

10 QUESTIONS

To Know If Your LLC Would
Survive a Lawsuit in 10 Minutes



Most LLCs are formed.

Very few are engineered to survive litigation.



COSTARAS LAW
Business & Estate Planning Attorneys



Costaras Law



About Costaras Law

Protecting Your Portfolio from Acquisition to Exit

We help real estate investors protect their portfolio from acquisition to exit.

Trusted by real estate investors, business owners, and multi-property portfolios across Ohio. We help our clients:



Buy and Sell Properties: Navigating the complexities of commercial and residential acquisitions, ensuring the title is clear and the entity is ready.



Prevent Partner Disputes: Drafting the "rules of the road" before the first dollar is even made.



Preserve flexibility: Building structures that grow and adapt with your portfolio.



Support long-term wealth building: Securing the foundation of your enterprise.

We do not "file paperwork." We design protection.



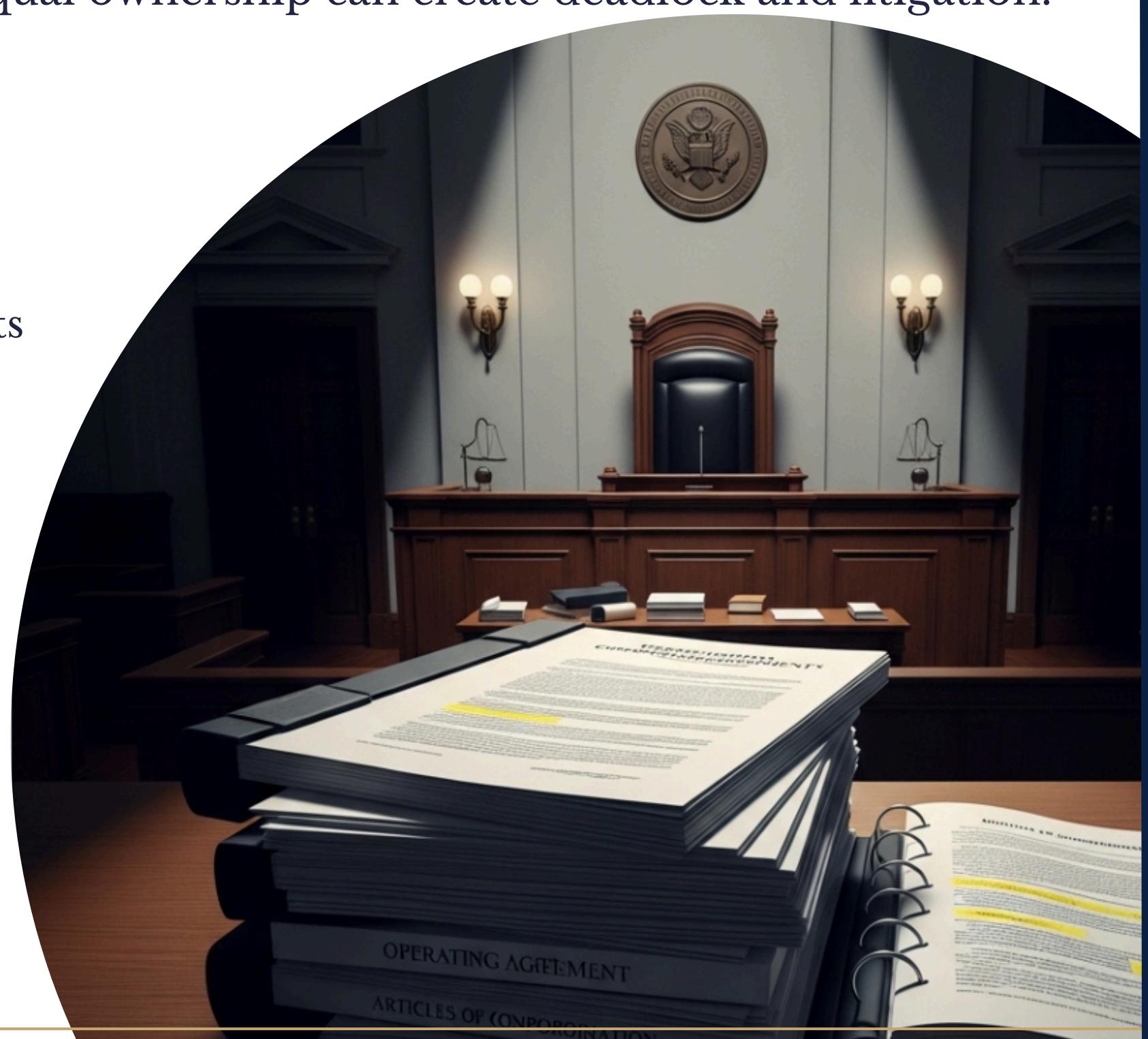
What an LLC Actually Does (And What It Doesn't)

What an LLC CAN DO (When Built Correctly)?

