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New York Law Journal

Corporate Update

SECURED TRANSACTIONS

A Missing Syllable in a UCC = A $500,000 Mistake

By Barbara M. Goodstein and Adam C. Wolk
April 1, 2026

How much can a single missing syllable cost a secured creditor? As a Jan. 2026 decision from a U.S. Bankruptcy Court in Texas made clear, the answer can be everything. In *East Texas Machining & Manufacturing, LLC,* 2026 Bankr. LEXIS 220; 2026 WL 248614 (Bankr. E.D. Tex Jan. 29, 2026), the court held that a lender's UCC-1 financing statement was seriously misleading because it identified the debtor by a name different from the one listed on the debtor's certificate of formation. The difference between the two names was exactly three letters: "ing." The consequence: a $500,000 secured claim became unsecured.

Regular readers of this column and other practitioners are well aware of the fact that the name of a debtor on a UCC-1 financing statement is not merely a formality. Under

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Article 9 of the Uniform Commercial Code (UCC), a financing statement filed against a "registered organization" (defined in UCC §9-102(a)(71) as an organization "formed or organized solely under the law of a single state or the United States by the filing of a public organic record with, the issuance of a public organic record by, or the enactment of legislation by the state or

the United States") is sufficient only if it provides the debtor's name exactly as it appears on that organization's public organic record.

Any deviation that causes the filing to be "seriously misleading" within the meaning of UCC §9-506(a)-(b) renders the financing statement ineffective. And an ineffective financing statement will typically result in an unperfected security interest. In a bankruptcy proceeding, an unperfected security interest is an avoidance action waiting to happen.

Case Background

East Texas Machining & Manufacturing, LLC (ETMM) is a Texas limited liability company operating in the metal and firearm manufacturing industry. Its lender, STV Engine 001 LLC (STV), loaned ETMM $500,000, ostensibly secured by a security interest in all of the debtor's personal property, including inventory and equipment. To perfect its security interest, the lender filed a UCC-1 financing statement with the Texas Secretary of State on May 13, 2020.

There was, however, a problem. Instead of listing the debtor's name as it appeared on ETMM's certificate of formation—"East Texas Machining & Manufacturing, LLC"—the lender's financing statement incorrectly identified the debtor as "East Texas **Machine** & Manufacturing, LLC," omitting the "-ing" suffix from "Machining." A search of the Texas Secretary of State's online records database under the debtor's correct legal name later failed to retrieve the lender's filing.

On Dec. 14, 2023, ETMM filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Shortly thereafter, STV filed a proof of claim in the bankruptcy case, attaching a copy of its financing statement. That filing set in motion a dispute that would ultimately cost STV its secured status entirely. This is where the Bankruptcy Code's so-called "strong-arm" provision entered the picture. Under Section 544(a)(1) of the Bankruptcy Code, a debtor-in-possession has the rights of a hypothetical judicial lien creditor as of the petition date.

That is, the debtor gains the power to avoid any security interest that was not properly perfected at the time the bankruptcy case commenced. Under UCC §9-317(a)(2)(A), as enacted by Texas Business and Commerce Code (TBCC) §9.317(a)(2)(A), an unperfected security interest is subordinate to the rights of a perfected judicial lien creditor, and the UCC expressly defines "lien creditor" in UCC §9-102(a)(52) (TBCC §9.102(a)(52)) to include a trustee in bankruptcy. In practical terms, from the moment ETMM filed its bankruptcy petition, it acquired the power to challenge any security interest that remained unperfected at that time.

Armed with that power, on Oct. 16, 2024, ETMM commenced an adversary proceeding in the bankruptcy court against STV, seeking to avoid the lender's lien as unperfected. The debtor's argument was straightforward: because a search of the Texas Secretary of State's records under ETMM's correct legal name did not disclose STV's financing statement, that filing was seriously misleading and therefore ineffective under the UCC.

On May 27, 2025, ETMM moved for partial summary judgment on that issue. STV opposed, arguing that the discrepancy in its financing statement amounted to a minor error, and that the filing was thus not seriously misleading. On Jan. 29, 2026, Judge Joshua P. Searcy granted ETMM's motion for summary judgment and avoided STV's security interest as unperfected.

Analysis/Discussion

Against the backdrop of a chapter 11 proceeding, the analysis had turned on a single question: did STV's UCC-1 financing statement comply with Texas's UCC, as embodied in the TBCC? As noted above, STV's financing statement bore a debtor name that did not match ETMM's certificate of formation. The analytical framework applied by Judge Searcy followed the familiar three-step structure of UCC §§9-503 and 9-506 (TBCC §§9.503 and 9.506). The inquiry began with § 9-503(a)(1).

