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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2007**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **001-33366**

**Cheniere Energy Partners, L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**20-5913059**

(I.R.S. Employer Identification No.)

**700 Milam Street, Suite 800**

**Houston, Texas**

(Address of principal executive offices)

**77002**

(Zip Code)

**(713) 375-5000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The issuer had 26,416,357 common units and 135,383,831 subordinated units outstanding as of August 1, 2007.

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CHENIERE ENERGY PARTNERS, L.P.  
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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CHENIERE ENERGY PARTNERS, L.P.  
A DEVELOPMENT STAGE ENTERPRISE  
CONSOLIDATED COMBINED BALANCE SHEETS  
(in thousands, except unit data)

	Cheniere Energy Partners, L.P. June 30, 2007 (unaudited)	Combined Predecessor Entities December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 19	\$ 7
Restricted cash and cash equivalents	179,944	176,324
Interest receivable	5,051	5,226
Advances to affiliate	1,664	379
Prepaid expenses	376	385
TOTAL CURRENT ASSETS	187,054	182,321
NON-CURRENT RESTRICTED CASH AND CASH EQUIVALENTS	732,112	982,613
NON-CURRENT RESTRICTED TREASURY SECURITIES	86,304	—
PROPERTY, PLANT AND EQUIPMENT, NET	879,145	651,676
DEBT ISSUANCE COSTS, NET	31,708	33,970
ADVANCES UNDER LONG-TERM CONTRACTS	18,917	7,250
OTHER	139	284
TOTAL ASSETS	<u>\$ 1,935,379</u>	<u>\$1,858,114</u>
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 152	\$ 758
Accounts payable—affiliate	—	223
Accrued liabilities	41,356	36,670
Accrued liabilities—affiliate	435	652
TOTAL CURRENT LIABILITIES	41,943	38,303
LONG-TERM DEBT	2,032,000	2,032,000
LONG-TERM DEBT—AFFILIATE	79	—
DEFERRED REVENUE	40,000	40,000
PAYABLE TO AFFILIATES	38	—
OTHER NON-CURRENT LIABILITIES	1,821	1,149
COMMITMENTS AND CONTINGENCIES	—	—
<b>PARTNERS' CAPITAL (DEFICIT) OR OWNERS' DEFICIT</b>		
Owners' deficit, including deficits accumulated during development stage of \$72,452 at December 31, 2006	—	(253,338)
Common unitholders (26,416,357 units issued and outstanding at June 30, 2007)	60,234	—
Subordinated unitholders (135,383,831 units issued and outstanding at June 30, 2007)	(234,988)	—
General Partner interest (2% interest with 3,302,045 units issued and outstanding at June 30, 2007)	(5,748)	—
TOTAL PARTNERS' DEFICIT OR OWNERS' DEFICIT	(180,502)	(253,338)
TOTAL LIABILITIES AND PARTNERS' DEFICIT OR OWNERS' DEFICIT	<u>\$ 1,935,379</u>	<u>\$1,858,114</u>

See accompanying notes to consolidated combined financial statements.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**CONSOLIDATED COMBINED STATEMENTS OF OPERATIONS**  
(in thousands, except per unit data)  
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Period from October 20, 2003 (Date of Inception) to June 30, 2007
	2007	2006	2007	2006	2007
REVENUES	\$ —	\$ —	\$ —	\$ —	\$ —
EXPENSES					
Legal	76	—	76	—	2,302
Professional	71	371	202	497	1,774
Technical consulting	—	—	—	—	4,577
Land site rental	370	390	771	771	2,286
Depreciation expense	43	12	64	22	126
Labor and overhead charge from affiliate	2,268	1,082	3,592	2,108	11,136
Phase 2—Stage 1 development reimbursement to affiliate	—	—	—	—	4,527
Other	46	52	55	102	472
TOTAL EXPENSES	<u>2,874</u>	<u>1,907</u>	<u>4,760</u>	<u>3,500</u>	<u>27,200</u>
LOSS FROM OPERATIONS	(2,874)	(1,907)	(4,760)	(3,500)	(27,200)
OTHER INCOME (EXPENSE)					
Interest income	14,549	23	29,394	72	38,841
Interest expense, net	(23,666)	—	(49,483)	—	(64,946)
Loss on early extinguishment of debt	—	—	—	—	(23,761)
Derivative gain (loss), net	—	162	—	923	(20,234)
TOTAL OTHER INCOME (EXPENSE)	<u>(9,117)</u>	<u>185</u>	<u>(20,089)</u>	<u>995</u>	<u>(70,100)</u>
NET LOSS	<u>\$ (11,991)</u>	<u>\$ (1,722)</u>	<u>\$ (24,849)</u>	<u>\$ (2,505)</u>	<u>\$ (97,300)</u>
Less:					
Net loss through March 25, 2007			(12,128)		
Net loss for partners from March 26, 2007 through June 30, 2007			<u>\$ (12,721)</u>		
Allocation of net loss:					
Limited partners' interest	(11,751)		(12,467)		
General partner's interest	(240)		(254)		
Net loss for partners	<u>\$ (11,991)</u>		<u>\$ (12,721)</u>		
Basic and diluted net loss per limited partner unit	<u>\$ (0.07)</u>		<u>\$ (0.08)</u>		
Weighted average number of limited partner units outstanding from the beginning of the period through June 30, 2007 used for basic and diluted net loss per unit calculation:					
Common units	26,416		26,416		
Subordinated units	135,384		135,384		

See accompanying notes to consolidated combined financial statements.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**CONSOLIDATED COMBINED STATEMENTS OF PARTNERS' CAPITAL (DEFICIT)**  
**(in thousands)**  
**(unaudited)**

	Owners' Equity	Common Units	Subordinated Units	General Partner Units	Total
Balance at October 20, 2003	\$ —	\$ —	\$ —	\$ —	\$ —
Net loss	(2,763)	—	—	—	(2,763)
Balance at December 31, 2003	(2,763)	—	—	—	(2,763)
Distributions	(10,000)	—	—	—	(10,000)
Net loss	(4,654)	—	—	—	(4,654)
Balance at December 31, 2004	(17,417)	—	—	—	(17,417)
Capital contributions	161,562	—	—	—	161,562
Rescinded distribution	10,000	—	—	—	10,000
Change in fair value of derivative instrument	1,814	—	—	—	1,814
Net loss	(4,263)	—	—	—	(4,263)
Balance at December 31, 2005	151,696	—	—	—	151,696
Capital contributions	35,900	—	—	—	35,900
Distributions	(378,348)	—	—	—	(378,348)
Change in fair value of derivative instrument	(1,814)	—	—	—	(1,814)
Net loss	(60,772)	—	—	—	(60,772)
Balance at December 31, 2006	(253,338)	—	—	—	(253,338)
Net loss through March 25, 2007	(12,128)	—	—	—	(12,128)
Balance at March 25, 2007	(265,466)	—	—	—	(265,466)
Contribution of net deficit investment to unit holders	265,466	(35,434)	(224,556)	(5,476)	—
Proceeds from initial public offering, net of issuance costs	—	98,442	—	—	98,442
Net loss from March 26, 2007 through March 31, 2007	—	(117)	(598)	(15)	(730)
Balance at March 31, 2007	—	62,891	(225,154)	(5,491)	(167,754)
Net loss	—	(1,917)	(9,834)	(240)	(11,991)
Distributions	—	(740)	—	(17)	(757)
Balance at June 30, 2007	<u>\$ —</u>	<u>\$ 60,234</u>	<u>\$ (234,988)</u>	<u>\$ (5,748)</u>	<u>\$ (180,502)</u>

