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/s/ Frank Peretore
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**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
(ST. LOUIS)**

----- X Case No. 12-51502
In re: : Chapter 11
: :
: :
PATRIOT COAL CORPORATION, :
: :
: :
Debtor. :
-----X

**LIMITED RESPONSE AND OBJECTION OF SOMERSET CAPITAL GROUP,
LTD. TO HAWTHORNE BANK’S RESPONSES (DOC NOS. 4247-4252) TO THE
DEBTOR’S FIFTH OMNIBUS OBJECTION (DOC NO. 4181) TO CLAIM
NUMBERS:
31-1/23; 27-1/27; 30-1/22; 28-1/24; 26-1/26; 3965-1/3988**

Somerset Capital Group, Ltd. (“Somerset”) files the within limited response and objection to Hawthorne Bank’s Responses (Doc Nos. 4247-4252) (collectively, the “Responses”) to the Debtor’s Fifth Omnibus Objection (Doc. No. 4181) (the “Fifth Objection”) to claim numbers 31-1/23; 27-1/27; 30-1/22; 28-1/24; 26-1/26; 3965-1/3988 (collectively, the “Hawthorne Claims”).

1. On or about July 11, 2011, Somerset entered into and executed a Promissory Note, dated July 11, 2011 (the “Note”) in favor of Hawthorne Bank in the principal amount of

\$1,955,568.79. A true and accurate copy of the Note is attached hereto and incorporated herein by reference as if set out in full as **EXHIBIT A**.

2. To secure the indebtedness under the Note, also on or about July 11, 2011, Somerset and Hawthorne Bank entered into and executed a Security Agreement, dated July 11, 2011 (the "Security Agreement") pursuant to which Somerset granted Hawthorne Bank a security interest in all of Somerset's right, title and interest in and to certain Collateral as more fully described in the Security Agreement, including but not limited to, a Master Equipment Lease Agreement, dated May 15, 2009 (the "Master Lease"), by and between Patriot Leasing Company, LLC and Somerset and Equipment Schedule Nos. 001 – 006 (collectively, the "Schedules"), by and between the same parties and each dated May 15, 2009. A true and accurate copy of the Security Agreement is attached hereto and incorporated herein by reference as if set out in full as **EXHIBIT B**.

3. As the very nature of the Note and Security Agreement make clear, Somerset pledged its interest in the Master Lease and Schedules as collateral to secure its loan with Hawthorne Bank. However, it did not transfer title in same to Hawthorne Bank. Notably, a grant of a security interest does not transfer title as a security interest continues as a matter of law until the collateral is sold. Under §9-617(a)(2) of the Uniform Commercial Code, it is only the secured creditor's disposition of the collateral after default that "discharges the security interest under which the disposition is made." 400.9-617(a)(2) R.S.Mo. "[A]fter repossession, the secured creditor's lien exists and the debtor's rights in the collateral are not transferred until the collateral is sold." In re Reid, 423 B.R. 726, 732 (Bankr. E.D. Pa. 2010). "[I]t is only upon consummation of a disposition sale of the collateral that all of the debtor's rights in the collateral are transferred and the security interest is discharged." In re Robinson, 285 B.R. 732,

737 (Bankr. W.D. Okla. 2002). “[T]he debtor retains legal title to the repossessed vehicle.” In re Iferd, 225 B.R. 501, 503 (Bankr. N.D. Fla. 1998).

4. As Hawthorne Bank acknowledges itself in the Responses (¶¶6 and 7), Somerset is current and not in default in its obligations to Hawthorne Bank. As set forth under paragraph 5 of the Security Agreement, only upon Somerset’s default may Hawthorne Bank “exercise all rights and remedies...with respect to the Collateral, available to it under applicable law.”

5. As such, as a matter of contract and governing law, title to the collateral, including the Master Lease and Schedules remains vested in Somerset. While Somerset does not object *per se* to the Hawthorne Claims, it merely files this limited response and objection to the Responses so as to clarify that the Hawthorne Claims do not negate, in whole or in part, any of Somerset’s claims filed in this bankruptcy case and to the extent any party takes the position, or this Court or any other court were to rule, that the Hawthorne Claims do negate, in whole or in part, any of Somerset’s claims, Somerset joins in the Debtor’s objection to the Hawthorne Claims.

PERETORE & PERETORE, P.C.
Attorneys for Somerset Capital Group, Ltd.