- ✓ **Create a liability barrier between your personal assets and property risk**
When respected and governed properly, an LLC separates you from property-level exposure.
- ✓ **Provide tax classification flexibility**
LLCs can adapt to your tax strategy rather than forcing you into one rigid structure.
- ✓ **Allow structured ownership, transfers, and succession**
Add partners. Remove partners. Sell interests. Transition to heirs. Do it cleanly.

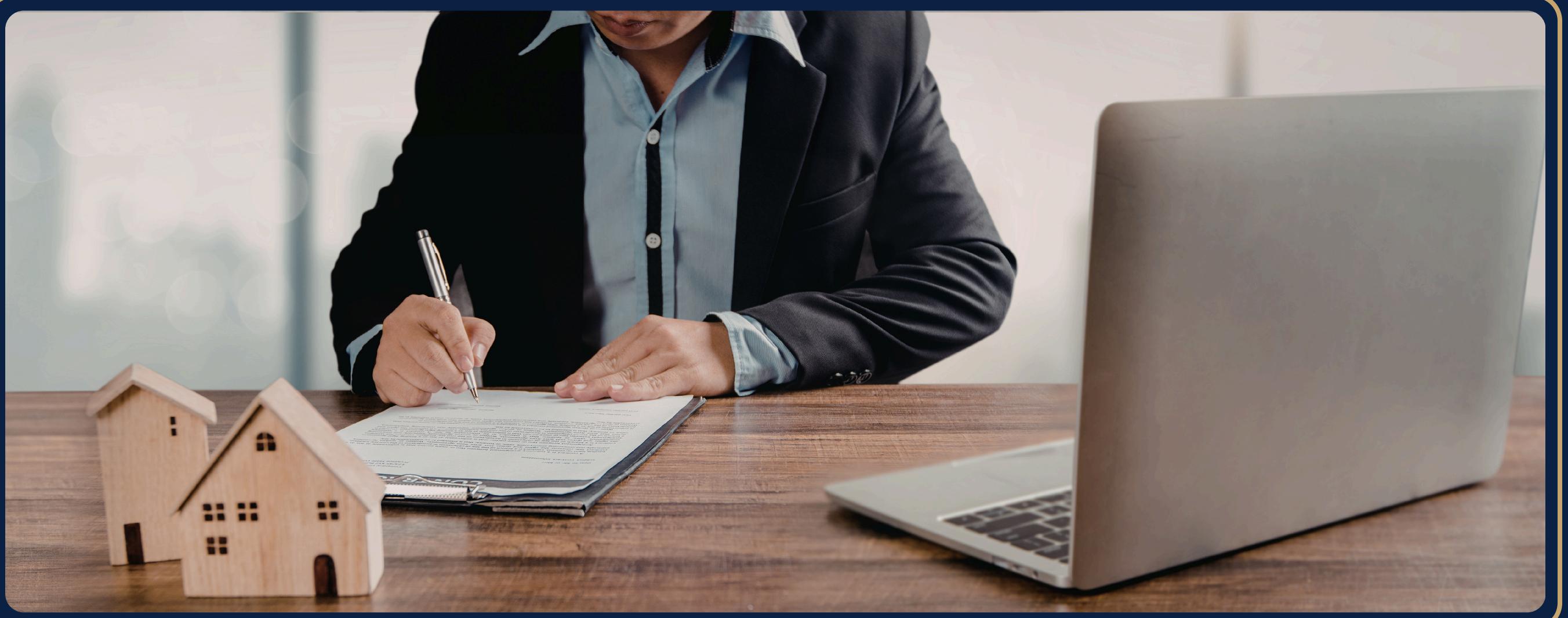
What an LLC DOES NOT DO?