That provision states that a financing statement filed against a "registered organization" is sufficient only if it provides the "name that is stated to be the registered organization's name on the public organic record most recently filed with or issued or enacted by the registered organization's jurisdiction of organization." In short, the rule is simple: the name on the financing statement must match the debtor's formation documents exactly, not approximately.

The court noted that ETMM is a registered organization. Its certificate of formation filed with the Texas Secretary of State is its public organic record. STV's financing statement plainly did not match that record. That failure triggers §9-506(b)'s default rule, that, unless it falls within the safe harbor of UCC §9-506, a financing statement failing to comply with § 9-503(a) is, by definition, "seriously misleading" and thus defective.

The only remaining question then was whether STV could invoke the safe harbor of UCC§ 9-506(c) (TBCC § 9.506(c)). That provision saves an otherwise defective financing statement if "a search of the records of the filing office under the debtor's correct name, using the filing office's standard search logic, if any, would disclose" the statement. Here, the answer was plainly no.

A search of the Texas Secretary of state's records under ETMM's correct name did not disclose STV's filing. The safe harbor was thus unavailable, and the financing statement was ineffective as a matter of law. Because STV's security interest was accordingly unperfected, its $500,000 claim over ETMM's assets was rendered unsecured under the Bankruptcy Code's strong-arm provision.

The *ETMM* holding is not novel. In the matter of Jim Ross Tires, Inc., 379 B.R. 670 (Bankr. S.D. Tex. 2007), another Texas Bankruptcy Court reached the same conclusion nearly two decades earlier by applying the same statutory framework. There, the chapter 7 trustee objected to proofs of claim filed by two creditors, both of which had filed financing statements that failed to comply with UCC§ 9-503(a)'s requirements for the debtor's name.

One financing statement listed the debtor's name as "JIM ROSS TIRES, INC. dba HTC TIRES & AUTOMOTIVE CENTERS," appending a trade name that had already expired and was not part of the debtor's name of record. The other financing statement omitted the letter "s" from the end of the debtor's name, rendering it "JIM ROSS TIRE INC." In both instances, a search of the Texas Secretary of state's records listed under the debtor's correct name failed to show those financing statements, thus rendering the safe harbor unavailable. Accordingly, the court held them to be seriously misleading and thus defective.

The consistency between *Jim Ross Tires* and *ETMM*—two Texas bankruptcy courts reaching

the same conclusion nearly two decades apart—underscores a principle that is no less relevant in New York or Delaware than it is in Texas. Either the erroneous financing statement surfaces in a search under the debtor's correct name—in which case the safe harbor applies—or it does not, in which case the defect is fatal. IT should be noted that what constitutes "standard search logic" for purposes of UCC §9-506(c) varies across jurisdictions.

Florida is one good example. As discussed previously in this column (see 'Search Logic (If Any) *Under the UCC'* (266 N.Y.L.J. 68 (Oct. 6, 2022)), in the case of *1944 Beach Boulevard, LLC v. Live Oak Banking Co.*, 346 So.3d 587 (Fla. 2022), the Florida Supreme Court held that Florida's filing office in fact uses no standard search logic whatsoever—rendering the safe harbor unavailable to any filer, and thus any deviation in a debtor's name, however minor, seriously misleading as a matter of law.

The Texas Administrative Code, which was modeled after the UCC Model Administrative Rules for Article 9, explains in §95.503 its standard search logic as returning only exact name matches, subject to a narrow set of charitable exceptions: punctuation marks and certain "noise words" (such as "LLC" and "Inc.") are disregarded, upper and lower case are treated as equivalent, and spaces are ignored. Similar to Delaware, Texas has no rules that modify a search to account for any missing syllables, appended trade names, or any other substantive variations in a debtor's name.

Conclusion

As a matter of law, the *ETMM* decision is unremarkable. Courts have applied this rule consistently across Article 9 jurisdictions for decades and the practical message is the same everywhere: no court will rescue a creditor by fashioning a more forgiving standard than what UCC Article 9 requires. Filing parties should take care to obtain the debtor's public organic record before filing; confirm that every word of the name listed on the financing statement matches that record exactly; and run a post-filing confirmatory search to verify that the statement appears on record.

Do not rely on the assumption that a minor variation will be forgiven. A filing that does not appear in a standard name search is, from the perspective of a bankruptcy court, as if it were never made. The lesson is not new. But *ETMM* is a timely reminder that it bears repeating.

This column is dedicated in memory of Bridget Marsh, Executive Vice President and General Counsel of the Loan & Syndications Trading Association and Chair of the American Bar Association Commercial Finance Subcommittee on Secured Lending and Secured Transactions. Bridget was a leader in the legal corporate finance and commercial lending community, a shining light who left us much too soon.

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