

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re

PNG Ventures, Inc., *et al.*,

Debtors.<sup>1</sup>

Chapter 11

Case No. 09-13162 (CSS)  
(Jointly Administered)

Related Docket Nos. 16 and 219

**NOTICE OF PROPOSED MODIFICATIONS TO FIRST  
AMENDED PLAN OF REORGANIZATION OF PNG VENTURES,  
INC., ET AL. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

PNG Ventures, Inc., New Earth LNG, LLC, Arizona LNG, LLC, Applied LNG Technologies USA, LLC, Fleet Star, Inc. and Earth Leasing, Inc. (collectively the “Debtors”), the Debtors and Debtor-in-Possession, respectfully file this Notice of Proposed Modifications to *First Amended Plan of Reorganization of PNG Ventures, Inc., et al.* (the “Plan”) for which Debtors will seek approval at the Confirmation Hearing, and in support thereof respectfully states as follows:

**PRELIMINARY STATEMENT**

1. On September 9, 2009 (the “Petition Date”), the Debtors commenced this case by filing voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the “Bankruptcy Code”).
2. On September 15, 2009, Debtor filed the original version of the *Plan of Reorganization*<sup>2</sup> [D.I. 16] and the original version of the *Disclosure Statement In Support of Chapter 11 Plan of*

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<sup>1</sup> The Debtors herein are New Earth LNG, LLC, PNG Ventures, Inc., Arizona LNG, LLC, Applied LNG Technologies USA, LLC, Fleet Star, Inc. and Earth Leasing, Inc.

<sup>2</sup> Capitalized terms not otherwise defined herein shall be given the meanings ascribed to them in the Plan or Disclosure Statement.

*Reorganization of PNG Solutions, Inc.* (the “Disclosure Statement”) [Docket No. 17]. Both the Plan and the Disclosure Statement were revised and filed with the Court on December 24, 2009 [D.I. 219 & 220].

3. Following a hearing commenced on January 5, 2010, and the submission of further modifications to the documents in response thereto, the Court entered its order on January 8, 2010 (the “Disclosure Statement Order”), approving the Disclosure Statement as containing “adequate information” within the meaning of Bankruptcy Code Section 1125, authorizing the solicitation of acceptances and rejections of the Plan, establishing related deadlines and procedures and setting March 5, 2010 as the date for hearing on confirmation of the Plan (the “Confirmation Hearing”).

### **PROPOSED PLAN MODIFICATIONS**

4. Paragraph 11.3 of the Plan presently provides for third party releases as follows:

As of the Effective Date, in consideration for the value provided to effectuate the plan, to the fullest extent permissible under law, the Holders of Claims and Equity Interests are deemed to release and forever waive and discharge as against the Debtors, Medley, Castlerigg and each of the respective affiliates (past and present), parent companies and subsidiaries, members, partners, successors, heirs, assigns, representatives: all actions, costs, claims, causes of action, damages, demands debts, expenses (including attorneys fees), judgments, losses (including any claims for contribution or indemnification), liabilities, obligations, rights or suits, whether matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the effective date relating in any way to the debtors or the chapter 11 cases; provided, that the foregoing shall not constitute a waiver or release of any right of the Holder of an Allowed Claim or any of the rights of any parties in respect of liabilities assumed by the Reorganized Debtors under this Plan, the releases set forth in this paragraph shall be binding upon and shall inure to the benefit of the Reorganized Debtors.

Hereinafter the foregoing provision shall be referred to as the “Third Party Release Provision”.

5. Counsel for Debtors received informal comments and potential objections from the Securities and Exchange Commission (“SEC”) to the foregoing Third Party Release Provision and through negotiations, the Debtors agreed to modify the Third Party Release Provision to narrow its scope. Accordingly, Debtors propose to modify the Plan at the Confirmation Hearing to replace existing

paragraph 11.3 with the following new modified paragraph 11.3, which is set forth below with changes from original paragraph 11.3 in black line form:

As of the Effective Date, in consideration for the value provided to effectuate the plan, to the fullest extent permissible under law, the Holders of Claims and Equity Interests are deemed to release and forever waive and discharge as against (i) the Debtors, ~~Medley, Castlerigg and each of the respective affiliates (past and present), parent companies and subsidiaries, members, partners, successors, heirs, assigns, representatives~~ and their officers and directors solely in their capacity as their officers and directors, (ii) Castlerigg PNG Investments, LLC, Sandell Asset Management Corp., Castlerigg Master Investments Ltd., Castlerigg International Limited, Castlerigg International Holdings Limited, and Thomas E. Sandell, and (iii) Fourth Third LLC, Medley Capital LLC and their officers and directors solely in their capacity as their officers and directors; all actions, costs, claims, causes of action, damages, demands debts, expenses (including attorneys fees), judgments, losses (including any claims for contribution or indemnification), liabilities, obligations, rights or suits, whether matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the ~~effective date~~ Effective Date relating in any way to the ~~debtors~~ Debtors or the ~~chapter~~ Chapter 11 ~~eases~~ Cases; provided, that the foregoing shall not constitute a waiver or release of any right of the Holder of an Allowed Claim or any of the rights of any parties in respect of liabilities assumed by the Reorganized Debtors under this Plan, the releases set forth in this paragraph shall be binding upon and shall inure to the benefit of the Reorganized Debtors.

6. Pursuant to negotiations with the SEC, the Debtors agreed to provide the following disclosure in support of the modified Third Party Release Provision set forth above as applied to Castlerigg:

Castlerigg PNG Investments LLC ("**Castlerigg**") holds 6,421,428 shares of common stock of PNG Ventures, Inc. (approximately 60.38% of the common stock). The 6,421,428 shares of common stock held by Castlerigg includes:

(i) 5,600,000 shares owned by Castlerigg,

(ii) 200,000 shares issuable to Castlerigg upon the exchange of the Amended and Restated Senior Secured convertible exchangeable Note of Earth Biofuels, Inc. ("**EBOF**"), and

(iii) 621,429 shares issuable upon conversion of the EBOF Note issued to Castlerigg. The aggregate of the 5,600,000, 200,000, and 621,429 shares is referred to as the "Castlerigg Shares." Commencing on the date of the Share Exchange (per the 10-K, the date of the Share Exchange Agreement was June 30, 2008), each of Castlerigg; Castlerigg Master Investments Ltd., a British Virgin Islands company ("**Castlerigg Master Investments**"); SAMC; Castlerigg International Limited, a British Virgin Islands company ("**Castlerigg International**");

Castlerigg International Holdings Limited, a British Virgin Islands company (“**Castlerigg Holdings**”); and Thomas E. Sandell (“**Sandell**”) may be deemed to beneficially own and have shared voting and dispositive authority with respect to the Castlerigg Shares.

Castlerigg Master Investments is the sole member and managing member of Castlerigg. SAMC is the investment manager of Castlerigg Master Investments. Mr. Sandell is the controlling person of Sandell Asset Management Corp, a Cayman Islands exempted company (“**SAMC**”), an entity controlled by or affiliated with Castlerigg, and Mr. Sandell may be deemed to share beneficial ownership of the shares beneficially owned by Castlerigg. Castlerigg International is the controlling shareholder of Castlerigg Holdings. Castlerigg Holdings is the controlling shareholder of Castlerigg Master Investments. Each of Castlerigg Holdings, Castlerigg Master Investments and Castlerigg International may be deemed to share beneficial ownership of the shares beneficially owned by Castlerigg. The business address of each of these entities is as follows: c/o Sandell Asset Management Corp. 40 W. 57<sup>th</sup> Street, 26<sup>th</sup> Floor, New York, New York 10019. SAMC, Mr. Sandell, Castlerigg Holdings, Castlerigg Master Investments and Castlerigg International each disclaims beneficial ownership of the securities with respect to which indirect beneficial ownership is described. This does not include 1,200,000 shares covered by an Irrevocable Proxy delivered by EBOF to Castlerigg, which shares are beneficially owned by others, and as to which Castlerigg has no dispositive power and disclaims beneficial ownership.

Mr. Sandell and SAMC are through Castlerigg providing a significant portion of the \$8 million in funding for the reorganization of the Debtors. Tom Sandell has individually invested directly in Castlerigg and not through SAMC, and there are other people who work for SAMC who have capital invested directly in Castlerigg.

7. Furthermore, and as indicated in the Plan Supplement filed on February 17, 2010, on the Effective Date, PNG Ventures, Inc. will change its name to Applied Natural Gas Fuels, Inc.

8. The Debtors’ Memorandum of Law in Support of Confirmation will set forth the basis upon which the Debtors believe that the proposed modifications herein are appropriate and subject to approval at the Confirmation Hearing without the need for further notice or re-solicitation of the Plan.

*(Remainder of page intentionally left blank)*

WHEREFORE, the Debtors respectfully request that the Court confirm the Plan with the proposed modifications set forth herein, and for such other and further relief as is just and proper.

Dated: February 26, 2010  
Wilmington, Delaware

**FOX ROTHSCHILD LLP**

*/s/ Eric M. Suttty*

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