See accompanying notes to consolidated combined financial statements.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**CONSOLIDATED COMBINED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Six Months Ended June 30,		Period from October 20, 2003 (Date of Inception) to June 30, 2007
	2007	2006	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (24,849)	\$ (2,505)	\$ (97,300)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, depletion and amortization	64	22	126
Non-cash derivative gain	—	(1,125)	—
Amortization of debt issuance costs	1,895	—	1,977
Interest income on restricted cash and cash equivalents	(29,394)	—	(38,841)
Use of restricted cash and cash equivalents	64,254	914	59,733
Loss on early extinguishment of debt	—	—	23,750
Changes in operating assets and liabilities:			
Accounts payable and accrued liabilities	(11,849)	1,741	9,784
Accounts payable and accrued liabilities—affiliate	(217)	1,459	435
Deferred revenue	—	—	40,000
Other	16	(511)	237
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(80)</b>	<b>(5)</b>	<b>(99)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Use of (investment in) restricted cash and cash equivalents	219,199	7,792	(937,999)
LNG terminal construction-in-progress	(215,340)	(160,015)	(839,727)
Advances to EPC contractor, net of transfers to construction-in-progress	—	8,087	—
Advances under long-term contracts	(13,956)	(75)	(20,718)
Investment in restricted treasury securities	(86,304)	—	(86,304)
Other	(1,285)	(27)	(1,664)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(97,686)</b>	<b>(144,238)</b>	<b>(1,886,412)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of senior notes	—	—	2,032,000
Debt issuance costs	(641)	(4,762)	(61,583)
Use of restricted cash and cash equivalents	641	—	—
Proceeds from issuance of common units	98,442	—	98,442
Proceeds from subordinated note—affiliate	—	—	37,377
Repayment of subordinated note—affiliate	—	—	(37,377)
Borrowings from Sabine Pass credit facility	—	149,000	383,400
Repayment of Sabine Pass credit facility	—	—	(383,400)
Distribution to owner	(756)	—	(379,105)
Borrowing under long-term debt—affiliate	79	—	79
Affiliate payable	13	5	16
Capital contributions by partner	—	—	196,681
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>97,778</b>	<b>144,243</b>	<b>1,886,530</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>12</b>	<b>—</b>	<b>19</b>
<b>CASH AND CASH EQUIVALENTS—beginning of period</b>	<b>7</b>	<b>—</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS—end of period</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 19</b>

See accompanying notes to consolidated combined financial statements.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS**  
**(unaudited)**

**NOTE 1—Nature of Operations and Basis of Presentation**

Cheniere Energy Partners, L.P. (“Cheniere Partners”) is a publicly-held limited partnership. As of June 30, 2007, Cheniere Energy, Inc. (“Cheniere Energy”) owned 90.6% of the partnership through its wholly-owned subsidiaries, Cheniere LNG Holdings, LLC (“Holdings”), Cheniere Subsidiary Holdings, LLC (“Subsidiary Holdings”) and Cheniere Energy Partners GP, LLC (the “General Partner”). Cheniere Partners is a Delaware limited partnership formed on November 21, 2006 to develop, own and operate the Sabine Pass liquefied natural gas (“LNG”) receiving and regasification facility in western Cameron Parish, Louisiana on the Sabine Pass Channel (the “Sabine Pass LNG receiving terminal”). Cheniere Partners and Holdings, as a selling unitholder, completed an initial public offering (the “Offering”) of Cheniere Partners’ common units on March 26, 2007.

The following entities were included on a combined basis in the accompanying Consolidated Combined Financial Statements for periods prior to the Offering because they were entities under common control:

- Cheniere Partners;
- Cheniere Energy Investments, LLC (“Cheniere Investments”) is a Delaware limited liability company owned by Cheniere Partners and was formed on November 21, 2006 to hold 100% of the ownership interests in Sabine Pass GP and Sabine Pass LP;
- Sabine Pass LNG-GP, Inc. (“Sabine Pass GP”) is a Delaware corporation that was owned by Holdings and was formed in 2004 to be the general partner of Sabine Pass LNG, L.P. (“Sabine Pass LNG”);
- Sabine Pass LNG-LP, LLC (“Sabine Pass LP”) is a Delaware limited liability company that was owned by Holdings and was formed in 2004 to be the limited partner of Sabine Pass LNG; and
- Sabine Pass LNG, L.P. (“Sabine Pass LNG”) is a Delaware limited partnership formed with one general partner, Sabine Pass GP, and one limited partner, Sabine Pass LP, which owns the entire interest in the Sabine Pass LNG receiving terminal. Sabine Pass LNG is in the development stage, and the purpose of this limited partnership is to own and operate the Sabine Pass LNG receiving terminal.

At the closing of the Offering on March 26, 2007, the equity interests in Sabine Pass GP and Sabine Pass LP were contributed to Cheniere Investments, thereby resulting in Sabine Pass GP, Sabine Pass LP and Sabine Pass LNG becoming indirect, wholly-owned subsidiaries of Cheniere Partners. From and after the closing of the Offering, Cheniere Investments and these subsidiaries are consolidated with Cheniere Partners in the accompanying financial statements. As used in these Notes to Consolidated Combined Financial Statements, the terms “Cheniere Partners”, “we”, “us” and “our” refer to Cheniere Partners and its consolidated subsidiaries effective with the closing of the Offering and the foregoing entities on a combined basis (the “Combined Predecessor Entities”) prior to the closing of the Offering, unless otherwise stated or indicated by context.

With the exception of Sabine Pass GP, we are not subject to either federal or state income tax, as the partners are taxed individually on their proportionate share of our earnings. Sabine Pass GP is a corporation and is subject to both federal and state income tax. However, since Sabine Pass GP’s inception, its activities have been strictly limited to holding a non-income or loss bearing general partner interest in Sabine Pass LNG and, thus, this entity has not realized any taxable net income to date and is not expected to realize any taxable net income in the future.

The accompanying unaudited Consolidated Combined Financial Statements of Cheniere Partners have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued**  
**(unaudited)**

financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation, have been included. The Consolidated Combined Financial Statements include our accounts and those of our subsidiaries. All significant intercompany transactions and balances have been eliminated.

Certain reclassifications have been made to conform prior period information to the current presentation, including a \$179.0 million reclassification between current Restricted Cash and Cash Equivalents and Non-Current Restricted Cash and Cash Equivalents on our December 31, 2006 Consolidated Balance Sheet. The reclassification had no effect on our overall consolidated combined financial position, results of operations or cash flows.

Results of operations for the three and six months ended June 30, 2007 are not necessarily indicative of results for the year ended December 31, 2007.

For further information, refer to our combined financial statements and footnotes for the year ended December 31, 2006 included in our Registration Statement on Form S-1, as amended, filed with the Securities and Exchange Commission (“SEC”) and declared effective on March 20, 2007.

**NOTE 2—Development Stage Operations**

We were formed on October 20, 2003 (the earliest formation date of the Combined Predecessor Entities). Operations to date have been devoted to pre-construction and construction activities. Our ultimate profitability will depend on, among other factors, the successful completion of construction of the Sabine Pass LNG receiving terminal and commencement of commercial operation, which is not expected until the second quarter of 2008 at the earliest. As of June 30, 2007, we had a cumulative deficit of \$97.3 million.

**NOTE 3—Initial Public Offering**

Cheniere Partners and Holdings, as a selling unitholder, completed the Offering of 13,500,000 Cheniere Partners common units for \$21.00 per common unit on March 26, 2007. Cheniere Partners received \$98.4 million of net proceeds, after deducting the underwriting discount and structuring fee, upon its issuance of 5,054,164 common units to the public in the Offering. Holdings received \$164.5 million of net proceeds, after deducting the underwriting discount and structuring fee, upon its sale of 8,445,836 common units. We did not receive any proceeds from this sale of common units by Holdings. Our common units are traded on the American Stock Exchange under the symbol “CQP.”

Upon the closing of the Offering on March 26, 2007, the following transactions occurred:

- Holdings contributed through us to our wholly-owned subsidiary, Cheniere Investments, all of its equity interests in Sabine Pass GP and Sabine Pass LP, which own all of the equity interests in Sabine Pass LNG;
- Cheniere Partners issued to Holdings 21,362,193 common units and 135,383,831 subordinated units;
- Cheniere Partners issued to our general partner, a direct wholly-owned subsidiary of Holdings, 3,302,045 general partner units representing a 2% general partner interest in us and all of our incentive distribution rights, which will entitle our general partner to increasing percentages of the cash that we distribute in excess of \$0.489 per unit per quarter;

**CHENIERE ENERGY PARTNERS, L.P.  
A DEVELOPMENT STAGE ENTERPRISE**

**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued  
(unaudited)**

- we issued 5,054,164 common units to the public in the Offering;
- Holdings sold 8,445,836 common units to the public in the Offering, after which Holdings and the public held an aggregate 89.8% and 8.2% limited partner interest in us, respectively;
- our general partner entered into a services agreement with an affiliate of Cheniere Energy under which the affiliate will provide various general and administrative services for an annual administrative fee of \$10.0 million (adjusted for inflation after January 1, 2007), with payment commencing January 1, 2009; and
- our general partner entered into a services and secondment agreement with an affiliate of Cheniere Energy pursuant to which certain employees of the Cheniere Energy affiliate have been seconded to our general partner to provide operating and routine maintenance services with respect to the Sabine Pass LNG receiving terminal.