- ✗ **Automatically protect you just because you filed with the State**
Formation alone does not equal protection.
- ✗ **Prevent partner conflict by default**
Without defined control rules, equal ownership can create deadlock and litigation.
- ✗ **Replace a properly drafted operating agreement**
Courts examine governance documents first. Generic agreements are routinely the weakest point in litigation.
- ✗ **Protect owners who ignore formalities**
Commingling funds, sloppy contracts, and poor documentation pierce liability shields.



The Operating Agreement

The Real Protection Layer



Most investor problems are not formation problems.
They are governance problems.

A properly engineered operating agreement defines:

- ↗ Who controls decisions
- ↗ How profits are distributed
- ↗ What happens if a partner wants out
- ↗ What happens upon death, disability, divorce, or dispute
- ↗ Buy-sell triggers
- ↗ Deadlock resolution
- ↗ Capital contribution rules

Without this, you don't have protection. You have paperwork.

The Most Common Investor Mistakes

- 🏠 Downloading generic online templates.
- 🏠 50/50 ownership with no tie-breaker.
- 🏠 No defined partner roles.
- 🏠 No buy-sell provisions.
- 🏠 Mixing personal and LLC finance
- 🏠 Signing contracts incorrectly.
- 🏠 Failing to maintain separation between entities



These Mistakes Usually Surface During

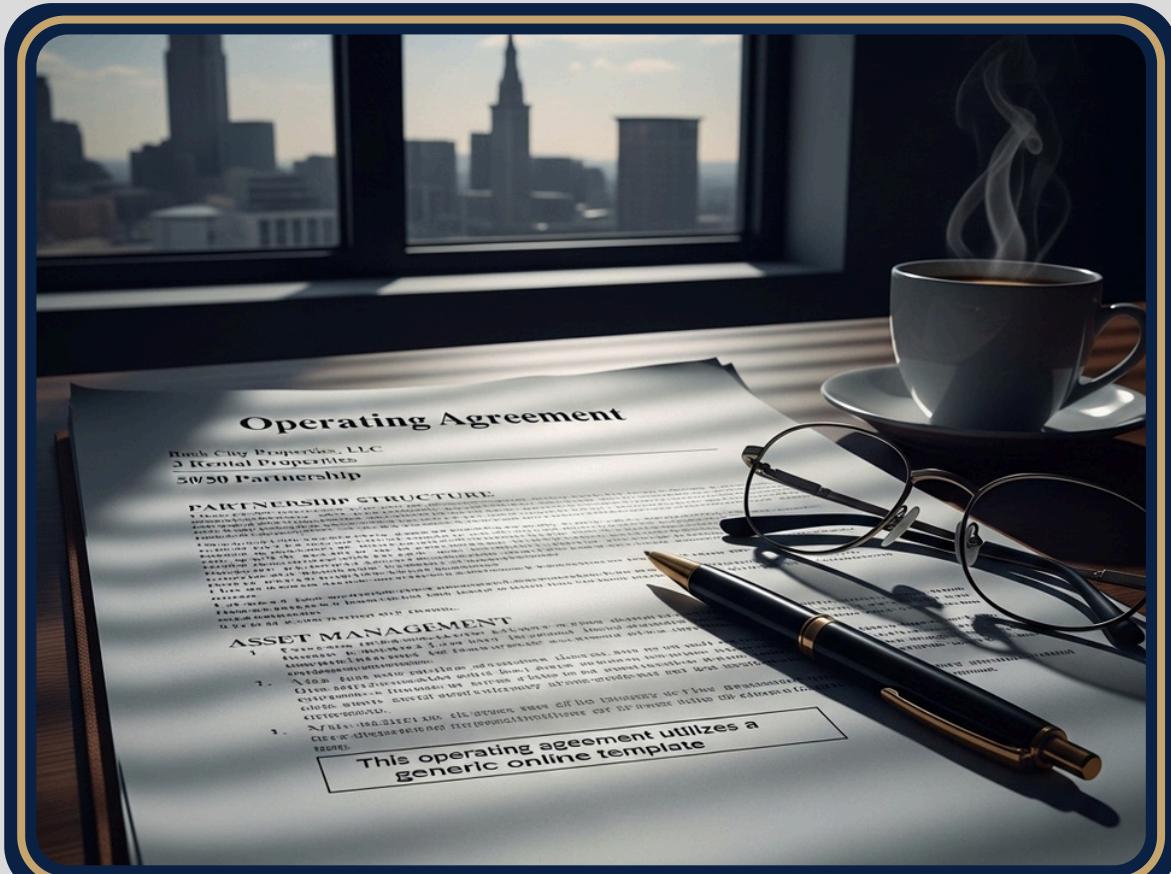


- 🏠 Lawsuits
- 🏠 Refinancing
- 🏠 Partnership breakdowns
- 🏠 Divorce
- 🏠 Death
- 🏠 Sale of the property

The problem is rarely the LLC. It's the way it was structured.



Case Study



The Situation

A Cleveland-based investor held three rental properties in a single LLC.

The business relied on a generic, online operating agreement and a simple 50/50 partnership.



The Conflict

What started as a disagreement quickly became a threat to the entire portfolio. When a partner sought to exit, the lack of a tailored agreement led to issues.

The absence of a buy-sell trigger, valuation formula, and control mechanism escalated a simple disagreement into potential litigation.

The Intervention

Before a lawsuit could consume the portfolio, we reengineered the legal structure. We proactively defined:

Control Rights: Clear decisionmaking authority.

Valuation Formula: A fair, pre-set mechanism to determine equity.

Asset Separation: A strategy for clean property division.

The Result

The reengineering allowed for a professional, negotiated buyout. By fixing the foundation, the investor avoided forced liquidation.

**\$180,000+ in
Equity Preserved**



Funds that otherwise would have been lost to legal fees and court costs.