By: /s/ Frank Peretore
Frank Peretore, Esq.

Dated: July 11, 2013

EXHIBIT A

Date: July 11, 2011

Maturity Date: October 15, 2013

Equipment Schedule Nos.: Patriot Leasing Company LLC
ES: 001, 002, 003, 004, 005, 006

PROMISSORY NOTE


For value received, Somerset Capital Group, Ltd. (the "Borrower") promises to pay to Hawthorn Bank (the "Lender") at the Lender's office at 321 W. Battlefield, Springfield, MO 65807 or such other address as Lender shall so designate, the principal amount of One Million, Nine Hundred Fifty Five Thousand, Five Hundred Sixty Eight and 79/100 dollars (\$1,955,568.79) with interest at the rate of 5.85% per annum from the date to maturity of each installment on the principal hereof remaining from time to time unpaid and with interest at the rate of 5.85% per annum from the maturity of any installment until paid, such principal and interest to be paid in 28 equal monthly installments of \$74,654.96 each, commencing July 15, 2011, and on the same date of each month thereafter to and including October 15, 2013, such installments to be applied first to accrued and unpaid interest and the balance to unpaid principal in accordance with the terms of the amortization schedule attached. Interest shall be computed on the basis of a year consisting of twelve months of thirty days each.

This Note is secured by a Security Agreement dated July 11, 2011 (as from time to time amended, the "Security Agreement"), between the Borrower and the Lender, to which Security Agreement reference is made as to the nature and extent of the security ("Collateral") for this Note, the rights of the Lender, the Borrower and any holder of this Note with respect to the Collateral and the acceleration of the maturity of the Note. This Note may be prepaid in full if such prepayment is due to an Event of Default, a Casualty Loss or an event which requires the repayment of this Note including an early buyout of the Collateral or a restructuring of the Lease Schedule, as such term is used in the Security Agreement (all such situations shall be collectively referred to herein as "Qualifying Events"). If a Qualifying Event occurs prior to the above-referenced Maturity Date, then Borrower shall pay to Lender the sum of the following (a) the remaining principal balance due under this Note, (b) any and all interest accrued thereon and (c) a prepayment premium based on the following parameters: if the prepayment occurs prior to the third anniversary of the date of this Note the prepayment premium shall be equal to three percent (3%) of the remaining principal balance of this note as of the date of such prepayment; if the prepayment occurs on or after the third anniversary but prior to the fourth anniversary of the date of this Note the prepayment premium shall be equal to two percent (2%) of the remaining principal balance of this Note as of the date of such prepayment; if the prepayment occurs on or after the fourth anniversary date of this Note the prepayment premium shall be equal to one percent (1%) of the remaining principal balance of this Note as of the date of such prepayment except that there shall be no prepayment premium due for any prepayment which occurs within the last three months prior to the Maturity Date indicated above.

The Lender, and any subsequent holder of this Note, by acceptance of this Note agrees that, except as otherwise provided in the Security Agreement, the Borrower has and shall have no personal liability or obligation with respect to payment of this Note or other indebtedness (as defined in the Security Agreement), and that, except as otherwise provided in Section 6 of the Security Agreement, this Note and such other indebtedness is payable solely from the proceeds received by the Lender (or the Lender's successors or assigns) from the Lender's right, title and interest in and to the Collateral.

This Note and the rights of the holders hereof shall be governed by Missouri law.

SOMERSET CAPITAL GROUP, LTD.

By: 

Name: Keely J. Woronick

Title: Assistant Corporate Secretary

EXHIBIT B

SECURITY AGREEMENT

THIS AGREEMENT, dated as of July 11, 2011 is entered into by and between Somerset Capital Group, Ltd. ("Borrower") having its offices at Merritt Corporate Woods, 612 Wheelers Farms Road, Milford, CT 06461 and Hawthorn Bank ("Lender") having its offices at 321 W. Battlefield, Springfield, MO 65807. In consideration of the mutual agreements contained herein, the parties hereto agree as follows:

1. As security for the payment of all indebtedness ("Indebtedness") of the Borrower to the Lender, hereunder and under a Promissory Note (the "Note") in the original principal amount of **One Million, Nine Hundred Fifty Five Thousand, Five Hundred Sixty Eight and 79/100 dollars (\$1,955,568.79)** dated July 11, 2011 and payable by the Borrower to the Lender, the Borrower hereby assigns to the Lender, and grants to the Lender a security interest in all the Borrower's right, title and interest in and to property ("Collateral") consisting of (i) the equipment ("Equipment") described in Exhibit A hereto and any replacements thereof and modifications and accessions thereto, (ii) the Equipment Schedule ("Lease Schedule") specified in Exhibit A hereto to the Lease Agreement ("Master Lease Agreement") referred to in Exhibit A hereto between the Borrower, as lessor, and the party named therein as Lessee ("Lessee"), and such Master Lease Agreement insofar as it relates to and incorporates such Schedule (together, the "Lease"), (iii) all rental payments and other amounts payable hereafter under the Lease by Lessee to the Borrower ("Lease Payments"), and (iv) all proceeds of any of the foregoing and of the insurance referred to in paragraph (4) hereof.
2. The Borrower warrants and agrees that (i) it has good title to the Equipment, the Lease and Lease Payments, free of all liens, claims and encumbrances except for rights of the Lessee under the Lease and liens inferior to the Lender's interest, (ii) the Note, this Agreement and the Lease are valid and are enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforceability generally of the rights of creditors or lessors, (iii) the making and performance by the Borrower of this Agreement and the Note, and any related documents and transactions contemplated hereby and thereby to the best of Borrower's knowledge do not contravene any provisions of law applicable to the Borrower and do not conflict with and will not result in a breach of or constitute a default or require any consent under, or result in the creation of any lien, charge or encumbrance upon the Collateral (other than the lien created hereunder) pursuant to the terms of Borrower's charter or bylaws or of any credit agreement, lease, guaranty, or other instrument to which the Borrower is a party or by which the Borrower may be bound or to which its properties may be subject, (iv) there are no setoffs, counterclaims or defenses on the part of the Lessee with respect to the obligation of the Lessee to make Lease Payments, (v) the Equipment has been delivered to and accepted by the Lessee and will be kept at the Lessee's address set forth in Exhibit A hereto unless the Lender otherwise consents, (vi) it has delivered to the Lender a fully executed copy of the Lease Schedule, which is, and will be, the only copy marked "Counterpart #1" and Borrower is retaining the original executed Master Lease Agreement for the benefit of Lender with respect to the Lease Schedule (with Borrower providing Lender with a certified copy of the Master Lease Agreement which together with the original Lease Schedule shall constitute chattel paper for purposes of the Uniform Commercial Code), (vii) it will not assign its rights to the Lease or other Collateral, or grant a security interest in or lien upon any thereof, to any person other than the Lender, except for assignments which are subordinate to the Lender's interest and consented to by Lender in writing, and it will deliver to the Lender a release or subordination of any security interest heretofore granted in the Collateral to any other person, (viii) it will execute such financing statements in connection herewith as the Lender

may reasonably request, (ix) it will not amend or modify any provision of the Lease without the prior written consent of the Lender, and (x) that the Lessee has not previously been, and currently is not, in default under the Lease.