We used all of our net proceeds of \$98.4 million from the sale of our common units in the Offering to purchase U.S. treasury securities that funded a distribution reserve for payment of initial quarterly distributions of \$0.425 per common unit, as well as related quarterly distributions to our general partner, through the quarterly distribution to be made in respect of the quarter ending June 30, 2009.

**NOTE 4—Restricted Cash, Cash Equivalents and Treasury Securities**

In November 2006, Sabine Pass LNG consummated a private offering of an aggregate principal amount of \$2,032 million of senior secured notes consisting of \$550 million of 7<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2013 (the “2013 Notes”) and \$1,482 million of 7<sup>1</sup>/<sub>2</sub> % Senior Secured Notes due 2016 (the “2016 Notes”) and, collectively with the 2013 Notes, the “Sabine Pass LNG notes”) (see Note 7—Long-Term Debt). Under the terms and conditions of the Sabine Pass LNG notes, Sabine Pass LNG was required to fund cash reserve accounts for \$335.0 million related to future interest payments through May 2009 and approximately \$887 million to pay the remaining costs to complete the initial phase (“Phase 1”) and the first stage of the second phase (“Phase 2—Stage 1”) of the Sabine Pass LNG receiving terminal. These cash accounts are controlled by a collateral trustee, and therefore, are shown as Restricted Cash and Cash Equivalents on the accompanying Consolidated Combined Balance Sheet. As of June 30, 2007 and December 31, 2006, \$179.9 million and \$176.3 million, respectively, of cash restricted for future interest payments due within one year and accrued construction costs have been classified as a current asset, and \$732.1 million and \$982.6 million, respectively, of cash restricted for remaining construction costs and future interest payments due beyond one year have been classified as a non-current asset on the accompanying Consolidated Combined Balance Sheets.

As discussed above in Note 3, at the closing of the Offering, we funded a distribution reserve of \$98.4 million, which was invested in U.S. treasury securities. The distribution reserve, including interest earned, will be used to pay quarterly distributions of \$0.425 per common unit for all common units, as well as related distributions to our general partner, through the distribution made in respect of the quarter ending June 30, 2009. The U.S. treasury securities were acquired at a discount from their maturity values equal to an average of approximately 4.87% per year. As of June 30, 2007, we had classified \$86.3 million of the U.S. treasury securities as Non-Current Restricted Treasury Securities on our Consolidated Combined Balance Sheet, as these securities had maturities greater than three months. In May 2007, we used the distribution reserve to pay a cash distribution to unitholders. The distribution reflected the pro rata share of our minimum quarterly distribution and covered the time period from the closing of the Offering on March 26, 2007 through March 31, 2007. The remaining \$11.5 million invested in U.S. treasury securities were classified as Non-Current Restricted Cash and Cash Equivalents on our Consolidated Combined Balance Sheet as of June 30, 2007, as these securities had maturities less than or equal to three months.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**

**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued**  
**(unaudited)**

**NOTE 5—Property, Plant and Equipment**

Property, plant and equipment is comprised of LNG terminal construction-in-progress expenditures, LNG site and related costs and fixed assets, as follows (in thousands):

	June 30, 2007	December 31, 2006
<b>LNG TERMINAL COSTS</b>		
LNG terminal construction-in-progress	\$878,444	\$ 651,369
LNG site and related costs, net	194	197
Total LNG terminal costs	878,638	651,566
<b>FIXED ASSETS</b>		
Computer and office equipment	144	31
Computer software	36	33
Leasehold improvements	11	10
Vehicles	249	99
Machinery and equipment	201	—
Accumulated depreciation	(134)	(63)
Total fixed assets, net	507	110
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b><u>\$879,145</u></b>	<b><u>\$ 651,676</u></b>

Once the Sabine Pass LNG receiving terminal is placed into service, the LNG terminal construction-in-progress costs will be depreciated using the straight-line depreciation method. We are in the process of determining the most appropriate approach in grouping identifiable components with similar estimated useful lives. Estimated useful lives for components, once construction is completed, are currently estimated to range between 10 and 50 years.

In February 2005 and July 2006, Phase 1 and Phase 2—Stage 1, respectively, of the Sabine Pass LNG receiving terminal satisfied the criteria for capitalization. Accordingly, costs associated with the construction of Phase 1 and Phase 2—Stage 1 of the Sabine Pass LNG receiving terminal have been capitalized as construction-in-progress since those dates. During the six months ended June 30, 2007 and 2006, we capitalized \$27.9 million and \$6.4 million, respectively, of interest expense, which consisted primarily of interest expense qualifying to be capitalized, amortization of debt issuance costs and commitment fees related to the Sabine Pass LNG notes during the six months ended June 30, 2007 and a Sabine Pass LNG credit facility during the six months ended June 30, 2006.

**NOTE 6—Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

	June 30, 2007	December 31, 2006
Interest and related debt fees	\$13,005	\$ 21,815
LNG terminal construction costs	28,351	13,899
Affiliate	435	652
Other	—	956
	<b><u>\$41,791</u></b>	<b><u>\$ 37,322</u></b>

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued**  
**(unaudited)**

**NOTE 7—Long-Term Debt**

As of June 30, 2007 and December 31, 2006, our long-term debt consisted of the following (in thousands):

	June 30, 2007	December 31, 2006
Sabine Pass LNG Notes	\$ 2,032,000	\$ 2,032,000
Long-Term Note – Affiliate	79	—
Total Long-Term Debt	<u>\$ 2,032,079</u>	<u>\$ 2,032,000</u>

*Sabine Pass LNG Notes*

In November 2006, Sabine Pass LNG consummated a private offering of an aggregate principal amount of \$2,032 million of Sabine Pass LNG notes, consisting of \$550 million of the 2013 Notes and \$1,482 million of the 2016 Notes. We placed \$335.0 million of the net proceeds in a reserve account to fund scheduled interest payments on the Sabine Pass LNG notes through May 2009. Interest on the Sabine Pass LNG notes is payable semi-annually in arrears on May 30 and November 30 of each year, beginning May 30, 2007. The Sabine Pass LNG notes are secured on a first-priority basis by a security interest in all of Sabine Pass LNG's equity interests and substantially all of its operating assets.

Under the indenture governing the Sabine Pass LNG notes, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied. The indenture requires that Sabine Pass LNG apply its net operating cash flow (i) first, to fund with monthly deposits its next semiannual payment of approximately \$75.5 million of interest on the Sabine Pass LNG notes, and (ii) second, to fund a one-time, permanent debt service reserve fund equal to one semiannual interest payment of approximately \$75.5 million on the Sabine Pass LNG notes. Distributions from Sabine Pass LNG will be permitted only after Phase 1 target completion, as defined in the indenture governing the Sabine Pass LNG notes, or such earlier date as project revenues are received, upon satisfaction of the foregoing funding requirements, after satisfying a fixed charge coverage ratio test of 2:1 and after satisfying other conditions specified in the indenture.

*Long-Term Note – Affiliate*

In March 2007, we entered into a \$12 million unsecured revolving credit note with Cheniere LNG Financial Services, Inc., a wholly-owned subsidiary of Cheniere Energy, to be paid upon demand but no sooner than January 1, 2010, or the date on which we have sufficient available cash. Borrowings under this note bear interest at a fixed 7 1/2% rate with unpaid interest compounding semi-annually. The outstanding principal plus interest as of June 30, 2007, was \$79,000.

**NOTE 8—Description of Equity Interests**

The common units and subordinated units represent limited partner interests in us. The holders of the units are entitled to participate in partnership distributions and exercise the rights and privileges available to limited partners under our partnership agreement. On May 31, 2007, Holdings contributed all of its 135,383,831 subordinated units to Subsidiary Holdings.

The common units and general partner units have the right to receive minimum quarterly distributions of \$0.425 and \$0.069 per unit, respectively, plus any arrearages thereon, before any distribution is made to the holders of the subordinated units.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**

**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued**  
**(unaudited)**

During the subordination period, the subordinated units will not be entitled to receive any distributions until the common units have received \$0.425 per unit plus any arrearages from prior quarters. Subordinated units will convert into common units on a one-for-one basis when the subordination period ends. The subordination period will end when we meet financial tests specified in the partnership agreement, but it generally cannot end before June 30, 2008.

