

355.9-320 Buyer of goods.

- (1) Except as otherwise provided in subsection (5) of this section, a buyer in ordinary course of business, other than a person buying farm products from a person engaged in farming operations, takes free of a security interest created by the buyer's seller, even if the security interest is perfected and the buyer knows of its existence.
- (2) Except as otherwise provided in subsection (5) of this section, a buyer of goods from a person who used or bought the goods for use primarily for personal, family, or household purposes takes free of a security interest, even if perfected, if the buyer buys:
 - (a) Without knowledge of the security interest;
 - (b) For value;
 - (c) Primarily for the buyer's personal, family, or household purposes; and
 - (d) Before the filing of a financing statement covering the goods.
- (3) To the extent that it affects the priority of a security interest over a buyer of goods under subsection (2) of this section, the period of effectiveness of a filing made in the jurisdiction in which the seller is located is governed by KRS 355.9-316(1) and (2).
- (4) A buyer in ordinary course of business buying oil, gas, or other minerals at the wellhead or minehead or after extraction takes free of an interest arising out of an encumbrance.
- (5) Subsections (1) and (2) of this section do not affect a security interest in goods in the possession of the secured party under KRS 355.9-313.
- (6) If any horse of a registered breed, the racing of which is regulated by KRS Chapter 230, or any interest in such a horse (including stallion shares and seasons), is subject to a lien or a security interest and that horse or interest is sold at public auction in the ordinary course of business by an organization engaged in the business of selling these horses or interests at public auction, a bona fide purchaser for value of the horse or interest takes title to the horse or interest free and clear of the lien or security interest, and the organization selling the horse or interest is not liable in any manner to the holder of the lien or security interest, except to the extent provided by the Federal Food Security Act, 7 U.S.C. sec. 1631. However, the lien or security interest attaches to the proceeds from the sale to the extent provided in KRS 355.9-315(1)(b).

Effective: July 1, 2001

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