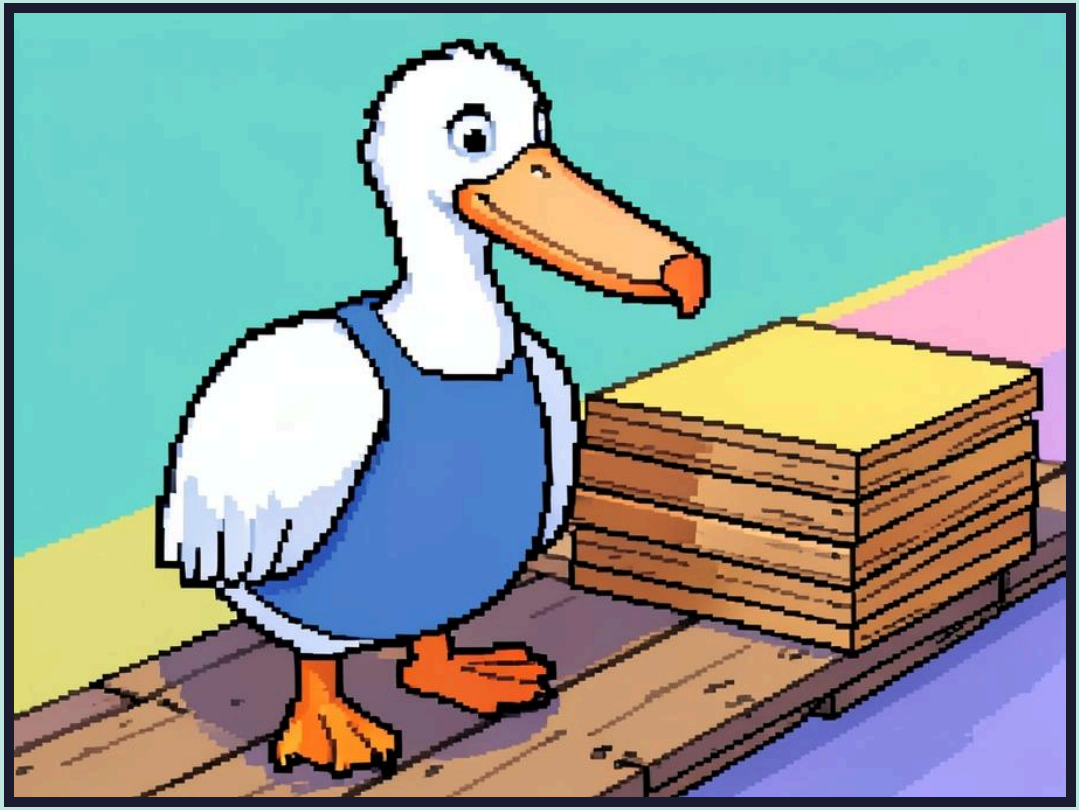
But the back of the line has one gift. The lenders get their coins and their interest, and no more. Anything left over is the owner's.



The first winter, storms smashed the slipway, and no boats were built for months. The shipyard was suddenly worth far less.



Barnaby did the sums by lamplight. If the yard were sold for 60 now, Hilde would get all 30, Sorrel only 10, and he would get nothing at all.



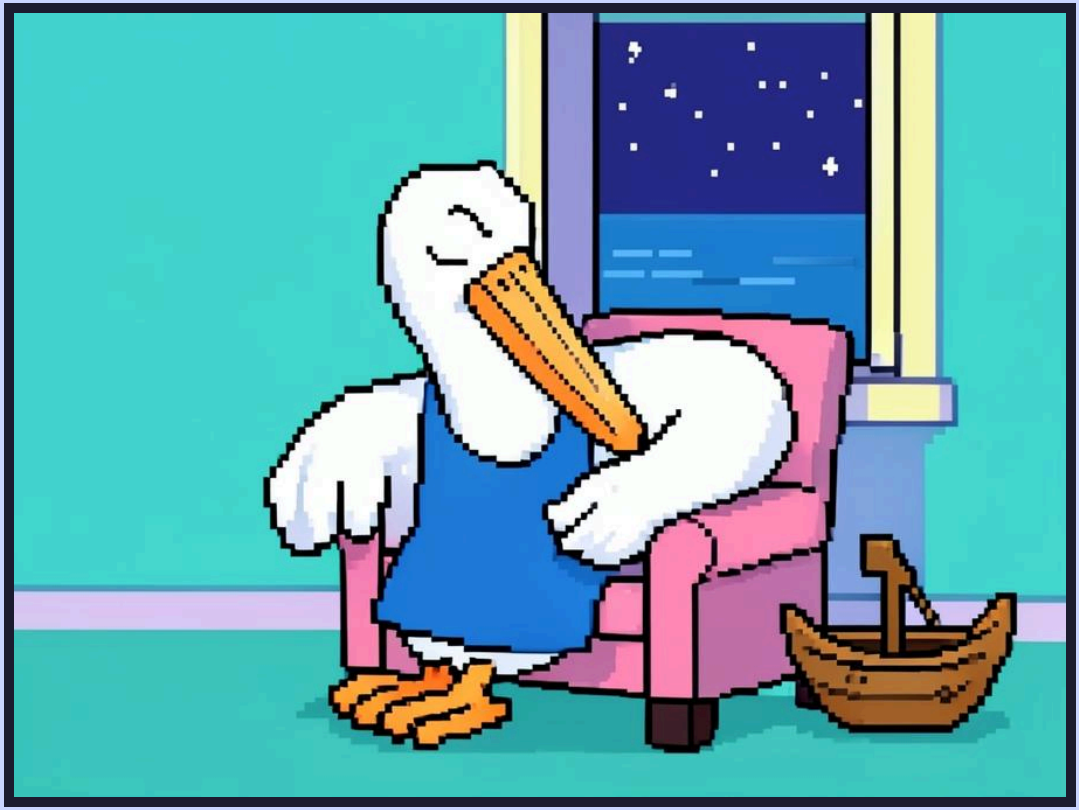
So he did not sell. He mended the slipway plank by plank, paid every bit of interest on time, and told Hilde and Sorrel honestly how things stood.



By the fifth summer, a new boat slid down the slipway every week. The shipyard was now worth 140 coins.



In time he paid back Hilde's 30 and Sorrel's 20, with all their interest. The lenders were paid first and safely. His 30 coins had become a yard worth 140.



A NOTE

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is not advice. The pictures were drawn with an AI image model and checked by hand.

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