The general partner interest is entitled to at least 2% of all distributions made by us. In addition, the general partner holds incentive distribution rights, which allow the general partner to receive a higher percentage of quarterly distributions of available cash from operating surplus after the minimum distributions have been achieved and as additional target levels are met. The higher percentages range from 15% up to 50%.

**NOTE 9—Financial Instruments**

The estimated fair value of financial instruments is the amount at which the instrument could be exchanged currently between willing parties. The carrying amounts reported on the Consolidated Combined Balance Sheets for Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, Accounts Receivable and Accounts Payable approximate fair value due to their short-term nature. We use available market data and valuation methodologies to estimate the fair value of debt. This disclosure is presented in accordance with SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, and does not impact our financial position, results of operations or cash flows.

Financial Instruments (in thousands):

	June 30, 2007		December 31, 2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2013 Notes (1)	\$ 550,000	\$ 541,750	\$ 550,000	\$ 547,250
2016 Notes (1)	1,482,000	1,459,770	1,482,000	1,478,295
Note to Affiliate (2)	79	79	—	—
Restricted Treasury Securities (3)	97,885	98,760	—	—

- (1) The fair value of the Sabine Pass LNG notes was based on quotations obtained from broker-dealers who made markets in these and similar instruments as of June 30, 2007 and December 31, 2006.
- (2) The Note to Affiliate bears interest at a fixed 7<sup>1</sup>/<sub>2</sub>% rate. The fair value of the Note to Affiliate is equal to the outstanding principal balance plus accrued interest as of June 30, 2007.
- (3) The fair value of our Restricted Treasury Securities was based on quotations obtained from broker-dealers who made markets in these and similar instruments as of June 30, 2007. This amount includes \$11.5 million classified as Non-Current Restricted Cash and Cash Equivalents on our Consolidated Combined Balance Sheet as of June 30, 2007, as these securities had maturities less than or equal to three months.

**NOTE 10—Related Party Transactions**

As of June 30, 2007 and December 31, 2006, we had \$1.7 million and \$0.4 million, respectively, of advances to affiliates.

Under the service agreements described below, we paid \$1.3 million for the three months ended June 30, 2007 and 2006.

**CHENIERE ENERGY PARTNERS, L.P.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued**  
**(unaudited)**

**TUA Agreement**

Cheniere Marketing (“Cheniere Marketing”), a wholly-owned subsidiary of Cheniere Energy, has reserved approximately 2.0 Bcf/d of regasification capacity under a firm commitment terminal use agreement (“TUA”) and has agreed to make monthly payments to Sabine Pass LNG aggregating approximately \$250 million per year for at least 19 years commencing January 1, 2009, plus payments of \$5 million per month commencing with commercial operations in 2008. Cheniere Energy has guaranteed Cheniere Marketing’s obligations under its TUA.

**Service Agreements**

*Operation and Maintenance Agreement*

In February 2005, Sabine Pass LNG entered into an Operation and Maintenance Agreement (“O&M Agreement”) with Cheniere LNG O&M Services, L.P. (“O&M Services”), an indirect wholly-owned subsidiary of Cheniere Energy. Pursuant to the O&M Agreement, O&M Services has agreed to provide all necessary services required to construct, operate and maintain the Sabine Pass LNG receiving terminal. The O&M Agreement will remain in effect until 20 years after substantial completion of the facility. Prior to substantial completion of the facility, Sabine Pass LNG is required to pay a fixed monthly fee of \$95,000 (indexed for inflation). The fixed monthly fee will increase to \$130,000 (indexed for inflation) upon substantial completion of the facility, and O&M Services may thereafter be entitled to a bonus equal to 50% of the salary component of labor costs in certain circumstances to be agreed upon between Sabine Pass LNG and O&M Services at the beginning of each operating year. In addition, Sabine Pass LNG is required to reimburse O&M Services for expenditures incurred by O&M Services on behalf of Sabine Pass LNG for operating expenses, which are comprised of labor, maintenance, land lease and insurance expenses and for maintenance capital expenditures.

Upon the closing of the Offering, O&M Services assigned the O&M Agreement to our general partner, and O&M Services and our general partner entered into a services and secondment agreement pursuant to which certain employees of O&M Services have been seconded to our general partner to provide operating and routine maintenance services with respect to the Sabine Pass LNG receiving terminal under the direction, supervision and control of our general partner. Under this agreement, our general partner pays O&M Services amounts that it receives from Sabine Pass LNG under the O&M Agreement.

*Management Services Agreements*

In February 2005, Sabine Pass LNG entered into a Management Services Agreement (the “Sabine Pass LNG MSA”) with its general partner, Sabine Pass GP, which is our wholly-owned subsidiary. Pursuant to the Sabine Pass LNG MSA, Sabine Pass LNG appointed its general partner to manage the construction and operation of the Sabine Pass LNG receiving terminal, excluding those matters provided for under the O&M Agreement. The Sabine Pass LNG MSA terminates 20 years after the commercial start date set forth in the Total TUA. Prior to substantial completion of construction of the Sabine Pass LNG receiving terminal, Sabine Pass LNG is required to pay its general partner a monthly fixed fee of \$340,000 (indexed for inflation); thereafter, the monthly fixed fee will increase to \$520,000 (indexed for inflation).

In September 2006, the general partner of Sabine Pass LNG entered into a Management Services Agreement (the “General Partner MSA”) with Cheniere LNG Terminals, Inc. (“Cheniere Terminals”), a wholly-owned

**CHENIERE ENERGY PARTNERS, L.P.**  
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**NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS—Continued**  
**(unaudited)**

subsidiary of Cheniere Energy. Pursuant to this agreement, Cheniere Terminals provides the general partner with technical, financial, staffing and related support necessary to allow it to meet its obligations to Sabine Pass LNG under the Sabine Pass LNG MSA. Under this agreement with Cheniere Terminals, the general partner of Sabine Pass LNG pays Cheniere Terminals amounts that it receives from Sabine Pass LNG for management of the Sabine Pass LNG receiving terminal.

***Services Agreement***

We entered into a services agreement with Cheniere Terminals upon the closing of the Offering. Under this agreement, we will pay Cheniere Terminals an annual administrative fee of \$10 million (adjusted for inflation after January 1, 2007) commencing January 1, 2009 for the provision of various general and administrative services provided for our benefit and will reimburse Cheniere Terminals for its services in an amount equal to the sum of all out-of-pocket costs and expenses incurred by Cheniere Terminals that are directly related to our business or activities. The annual administrative fee includes expenses incurred by Cheniere Terminals to perform all technical, commercial, regulatory, financial, accounting, treasury, tax and legal staffing and related support and all management and other services necessary or reasonably requested on behalf of our partnership by our general partner in order to conduct our business as contemplated by our partnership agreement.

**NOTE 11—Supplemental Cash Flow Information and Disclosures of Non-Cash Transactions**

The following table provides supplemental disclosure of cash flow information (in thousands):

	<u>Six Months Ended</u> <u>June 30,</u>		<u>Period from</u> <u>October 20, 2003</u> <u>(Date of Inception)</u> <u>to June 30,</u> <u>2007</u>
	<u>2007</u>	<u>2006</u>	
Cash paid for interest, net of amounts capitalized	\$56,388	\$ —	\$ 56,388
Construction-in-progress additions recorded as accrued liabilities	\$29,120	\$37,329	\$ 29,120

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact, included herein are "forward-looking statements." Included among "forward-looking statements" are, among other things:

- statements regarding our ability to pay distributions to our unitholders;
- statements relating to the construction and operation of the Sabine Pass liquefied natural gas ("LNG") receiving terminal, including statements concerning the completion or expansion thereof by certain dates or at all, the costs related thereto and certain characteristics, including amounts of regasification and storage capacity, the number of storage tanks and docks, pipeline deliverability and the number of pipeline interconnections, if any;
- statements relating to the construction and operation of facilities related to the Sabine Pass LNG receiving terminal;
- our expected receipt of cash distributions from Sabine Pass LNG;
- statements regarding any financing transactions or arrangements, or ability to enter into such transactions or arrangements;
- statements regarding any terminal use agreement ("TUA") or other agreement to be entered into or performed substantially in the future, including any cash distributions and revenues anticipated to be received and the anticipated timing thereof, and statements regarding the amounts of total LNG regasification capacity that are, or may become, subject to TUAs or other contracts;
- statements regarding counterparties to our TUAs, construction contracts and other contracts;
- statements regarding any business strategy, any business plans or any other plans, forecasts, projections or objectives, any or all of which are subject to change;
- statements regarding any assumptions, estimates, projections or conclusions;
- statements regarding conflicts of interest with Cheniere Energy, Inc. ("Cheniere Energy") and its affiliates;
- statements regarding legislative, governmental, regulatory, administrative or other public body actions, requirements, permits, investigations, proceedings or decisions; and
- any other statements that relate to non-historical or future information.

