

Title: Holding CS shares (non-retirement) in a sole-member LLC - Anonymity and Liability Protection

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This is for Individually-held shares, not IRA or retirement shares. That's another strategy I'm working on.

****The Why:****

The use of an LLC to hold/own assets provides two fundamental characteristics of my investment strategy across all asset types:

1. ~~Liability Protection~~

~~a. The main LLC protection deals with any liabilities or debts that the business incurs. In most situations, you are safe from having your personal assets seized in order to pay any debts that your business takes out and cannot repay, unless you have put up a personal guarantee when you took out the loan.~~

~~b. Another main area of personal protection is through any liability that occurs from wrongdoing the employees, co-owners or business performs. If the business is sued and found liable, then your personal assets will remain protected, as long as you personally did not have any involvement.~~

**Edit - This section of the post is accurate with respect to LLCs, but liability protections are not an area I am an expert in and I do not want anyone to rely on the above information or information I provided in the comments with respect to liability provisions. I am not an attorney. Please seek your own counsel and CPA prior to making investment decisions.

2. Anonymity

a. Certain states allow for the formation of an LLC business entity where providing the identity of the owners, members, or managers is not required (Anonymous LLC).

b. The use of a Registered Agent provides for this layer of anonymity.

c. Corporation/entity database searches will return the information of the Registered Agent (name/address), not your personal information.

****The Why (for GameStop shares):****

GameStop Shareholder List

1. A Shareholder List is a list of all shareholders of company stock. It includes personal information of each shareholder – name, address, # of shares owned.

2. Federal securities statutes and SEC rules provide that companies must provide access to such lists in only two limited circumstances:

a. One SEC rule (Rule 14a-7) says that if a company solicits proxies for the votes of its shareholders at a meeting, any shareholder eligible to vote and contesting the proposal can ask the company to provide a shareholder list so that the shareholder may contact other shareholders. If a company is unwilling to provide the list, it may instead offer to mail the shareholder's materials to other shareholders at his expense.

b. The second rule (Rule 14d-5) relates to people making tender offer bids for securities. The target company must notify a bidder no later than the second business day after the bidder's request as to

whether it will forward the bidder's tender offer materials to stockholders or provide a list of investors who hold the relevant stock. If the company decides to mail the tender offer materials, it has to start sending them out within three business days of getting the materials. On the other hand, if the company intends to hand over a stockholder list, it has three business days after receiving the bidder's request. Usually, companies opt to send out the bidder's materials rather than furnish a shareholder list.

c. However, a corporation's charter and by-laws, or the laws of the state where it is incorporated or does business, may provide for access to shareholder lists in other circumstances, usually when an investor shows a legitimate corporate purpose (see efforts of u/jasonwaterfalls96).

I do not want my name/address and # of shares owned to be public information, if/when someone obtains the Shareholder List. This could invite unsolicited/unwanted attention – think: criminals, the media, maybe friends or family. I do not want this information to be used against me in the future.

****The How:****

1. Hire an attorney experienced in entity formation and outline the goals/reasoning for using an LLC.

OR

2. Form an LLC yourself.

a. Research the State you want to incorporate in. Considerations could be: anonymity, filing fees, franchise fees, Registered Agent fees, business-friendly legal system.

i. I use Delaware

b. Research 3rd Party LLC formation companies. Considerations could be: experience, reviews, services offered, fees, ability to act as Registered Agent.

i. I use Harvard Business Services

c. Form your LLC – follow instructions on 3rd Party website

i. This is for sole-member LLC structure only. If your Individual (non-retirement) Brokerage Account (or CS Account) has more than 1 owner (e.g. you and your spouse), seek tax advice prior to doing anything.

ii. LLC must have 1 Member (you). Per my tax attorney, transferring shares in-kind from an Individual Brokerage Account (or CS Account) to a sole-member LLC (with same SSN) will not trigger a taxable event, as the shares are being transferred from/to the same Name/SSN. Seek your own tax advice. I am not a CPA nor an attorney.

iii. LLC must have 1 Manager (you). This is called Member-Managed.

iv. Your SSN is required to form the LLC. LLCs are pass-through entities, meaning any gains/losses flow down to your personal tax filings. However, gains/losses are realized at the LLC level (under the EIN).

v. Some states require LLC Operating Agreements. These can be very basic for a sole-member LLC and there exist companies online that will draft and complete this document for you for a nominal fee. Or boilerplate OAs can be found with a Google search that you can fill in yourself (make sure the OA corresponds to the State where you are forming the LLC – terms and required language may differ from state-to-state).

vi. I use the most economical option (\$179) – State Filing Fees, Registered Agent Fee (12-months), LLC Name Check & Clearance, Document Prep, E-Filing, Certificate of Formation, Digital Copy of Documents, Digital Corporate Seal

- vii. If you're in a hurry, you can opt for expedited service at an additional charge (\$150)
- d. Obtain Employer Identification Number (EIN) from IRS website (upon receipt of LLC Registration documents)
 - i. I do this myself at no cost. EIN is generated instantly (make sure to select email receipt as opposed to mail receipt)
 - ii. Follow the instructions on IRS website (make sure website has .gov – there are many 3rd parties that make it look like they are the official IRS website, but charge you for the service)
- e. Open a new account with your broker under the LLC name and EIN. This is categorized as Individual/Business account (non-retirement).
 - i. Transfer shares in-kind from your Individual Brokerage Account to LLC Brokerage Account
 - ii. DRS shares from LLC Brokerage Account to CS (using EIN)
- f. Open a new account with CS under the LLC name and EIN.
 - i. Use CS Transfer Wizard to transfer individually-held CS shares to your LLC account.
 - ii. Buy/sell shares through this account.

CS shares are now held anonymously through your sole-member LLC. The only information that will show up on the Shareholder List is your LLC's name, Registered Agent's Name, Registered Agent's Address, and the # of shares the LLC owns.

Side effect: if many people adopt this asset-holding strategy, the CS Account # tracker will increase, watering down the # shares per CS account leading to further inaccuracy. To me, this is a non-issue, as I am an individual investor employing means to protect the anonymity and limit liability with respect to my holdings. This is more important to me than a running estimate of DRS shares. Per the Q3 Earnings Call/Report, the only verifiable data to-date on # of DRS shares has been provided by GameStop. I'm perfectly fine waiting every 90 days for accurate, verifiable data provided directly by GameStop.

This is not financial advice. I am not an attorney not a CPA.