



PARA BELLUM ADVISORS

FAMILY OFFICE · FOUNDER / CONCENTRATED SINGLE-STOCK WEALTH

Options-Based Downside Protection for Concentrated Equity Position

SCENARIO TYPE	Family Office – Founder / Concentrated Single-Stock Wealth
ASSET CLASS	Single-name equity with OTC collar and secured lending against collared stock
RISK FOCUS	Concentration tail risk under real constraints – windows, optics, tax, governance – and protection cost realism
PRIMARY OFFER	Hedge Rebuild™
RELEVANT SERVICES	Collar architecture design · OTC vs listed pathway · Counterparty / CSA terms · Monetisation facility design · Roll policy governance · Family governance narrative

THE SITUATION

On paper, it was a victory lap. The founder had taken a business public and still held a stake large enough to move markets. The family office had been built quickly – serious people, serious advisors, institutional infrastructure. The plan: hold the crown jewel, diversify over time, do not spook the market.

In reality, the entire balance sheet was a single exposure wearing a suit.

The constraints were not academic. Trading windows were narrow, and the worst moves happened when they were shut. Disclosure optics meant aggressive de-risking looked like a signal. Tax meant every sale felt like burning a third of the proceeds. Founder psychology meant the decision was not portfolio management – it was identity management.

The office had built a governance machine around everything except the one thing that could actually wreck them. The question was not whether protection was desirable. It was whether the family was comfortable discovering the limits of their governance in the same week they discovered the limits of liquidity.

HOW THE DRIFT SETS IN

Early on, everyone agrees concentration is a problem. Then the stock rallies, urgency fades, and *'we will deal with it later'* becomes the default.

The drift does not happen through incompetence. It happens because the system rewards delay. Selling creates headlines. Hedging creates debates. Doing nothing creates no immediate pain.

So the stance hardens into a policy: hold, do not touch, do not be seen selling. Quiet compromises follow – wait until lockups clear, do a small trim and see, no need to hedge because it sends the wrong message.

Meanwhile, the stock is doing what single-name tech stocks do: moving like a macro instrument when sentiment flips, and like a credit when liquidity dries up. Nobody is actually accountable for the question that matters: what happens if the stock gaps 30–40% while we are unable to sell?

WHAT TYPICALLY BREAKS

Outright puts are economically unsustainable

In high-vol single-name names, a simple protective put is not a hedge – it is a recurring wealth tax. You can do it once; you cannot govern it for years without everyone revolting at the cost.

OTC solves scale but introduces documentation risk

The real exposure is not the payoff – it is the mechanics. Counterparty exposure, CSA thresholds, eligible collateral, and what happens when the structure moves hard and fast. This was already large enough that execution was the risk.

Listed options are the wrong tool at scale

Once size matters, market microstructure matters. Depth, impact, and visibility become part of your risk. You do not get to pretend you are a small account buying a tidy number of contracts.

Governance is the missing layer

No clear hedge objective, no strike logic, no roll rules, no triggers, no cadence. Even a good structure becomes a one-off trade that drifts into irrelevance. The problem is not the derivative – it is the absence of an operating framework around it.

THE STRUCTURAL INSIGHT

The fix was not to put on a trade. It was to rebuild the concentration-risk operating system under constraint – so that protection is maintainable, liquidity planning is real, and governance works under stress.

The starting point is defining the hedge objective in language the family can defend: not reduce volatility, but cap the downside to a survivable band while preserving meaningful participation, without forcing visible selling in stress.

A collar architecture is then built that can actually be lived with. Collars are not a magic bullet, you pay for a floor by giving away extreme upside. The work is in strike selection that matches true risk tolerance and real-world optics.

OTC reality is then engineered from the outset: counterparty, CSA, collateral, and settlement mechanics designed so the structure does not become a second risk book nobody intended to run. Roll policy and decision triggers are embedded so the hedge remains live and re-underwritten – not a one-time decision that calcifies into a governance problem.

INTENDED OUTCOMES

- ▶ Downside bounded in a way the family can live with – not theoretical protection, but a structure that holds under the actual constraints of windows, optics, and tax.
- ▶ Cost of protection explicit and defensible – the family understands exactly what they are paying for and why, in terms that can be explained to a board or a trustee.
- ▶ Executable at scale without becoming a market event – OTC mechanics designed for the actual position size, not for a retail account.
- ▶ Governance shifts from 'we will deal with it later' to 'we know what we are doing and when we will revisit it' – drift cannot silently return.
- ▶ Liquidity pathway engineered against the collared position with terms designed for real stress conditions, not marketing conditions.

WHERE THIS APPLIES

Most relevant where one stock dominates net worth and decision-making; selling is constrained by trading windows, disclosure optics, or founder psychology; outright put programmes are economically hard to maintain at the required scale; and OTC documentation and collateral dynamics are material considerations.

Less relevant where concentration is small and can be sold down quietly without market impact; the mandate explicitly tolerates full single-name drawdowns; a disciplined pre-committed de-risking framework already exists and is being followed; or hedging is structurally prohibited.

TYPICAL ENGAGEMENT PATH

Hedge Rebuild™ – Concentrated Equity Protection Reset. Structure design, OTC implementation pathway, counterparty and CSA terms, roll policy, and governance framework.

Secondary: Monetisation facility design, 10b5-1 coordination, reporting and family governance narrative. Scope confirmed following a focused diagnostic review.