These forward-looking statements are often identified by the use of terms such as "achieve," "anticipate," "believe," "estimate," "expect," "forecast," "plan," "project," "propose," "strategy" and similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report.

As used herein, the terms "Cheniere Partners," "we," "our" and "us" refer to Cheniere Energy Partners, L.P. and its wholly-owned subsidiaries effective March 26, 2007 upon the closing of its initial public offering described below, and to certain entities under common control prior to March 26, 2007 as described in Note 1 in the Notes to Consolidated Combined Financial Statements, unless otherwise stated or indicated by context.

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Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed under “Risk Factors” in our Registration Statement on Form S-1, as amended, filed with the Securities and Exchange Commission (“SEC”) and declared effective on March 20, 2007. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. Other than as required under the securities laws, we assume no obligation to update or revise these forward-looking statements or provide reasons why actual results may differ.

### **BUSINESS AND OPERATIONS**

#### **General**

We are a publicly-held, Delaware limited partnership recently formed by Cheniere Energy to develop, own and operate the Sabine Pass LNG receiving terminal currently under construction in western Cameron Parish, Louisiana on the Sabine Pass Channel. We are a development stage company without any revenues, operating cash flows or operating history. We currently do not expect that we will begin receiving any revenues from operations until the second quarter of 2008, at the earliest.

On March 26, 2007, we and Cheniere LNG Holdings, LLC (“Holdings”), a subsidiary of Cheniere Energy, completed a public offering of a total of 13,500,000 Cheniere Partners common units (the “Offering”). We received \$98.4 million of net proceeds, after deducting the underwriting discount and structuring fees, upon issuance of 5,054,164 common units to the public in the Offering. We invested the \$98.4 million of net proceeds we received from the Offering in U.S. treasury securities to fund a distribution reserve. See “Liquidity and Capital Resources—Cash Distributions to Unitholders” below.

As part of the Offering, Holdings, as a selling unitholder, received \$164.5 million of net proceeds in connection with its sale of 8,445,836 Cheniere Partners common units. In April 2007, the underwriters of the Offering exercised their over-allotment option to purchase an additional 2,025,000 common units held by Holdings, with Holdings receiving all of the proceeds of the sale. As a result of these transactions, Cheniere Energy reduced its ownership interest in us to approximately 90.6%.

#### **Our LNG Receiving Terminal Business**

Our sole business is the development of the Sabine Pass LNG receiving terminal currently under construction by our wholly-owned limited partnership, Sabine Pass LNG, L.P. (“Sabine Pass LNG”). We have entered into long-term TUAs with Total LNG USA, Inc. (“Total”), Chevron USA, Inc. (“Chevron”) and Cheniere Marketing, Inc. (“Cheniere Marketing”), a wholly-owned subsidiary of Cheniere Energy, for an aggregate of 4.0 billion cubic feet per day (“Bcf/d”) of the available regasification capacity at the Sabine Pass LNG receiving terminal. Construction of the Sabine Pass LNG receiving terminal commenced in March 2005. We anticipate commencing commercial operation during the second quarter of 2008, and we expect to complete construction and commissioning of the third tank and the rest of Phase 1, and to achieve the full 2.6 Bcf/d of Phase 1 regasification capacity, in the third quarter of 2008. LNG regasification commercial operations related to the Phase 2—Stage 1 expansion are expected to commence by April 2009, and we expect to complete all of Phase 2—Stage 1, including construction and commissioning of the fourth and fifth tanks, and achieve full operability at 4.0 Bcf/d in the third quarter of 2009.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **General**

The Sabine Pass LNG receiving terminal project will require significant amounts of capital and is subject to risks and delays in completion. Even if successfully completed, the Sabine Pass LNG receiving terminal is not expected to begin to operate and generate significant cash flows before the second quarter of 2008.

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The cost to construct Phase 1 of the Sabine Pass LNG receiving terminal is currently estimated at approximately \$900 million to \$950 million, before financing costs. Phase 2—Stage 1 is estimated to cost approximately \$500 million to \$550 million, before financing costs. Our cost estimates are subject to change due to such items as cost overruns, change orders, increased component and material costs, escalation of labor costs and increased spending to maintain our construction schedule.

We currently expect that our capital resources requirements will be financed through the proceeds received from the issuance of the \$2,032 million of senior secured notes (the “Sabine Pass LNG notes”) and cash flows under our three TUAs. We believe that we have adequate financial resources to complete Phase 1 and Phase 2—Stage 1 of the Sabine Pass LNG receiving terminal and to meet our anticipated operating, maintenance and debt service requirements through the first half of 2009. Furthermore, we anticipate that:

- our cash flows from operations will commence in the second quarter of 2008, when Phase 1 of the Sabine Pass LNG receiving terminal is anticipated to commence commercial operation; and
- beginning in the third quarter of 2009, cash flows from operations will be sufficient to cover all debt service on the Sabine Pass LNG notes and all of our other operating and maintenance costs.

To service our indebtedness, we will require significant amounts of cash. Prolonged delays in construction could prevent us from commencing operations when we anticipate and could prevent us from realizing anticipated cash flows. Our future liquidity may also be affected by the timing of construction financing availability in relation to our incurrence of construction costs and other outflows and by receipt of cash flows under the TUAs in relation to our incurrence of project and operating expenses. Moreover, many factors (including factors beyond our control) could result in a disparity between our liquidity sources and cash needs, including factors such as construction delays and breaches of construction agreements. After the construction period, our business may not generate sufficient cash flow from operations, currently anticipated costs may increase or future borrowings may not be available to us in amounts sufficient to enable us to pay our indebtedness, including the Sabine Pass LNG notes, or to fund our other liquidity needs, including operating expenses. The operation of our business is subject to many risks (many of which are beyond our control), including general economic, financial, competitive, legislative, regulatory and other developments.

### **Capital Resources**

#### ***Proceeds from Issuance of Sabine Pass LNG Notes***

We received \$2,032 million in gross proceeds from the issuance of the Sabine Pass LNG notes. We placed \$335 million of the net proceeds in a reserve account to fund scheduled interest payments on the Sabine Pass LNG notes through May 2009. We also placed approximately \$887 million in a construction account, which, until satisfaction of construction completion milestones, will only be applied to pay construction and startup costs of the Sabine Pass LNG receiving terminal and to pay other expenses incidental for us to complete construction of the project. We used the remaining net proceeds received from the issuance of the Sabine Pass LNG notes to repay indebtedness, to make a distribution to Holdings for the repayment of its outstanding term loan and to pay fees and expenses related to the issuance of the Sabine Pass LNG notes.

#### ***Customer TUAs***

Each of the customers at the Sabine Pass LNG receiving terminal must make capacity payments under its TUA on a basis that we commonly refer to as “take-or-pay,” which means that the customer will be obligated to pay the full contracted amount of monthly fees whether or not it uses any of its reserved capacity. Provided the Sabine Pass LNG receiving terminal has achieved commercial operation, which we expect will occur during the second quarter of 2008, these “take-or-pay” TUA payments will be made as follows:

- Total has reserved approximately 1.0 Bcf/d of regasification capacity and has agreed to make monthly payments to Sabine Pass LNG aggregating approximately \$125 million per year for 20 years commencing April 1, 2009. Total, S.A. has guaranteed Total’s obligations under its TUA up to \$2.5 billion, subject to certain exceptions;

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- Chevron has reserved approximately 1.0 Bcf/d of regasification capacity and has agreed to make monthly payments to Sabine Pass LNG aggregating approximately \$125 million per year for 20 years commencing not later than July 1, 2009. Chevron Corporation has guaranteed Chevron's obligations under its TUA up to 80% of the fees payable by Chevron; and
- Cheniere Marketing has reserved approximately 2.0 Bcf/d of regasification capacity, is entitled to use any capacity not utilized by Total and Chevron and has agreed to make monthly payments to Sabine Pass LNG aggregating approximately \$250 million per year for at least 19 years commencing January 1, 2009, plus payments of \$5 million per month commencing with commercial operations in 2008. Cheniere Energy has guaranteed Cheniere Marketing's obligations under its TUA.

