# Forming a Texas Series LLC

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The limited liability company "LLC" is a popular way to structure a new business venture in Texas. The primary reason for forming an LLC is to obtain protection from personal liability for the owners of the business.

Owners who are planning to form new business entities in the future may want to consider a Texas Series LLC. A Series LLC is helpful for investors who would like to pool their assets into several classes of investment interests, such as those used in corporate restructurings and buyouts, with an added extra layer of protection from liability. The unique aspect of the Series LLC is that it allows the individuals forming it to create several distinct entities and receive all of the benefits of multiple Limited Liability Companies, with only one filing. In essence, the LLC acts as an umbrella where several series of LLCs are insulated from liability and tax protection from the others.

However, the hurdle in enforcing this added layer of liability protection is found at creation of the entity. Pursuant to the Texas Business Organizations Code, to form such an entity, there must be a "notice of limitation" in two documents: (1) the certificate of formation, and (2) the company agreement. But what exactly, needs to be included in the "notice of limitation" for this added layer of liability protection within each series of the LLC to manifest itself?

The Texas Business Organizations Code Section § 101.602 describes the language of the "notice of limitation" in detail, and it requires that the following language be included verbatim: (1) the debts, liabilities, obligations, and expenses incurred, contract for, or otherwise existing with respect to a particular series shall be enforceable against the assets of that series only, and shall not be enforceable against the assets of the limited liability company generally or any other series; and (2) none of the debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to the limited liability company generally or any other series shall be enforceable against the assets of a particular series.

One benefit of the Texas Series LLC is increased privacy and separation from public disclosures. Pursuant to the Texas Business Organizations Code the only document that requires modification in creating a new series is the company agreement. No public documents are filed with the Secretary of State when a new series is created or dissolved. This increases client privacy and allows for the creation of what is essentially a new quasi-separate business entity for each series, which allows for separation of ownership interests, investments, and possible voting and no-voting interests similar to a corporation but with the advantage that these can change with fluidity.

Consequently, if the Texas Series LLC is not formed correctly, or is not delineated in the operating agreement in compliance with Texas Business Organization Code, there are risks that the extra layer of liability protection between the series will not be enforceable. It’s always best to consult an experienced attorney in order to understand the risks involved.