3. This Agreement shall not relieve the Borrower from, or cause the Lender to be liable for, the obligations of the Borrower under the Lease. The Borrower also shall use its best efforts to cause the Lessee to perform Lessee's obligations under the Lease. All Lease Payments due after the date hereof are to be made by the Lessee directly to the Lender, and the Borrower agrees to direct the Lessee to make such payments directly to the Lender. The Lender also may exercise, at any time and from time to time, such rights, powers and remedies of the Lessor under the Lease as the Lender may, in its sole discretion, deem to be appropriate, in which event the Borrower shall reimburse the Lender for all expenses of the Lender in connection with the foregoing, together with interest thereon at the rate of 1.5% per month from the date incurred until reimbursed by the Borrower.
4. Risk of loss of, damage to or destruction of the Equipment shall be borne by the Borrower (except any such risks which are to be borne by the Lessee under the Lease) and the Borrower shall insure the Equipment against such risks to be borne by it in each case in an amount not less than the aggregate amount of the Lease Payments due from and after the date on which such risk might occur with such companies and under such policies and in such form as shall be satisfactory to the Lender. All policies for such insurance shall contain loss payable clauses in favor of the Borrower and the Lender as their respective interest may appear and shall not be subject to termination or cancellation without fifteen (15) days prior written notice to the Lender. The policies of insurance or other reasonable evidence thereof shall be deposited with the Lender as the Lender may request from time to time. The Borrower hereby assigns and sets over unto the Lender all monies which may become payable on account of any such insurance and directs the insurers to pay the Lender any amounts so due.
5. If (i) the Borrower defaults in the payment of any principal or interest payable under the Note for more than five (5) days after the Lender has given notice of such default to the Borrower, (ii) the Borrower defaults in the payment or performance of any other obligation of the Borrower hereunder or under the Note for more than thirty (30) days after the Lender has given notice of such default to the Borrower, (iii) any representation or warranty made herein by the Borrower shall prove to have been false or misleading in any material respect as of the date hereof and is not cured within fifteen (15) days after the Lender has given notice to the Borrower thereof, (iv) the Borrower becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to or acquiesces in the appointment of a trustee or receiver for it or any of its property, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, shall be instituted by or against the Borrower, and if instituted against it shall be consented to or acquiesced in by it or shall not be dismissed within a period of thirty (30) days, or (v) an event of default (as described in the Lease) occurs under the Lease, then, if any event described in the above clauses (i) through (v) shall be continuing, the Lender may at its option declare the Note to be due and payable, whereupon the unpaid principal of and accrued interest on the Note shall become immediately due and payable and the Lender may exercise all rights and remedies (not inconsistent with the terms of the Lease, the Note or this Agreement), with respect to the Collateral, available to it under applicable law provided, however, with respect to clause (iv) the note shall automatically become due and payable in full without any action on the part of Lender. The Lender shall be entitled to obtain reimbursement for all reasonable costs, attorneys' fees and legal expenses incurred by it in exercising

such rights and remedies. The Lender agrees to pay forthwith to the Borrower any surplus remaining from the Collateral after payment of all Indebtedness.

6. Notwithstanding any other provision of this Agreement, the Lender agrees that (i) its security interest and rights hereunder are subject to the rights of the Lessee under the Lease, and (ii) the Borrower has and shall have no personal liability with respect to payment of the Indebtedness, which is payable solely from proceeds received by the Lender from the Lender's right, title and interest in and to the Collateral, except that the Borrower shall have personal responsibility for any loss or liability of the Lender arising out of a breach of the Borrower's representations, warranties or agreements herein and the payment thereof shall not be limited to the proceeds from the Collateral.

7. The Agreement and the Note shall be contracts made under and governed by the laws of the state of Missouri. Whenever possible, each provision of the Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8. Notices shall be deemed given when deposited in the U.S. mails, with postage prepaid for certified or registered services, return receipt requested, addressed to the parties at the addresses indicated on the first page of this Agreement, or to such other addresses as the parties shall provide by notice.

9. This Agreement shall be binding upon, and shall inure to the benefit of, the successors and assigns of the Borrower and the Lender. The Lender agrees that, in the event of any transfer by it of the Note, it will endorse thereon a notation as to the portion of the principal of the Note which shall have been paid at the time of such transfer and as to the date to which interest shall have been paid thereon.

IN WITNESS WHEREOF, the Borrower and the Lender have duly executed and delivered this Agreement as of the day and year first above written.

Borrower: Somerset Capital Group, Ltd.

BY: Keely J. Woronick
Keely J. Woronick

TITLE: Assistant Corporate Secretary

Lender: Hawthorn Bank

BY: Sally A. Freeman

TITLE: Senior Vice - President

EXHIBIT A

EQUIPMENT:

Quantity	Model/Type	Description	Serial Number
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See Equipment Schedule --No. 001,002,003,004,005, and 006

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Attorneys for Somerset Capital Group, Ltd.

/s/ Frank Peretore
Frank Peretore, Esq.
FP#7020

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI**

In re: X Case No. 12-51502
: Chapter 11
:
:
PATRIOT COAL CORPORATION, :
:
:
Debtor. :
-----X

CERTIFICATE OF SERVICE

On July 11, 2013, I served copies of LIMITED RESPONSE AND OBJECTION OF SOMERSET CAPITAL GROUP, LTD. TO HAWTHORNE BANK'S RESPONSES (DOC NOS. 4247-4252) TO THE DEBTOR'S FIFTH OMNIBUS OBJECTION (DOC NO. 4181) TO CLAIM NUMBERS: 31-1/23; 27-1/27; 30-1/22; 28-1/24; 26-1/26; 3965-1/3988 by causing true and correct copies of the same to be enclosed securely in separate postage pre-paid envelopes and delivered by United States mail to those parties listed below as well as via ECF:

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