Each of Total and Chevron has paid us \$20 million in nonrefundable advance capacity reservation fees, which will be amortized over a 10-year period as a reduction of each customer's regasification capacity fees payable under its TUA.

### ***Cheniere Marketing's Option for a Sixth LNG Storage Tank***

In June 2007, Sabine Pass LNG and Cheniere Marketing entered into an amendment (the "Amendment") to the Cheniere Marketing TUA. The Amendment modified Sabine Pass LNG's obligation to construct, at its sole expense, a sixth LNG storage tank for Cheniere Marketing, if requested by Cheniere Marketing. Instead, Sabine Pass LNG will construct the additional tank, subject to receipt of all required governmental and lender approvals, upon agreement with Cheniere Marketing of mutually acceptable terms and conditions, including financing. If no such acceptable agreement is reached, Sabine Pass LNG will still be obligated to construct the additional tank, subject to receipt of all required governmental and lender approvals, if Cheniere Marketing directly or indirectly commits to provide, at its sole cost, all necessary construction funding reasonably acceptable to Sabine Pass LNG.

### ***Cash Distributions to Unitholders***

For each calendar quarter through June 30, 2009, we will make initial quarterly cash distributions of \$0.425 per unit on all outstanding common units, as well as related distributions to our general partner, using cash from the distribution reserve that was funded with the \$98.4 million net proceeds received from the Offering. In May 2007, we used the distribution reserve to pay a cash distribution to unitholders. The distribution reflected the pro rata share of the partnership's minimum quarterly distribution and covered the time period from the closing of the Offering on March 26, 2007 through March 31, 2007. We believe that the amount of the distribution reserve, together with interest expected to be earned on that amount and cash from operations, if any, will be sufficient to allow us to pay the full quarterly distribution on all of our outstanding common units, as well as related distributions to our general partner, for each quarter through June 30, 2009. After the quarter ended June 30, 2009, we intend to pay distributions to our unitholders primarily from operating cash flows.

### ***Related Party Services Agreements***

*Operation and Maintenance Agreement.* In February 2005, Sabine Pass LNG entered into an Operation and Maintenance Agreement ("O&M Agreement") with Cheniere LNG O&M Services, L.P. ("O&M Services"), an indirect wholly-owned subsidiary of Cheniere Energy. Pursuant to the O&M Agreement, O&M Services has agreed to provide all necessary services required to construct, operate and maintain the Sabine Pass LNG receiving terminal. The O&M Agreement will remain in effect until 20 years after substantial completion of the facility. Prior to substantial completion of the facility, Sabine Pass LNG is required to pay a fixed monthly fee of \$95,000 (indexed for inflation). The fixed monthly fee will increase to \$130,000 (indexed for inflation) upon substantial completion of the facility, and O&M Services will thereafter be entitled to a bonus equal to 50% of the salary component of labor costs in certain circumstances to be agreed upon between Sabine Pass LNG and O&M Services at the beginning of each operating year. In addition, Sabine Pass LNG is required to reimburse O&M Services for expenditures incurred by O&M Services on behalf of Sabine Pass LNG for operating expenses, which are comprised of labor, maintenance, land lease and insurance expenses and for maintenance capital expenditures.

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Upon the closing of the Offering, O&M Services assigned the O&M Agreement to our general partner, and O&M Services and our general partner entered into a services and secondment agreement pursuant to which certain employees of O&M Services have been seconded to our general partner to provide operating and routine maintenance services with respect to the Sabine Pass LNG receiving terminal under the direction, supervision and control of our general partner. Under this agreement, our general partner pays O&M Services amounts that it receives from Sabine Pass LNG under the O&M Agreement.

*Management Services Agreements.* In February 2005, Sabine Pass LNG entered into a Management Services Agreement (the “Sabine Pass LNG MSA”) with its general partner, Sabine Pass LNG–GP, Inc., which is our wholly-owned subsidiary. Pursuant to the Sabine Pass LNG MSA, Sabine Pass LNG appointed its general partner to manage the construction and operation of the Sabine Pass LNG receiving terminal, excluding those matters provided for under the O&M Agreement. The Sabine Pass LNG MSA terminates 20 years after the commercial start date set forth in the Total TUA. Prior to substantial completion of construction of the Sabine Pass LNG receiving terminal, Sabine Pass LNG is required to pay its general partner a monthly fixed fee of \$340,000 (indexed for inflation); thereafter, the monthly fixed fee will increase to \$520,000 (indexed for inflation).

In September 2006, the general partner of Sabine Pass LNG entered into a Management Services Agreement with Cheniere LNG Terminals, Inc. (“Cheniere Terminals”), a wholly-owned subsidiary of Cheniere Energy. Pursuant to this agreement, Cheniere Terminals provides the general partner with technical, financial, staffing and related support necessary to allow it to meet its obligations to Sabine Pass LNG under the Sabine Pass LNG MSA. Under this agreement with Cheniere Terminals, the general partner of Sabine Pass LNG pays Cheniere Terminals amounts that it receives from Sabine Pass LNG for management of the Sabine Pass LNG receiving terminal.

*Services Agreement.* We entered into a services agreement with Cheniere Terminals upon the closing of the Offering. Under this agreement, we will pay Cheniere Terminals an annual administrative fee of \$10 million (adjusted for inflation after January 1, 2007) commencing January 1, 2009 for the provision of various general and administrative services provided for our benefit and will reimburse Cheniere Terminals for its services in an amount equal to the sum of all out-of-pocket costs and expenses incurred by Cheniere Terminals that are directly related to our business or activities. The annual administrative fee includes expenses incurred by Cheniere Terminals to perform all technical, commercial, regulatory, financial, accounting, treasury, tax and legal staffing and related support and all management and other services necessary or reasonably requested on our behalf by our general partner in order to conduct our business as contemplated by our partnership agreement.

### ***Public Company Expenses***

Cheniere Energy will advance us funds to pay public company expenses associated with being a publicly-traded partnership through 2008, after which time we will use available cash to pay such expenses directly and, after payment of the initial quarterly distribution on all units, to reimburse these advances from Cheniere Energy.

### ***State Tax Sharing Agreement***

In November 2006, Sabine Pass LNG entered into a state tax sharing agreement with Cheniere Energy. Under this agreement, Cheniere Energy has agreed to prepare and file all Texas franchise tax returns which it and Sabine Pass LNG are required to file on a combined basis and to timely pay the combined tax liability. If Cheniere Energy, in its sole discretion, demands payment, Sabine Pass LNG will pay to Cheniere Energy an amount equal to the Texas franchise tax that Sabine Pass LNG would be required to pay if its Texas franchise tax liability were computed on a separate company basis. This agreement contains similar provisions for other state and local taxes that Cheniere Energy and Sabine Pass LNG are required to file on a combined, consolidated or unitary basis. The agreement is effective for tax returns first due on or after January 1, 2008.

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### Other Capital Resources

#### *Sabine Pass LNG Notes*

In November 2006, Sabine Pass LNG consummated a private offering of an aggregate principal amount of \$2,032 million of Sabine Pass LNG notes, consisting of \$550 million of 7 1/4% Senior Secured Notes due 2013 and \$1,482 million of 7 1/2% Senior Secured Notes due 2016. We placed \$335 million of the net proceeds in a reserve account to fund scheduled interest payments on the Sabine Pass LNG notes through May 2009. We also placed approximately \$887 million in a construction account, which, until satisfaction of construction completion milestones, will only be applied to pay construction and startup costs of the Sabine Pass LNG receiving terminal and to pay other expenses incidental for us to complete construction of the project. We used the remaining net proceeds received from the issuance of the Sabine Pass LNG notes to repay indebtedness, to make a distribution to Holdings for the repayment of its outstanding term loan and to pay fees and expenses related to the issuance of the Sabine Pass LNG notes.

Interest on the Sabine Pass LNG notes is payable semi-annually in arrears on May 30 and November 30 of each year, beginning May 30, 2007. The Sabine Pass LNG notes are secured on a first-priority basis by a security interest in all of Sabine Pass LNG's equity interests and substantially all of its operating assets.