The 10-Question LLC Structural Test

If you answer “No” to more than 2 of these, your structure likely has meaningful exposure. Answer honestly. This works only if you’re candid.

YES	NO
<input type="radio"/>	1. Do you have a customized operating agreement, not a generic online template?
<input type="radio"/>	2. If you have partners, does your agreement clearly define control and decision authority?
<input type="radio"/>	3. If ownership is 50/50, is there a deadlock-breaking mechanism?
<input type="radio"/>	4. Do you have written buy-sell provisions that explain how a partner exits and how value is determined?
<input type="radio"/>	5. Are death, disability, divorce, and bankruptcy addressed in writing?
<input type="radio"/>	6. Do you keep personal and LLC funds completely separate?
<input type="radio"/>	7. Are contracts always signed properly in the name of the LLC?
<input type="radio"/>	8. Does your structure allow you to refinance or add investors cleanly?
<input type="radio"/>	9. If one property is sued, is the rest of your portfolio insulated appropriately?
<input type="radio"/>	10. Would your structure hold up under scrutiny in a lawsuit today?

If You Answered:

✓ 0–1 No's

Your structure is likely disciplined and intentional.

⚠ 2–3 No's

Moderate exposure. Structural gaps may create avoidable risk.

✗ 4+ No's

High probability your liability protection is weaker than you think.

Real Estate Entity Structuring

Why Lawsuits Reveal Structural Weakness



IMMEDIATE RED FLAGS

If any of these apply,
your structure deserves
review:

- ✖ You downloaded your operating agreement online.
- ✖ You have 50/50 ownership with no tie-breaker.
- ✖ You own multiple properties in a single LLC.
- ✖ You have never updated your agreement since formation.
- ✖ You are unsure how partner value is calculated upon exit.

Ignoring these frequently results in litigation, forced sales, or equity erosion.



SMART OWNERSHIP LOGIC

ACQUIRE PROPERTY

PLACE INTO PROPERLY STRUCTURED LLC

ADOPT CUSTOM OPERATING AGREEMENT

MAINTAIN CLEAN SEPARATION

PRESERVE FLEXIBILITY AND PROTECTION

**Structure First.
Growth Second.**



Protection is intentional.

Let's make sure yours is.



Most investors believe they are protected.
Very few have actually tested their structure this way.

Next Step

Schedule a
20-minute Structural Review Call
with Costaras Law.



Click Here

We Will:

- ↗ Evaluate your LLC design and governance.
- ↗ Identify specific structural vulnerabilities.
- ↗ Outline protection-focused improvements.

No pressure.
Just a clear assessment of where your structure stands.