Under the indenture governing the Sabine Pass LNG notes, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied. The indenture requires that Sabine Pass LNG apply its net operating cash flow (i) first, to fund with monthly deposits its next semiannual payment of approximately \$75.5 million of interest on the Sabine Pass LNG notes, and (ii) second, to fund a one-time, permanent debt service reserve fund equal to one semiannual interest payment of approximately \$75.5 million on the Sabine Pass LNG notes. Distributions will be permitted only after Phase 1 target completion, as defined in the indenture governing the Sabine Pass LNG notes, or such earlier date as project revenues are received, upon satisfaction of the foregoing funding requirements, after satisfying a fixed charge coverage ratio test of 2:1 and after satisfying other conditions specified in the indenture.

### Historical Cash Flows

The following table summarizes the changes in our cash and cash equivalents for the six months ended June 30, 2007 and 2006 (in thousands). Additional discussions of the key elements contributing to these changes follow the table.

	For the Six Months Ended June 30,	
	2007	2006
Cash provided by (used in):		
Operating activities	\$ (80)	\$ (5)
Investing activities	(97,686)	(144,238)
Financing activities	97,778	144,243
Net increase in cash and cash equivalents	<u>\$ 12</u>	<u>\$ —</u>
Cash and cash equivalents at end of period	<u>\$ 19</u>	<u>\$ —</u>

*Operating Activities*—Net cash used in operating activities was \$80,000 during the six months ended June 30, 2007 compared to net cash used in operating activities of \$5,000 during the same period of 2006. The net \$80,000 amount used in the six-month period ended June 30, 2007 resulted from the funding of our operating activities primarily through the use of restricted cash and cash equivalents, as all cash and cash equivalents were restricted under the terms of the indenture governing the Sabine Pass LNG notes and an amended credit facility that Sabine Pass LNG had in place until November 2006. During the six months ended June 30, 2007, net \$64.3

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million restricted cash was used in operating activities, compared to \$0.9 million used in the same period of 2006. The lack of cash generated from operating activities is the direct result of the continued development of our LNG receiving terminal business. Operations to date have been devoted to pre-construction and construction activities.

*Investing Activities*—Net cash used in investing activities was \$97.7 million during the six months ended June 30, 2007 compared to net cash used in investing activities of \$144.2 million during the same period of 2006. During the six months ended June 30, 2007, we invested \$215.3 million in the construction of our LNG receiving terminal, and \$14.0 million in advances under long-term contracts relating to our LNG receiving terminal, which were primarily funded by the use of \$219.2 million of restricted cash and cash equivalents. In addition, during the six months ended June 30, 2007, we invested \$86.3 million in treasury securities from the net proceeds of our Offering that will be used to pay the \$0.425 initial quarterly distribution on all common units, as well as related distributions to our general partner, through the distribution made in respect of the quarter ending June 30, 2009. During the six months ended June 30, 2006, we invested \$160.0 million in the Sabine Pass LNG receiving terminal for construction costs.

*Financing Activities*—Net cash provided by financing activities during the six months ended June 30, 2007 was \$97.8 million compared to net cash provided by financing activities of \$144.2 million during the same period in 2006. During the six months ended June 30, 2007, we received net proceeds of \$98.4 million from the issuance of our common units in connection with our Offering. During the six months ended June 30, 2006, we received \$149.0 million of proceeds from borrowings under the credit facility, which was subsequently terminated in connection with the issuance of the Sabine Pass LNG notes and resulted in our paying \$4.8 million of debt issuance costs.

Our cash and cash equivalent ending balances were \$19,000 and \$7,000 as of June 30, 2007 and December 31, 2006, respectively, as substantially all cash and cash equivalents were restricted under the terms of the indenture governing the Sabine Pass LNG notes.

### **Off-Balance Sheet Arrangements**

As of June 30, 2007, we had no off-balance sheet debt or other such unrecorded obligations, and we have not guaranteed the debt of any other party.

## **RESULTS OF OPERATIONS**

### **Three Months Ended June 30, 2007 compared to Three Months Ended June 30, 2006**

#### *Overview*

Our financial results for the three months ended June 30, 2007 reflected a net loss of \$12.0 million, compared to a net loss of \$1.7 million in the same period in 2006. Because we are a development stage company and our operations consist solely of constructing our LNG receiving terminal, we have not generated any operating revenues since inception.

#### *Expenses*

Total expenses increased \$1.0 million, or 53%, to \$2.9 million for the three months ended June 30, 2007 compared to \$1.9 million in the same period in 2006. This increase was primarily attributable to an increase in labor charges from an affiliate. Most of these labor charges were related to O&M Services employees hired who will ultimately be operating the Sabine Pass LNG receiving terminal. During the three months ended June 30, 2007, a substantial portion of these costs was expensed as it related to training and other activities not subject to capitalization.

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### ***Other Income (Expense)***

Total other expense for the three months ended June 30, 2007 was \$9.1 million compared to other income of \$0.2 million in the same period in 2006. The increase in other expense related to an increase in interest expense partially offset by an increase in interest income. Interest expense increased due to our average debt balance being much larger in the three months ended June 30, 2007 compared to the three months ended June 30, 2006 as a result of the Sabine Pass LNG notes being outstanding, during which time the interest expense exceeded the amount of interest subject to capitalization. In the three months ended June 30, 2006, all of our interest expense incurred under the Sabine Pass credit facility in place at that time was subject to capitalization. Interest income increased in the three months ended June 30, 2007 compared to the three months ended June 30, 2006 due to a significantly higher restricted cash and cash equivalent average balance during the three months ended June 30, 2007 compared to a nominal restricted cash and cash equivalent average balance in the same period of 2006.

### **Six Months Ended June 30, 2007 compared to Six Months Ended June 30, 2006**

#### ***Overview***

Our financial results for the six months ended June 30, 2007 reflected a net loss of \$24.8 million, compared to a net loss of \$2.5 million in the same period in 2006. Because we are a development stage company and our operations consist solely of constructing our LNG receiving terminal, we have not generated any operating revenues since inception.

#### ***Expenses***

Total expenses increased \$1.3 million, or 37%, to \$4.8 million for the six months ended June 30, 2007 compared to \$3.5 million in the same period in 2006. This increase was primarily attributable to an increase in labor charges from an affiliate. Most of these labor charges were related to employees hired who will ultimately be operating the Sabine Pass LNG receiving terminal. During the three months ended June 30, 2007, a substantial portion of these costs was expensed as it related to training and other activities not subject to capitalization.

#### ***Other Income (Expense)***

Total other expense for the six months ended June 30, 2007 was \$20.1 million compared to other income of \$1.0 million in the same period in 2006. The increase in other expense related to an increase in interest expense partially offset by an increase in interest income. Interest expense increased due to our average debt balance being much larger in the six months ended June 30, 2007 compared to the six months ended June 30, 2006 as a result of the Sabine Pass LNG Notes being outstanding, during which time the interest expense exceeded the amount of interest subject to capitalization. In the six months ended June 30, 2006, all of our interest expense incurred under the Sabine Pass credit facility in place at that time was subject to capitalization. Interest income increased in the six months ended June 30, 2007 compared to the six months ended June 30, 2006 due to a significantly higher restricted cash and cash equivalent average balance during the six months ended June 30, 2007, compared to a nominal restricted cash and cash equivalent average balance in the same period of 2006.

## **OTHER MATTERS**

### **Critical Accounting Estimates and Policies**

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives but involve an implementation and interpretation of existing rules, and the use of judgment, to the specific set of circumstances existing in our business. We make every effort to comply properly with all applicable rules on or before their adoption, and we believe that the proper implementation and

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consistent application of the accounting rules are critical. However, not all situations are specifically addressed in the accounting literature. In these cases, we must use our best judgment to adopt a policy for accounting for these situations. We accomplish this by analogizing to similar situations and the accounting guidance governing them.

### ***Accounting for LNG Activities***

Generally, expenditures for direct construction activities, major renewals and betterments are capitalized, while expenditures for maintenance and repairs and general and administrative activities are charged to expense as incurred. Beginning in 2006, site rental costs have been expensed as required by Financial Accounting Standards Board (“FASB”) Staff Position 13-1, *Accounting for Rental Costs Incurred During a Construction Period*.

During the construction period of the Sabine Pass LNG receiving terminal, we capitalize interest and other related debt costs in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 34, *Capitalization of Interest Cost*, as amended by SFAS No. 58, *Capitalization of Interest Cost in Financial Statements That Include Investments Accounted for by the Equity Method (an Amendment of FASB Statement No. 34)*. Upon commencement of operations, capitalized interest, as a component of the total cost, will be amortized over the estimated useful life of the asset.

### ***Revenue Recognition***

LNG receiving terminal capacity reservation fees are recognized as revenue over the term of the respective TUAs. Advance capacity reservation fees are deferred initially and recognized as earned.

### ***Cash Flow Hedges***

As defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, cash flow hedge transactions hedge the exposure to variability in expected future cash flows (i.e., in our case, the variability of floating interest rate exposure). In the case of cash flow hedges, the hedged item (the underlying risk) is generally unrecognized (i.e., not recorded on the balance sheet prior to settlement), and any changes in the fair value, therefore, will not be recorded within earnings. Conceptually, if a cash flow hedge is effective, this means that a variable, such as a movement in interest rates, has been effectively fixed so that any fluctuations will have no net result on either cash flows or earnings. Therefore, if the changes in fair value of the hedged item are not recorded in earnings, then the changes in fair value of the hedging instrument (the derivative) must also be excluded from the income statement or else a one-sided net impact on earnings will be reported, despite the fact that the establishment of the effective hedge results in no net economic impact. To prevent such a scenario from occurring, SFAS No. 133 requires that the fair value of a derivative instrument designated as a cash flow hedge be recorded as an asset or liability on the balance sheet, but with the offset reported as part of other comprehensive income, to the extent that the hedge is effective. We assess, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. On an on-going basis, we monitor the actual dollar offset of the hedges’ market values compared to hypothetical cash flow hedges. Any ineffective portion will be reflected in earnings. Ineffectiveness is the amount of gains or losses from derivative instruments that are not offset by corresponding and opposite gains or losses on the expected future transaction.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We have cash investments that we manage based on internal investment guidelines that emphasize liquidity and preservation of capital. Such cash investments are stated at historical cost, which approximates fair market value on our Consolidated Combined Balance Sheets.

**Item 4. Disclosure Controls and Procedures**

We maintain a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports filed by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of our general partner's management, including our general partner's Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, our general partner's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

During the most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management of our general partner and legal counsel, as of June 30, 2007, there were no known threatened or pending legal matters that could reasonably be expected to have a material adverse impact on our consolidated results of operations, financial position or cash flows. In the future, we may be involved as a party to various legal proceedings, which are incidental to the ordinary course of business.

**Item 5. Other Information**

Effective August 6, 2007, Holdings, the sole member of our general partner, amended and restated our general partner's limited liability company agreement to restrict the fiduciary duties, if any, owed to our general partner or its members by certain persons in the same manner as fiduciary duties owed by our general partner to our limited partners are restricted under our partnership agreement. Generally, these persons are affiliates, members, partners, officers, directors, employees, agents or trustees of our general partner and affiliates of our general partner, as well as certain individuals serving in a managerial capacity with respect to another person at the request of our general partner or its affiliates.

**Item 6. Exhibits**

(a) Each of the following exhibits is filed herewith:

- 3.1 Second Amended and Restated Limited Liability Company Agreement of Cheniere Energy Partners GP, LLC dated as of August 6, 2007.
- 10.1 Change Orders 46, 47, 48 and 49 to Lump Sum Turnkey Engineering, Procurement and Construction Agreement dated December 18, 2004 between Sabine Pass LNG, L.P. and Bechtel Corporation (incorporated by reference to Exhibit 10.3 to Cheniere Energy, Inc.'s Quarterly Report on Form 10-Q (SEC File No. 001-16383), filed on August 8, 2007).
- 10.2 Change Order 5 to Engineer, Procure and Construct (EPC) LNG Unit Rate Soil Contract, dated July 21, 2006, between Sabine Pass LNG, L.P. and Remedial Construction Services, L.P. (incorporated by reference to Exhibit 10.4 to Cheniere Energy, Inc.'s Quarterly Report on Form 10-Q (SEC File No. 001-16383), filed on August 8, 2007).

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- 10.3 Change Order 4 to Agreement for Engineering, Procurement, Construction and Management of Construction Services for the Sabine Phase 2 Receiving, Storage and Regasification Terminal Expansion, dated July 21, 2006, between Sabine Pass LNG, L.P. and Bechtel Corporation (incorporated by reference to Exhibit 10.5 to Cheniere Energy, Inc.'s Quarterly Report on Form 10-Q (SEC File No. 001-16383), filed on August 8, 2007).
- 31.1 Certification by Chief Executive Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
- 31.2 Certification by Chief Financial Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHENIERE ENERGY PARTNERS, L.P.  
By: Cheniere Energy Partners GP, LLC,  
its general partner

/s/ Don A. Turkleson

\_\_\_\_\_  
Chief Financial Officer (on behalf of the registrant  
and as principal accounting officer)

Date: August 8, 2007

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**SECOND AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT  
OF  
CHENIERE ENERGY PARTNERS GP, LLC  
(a Delaware Limited Liability Company)  
August 6, 2007**

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**SECOND AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT  
OF  
CHENIERE ENERGY PARTNERS GP, LLC  
A Delaware Limited Liability Company**

This SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "*Agreement*") of CHENIERE ENERGY PARTNERS GP, LLC, a Delaware limited liability company (the "*Company*"), dated as of August 6, 2007, is adopted, executed and agreed to by Cheniere LNG Holdings, LLC, a Delaware limited liability company ("*Cheniere Holdings*"), as the sole Member of the Company.

**RECITALS**

1. The name of the Company is Cheniere Energy Partners GP, LLC.
2. The Company was originally formed as a Delaware limited liability company by the filing of a Certificate of Formation, dated as of November 21, 2006 (the "*Original Filing Date*"), with the Secretary of State of the State of Delaware, pursuant to the Delaware Limited Liability Company Act, with Cheniere Holdings as the sole Member.
3. The Limited Liability Company Agreement of the Company was executed effective November 21, 2006, by its sole Member, Cheniere Holdings (the "*Original Agreement*").
4. The Amended and Restated Limited Liability Company Agreement of the Company was executed effective March 26, 2007, by its sole Member, Cheniere Holdings (the "*Existing Agreement*").
5. Cheniere Holdings now deems it advisable to amend and restate the Existing Agreement in its entirety as set forth herein.

**ARTICLE I  
DEFINITIONS**

SECTION 1.01 Definitions. As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (unless otherwise expressly provided herein):

"*Act*" means the Delaware Limited Liability Company Act (Delaware General Corporations Code Sections 18-101, et seq.), as the same may be amended from time to time, and any corresponding provisions of succeeding law.

"*Adjusted Capital Account*" means, with respect to any Member, the balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amounts that such Member is obligated to restore pursuant to any provision of this Agreement or pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5); and

(ii) debit to such Capital Account the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Allocation Regulations and shall be interpreted consistently therewith.

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For the purposes of this definition, “**control**” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**Agreement**” means this Second Amended and Restated Limited Liability Company Agreement of Cheniere Energy Partners GP, LLC, as amended from time to time.

“**Allocation Regulations**” means Treasury Regulation Sections 1.704-1(b), 1.704-2 and 1.704-3 (including temporary regulations), as such regulations may be amended and in effect from time to time and any corresponding provisions of succeeding regulations.

“**AMEX**” has the meaning given such term in Section 6.02.

“**Applicable Law**” means (a) any United States federal, state, local or foreign law, statute, rule, regulation, order, writ, injunction, judgment, decree or permit of any Governmental Authority and (b) any rule or listing requirement of any applicable national securities exchange or listing requirement of any national securities exchange or Securities and Exchange Commission recognized trading market on which securities issued by the Partnership are listed or quoted.

“**Bankruptcy**” or “**Bankrupt**” means, with respect to any Person, that (a) such Person (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for such Person a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Applicable Law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person’s properties; or (b) a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Applicable Law has been commenced against such Person and 120 Days have expired without dismissal thereof or with respect to which, without such Person’s consent or acquiescence, a

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trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties has been appointed and 90 Days have expired without such appointment having been vacated or stayed, or 90 Days have expired after the date of expiration of a stay, if the appointment has not previously been vacated. The foregoing definition of "Bankruptcy" is intended to replace and shall supersede and replace the definition of "Bankruptcy" set forth in the Act.

"**Board**" has the meaning given such term in Section 6.01.

"**Business Day**" means any day other than a Saturday, Sunday or other day which is a nationally recognized holiday in the United States of America or when banks in New York, New York are authorized or required by Applicable Law to be closed.

"**Capital Account**" means, with respect to any Member, the account to be maintained by the Company for each Member in accordance with Section 4.04.

"**Capital Contribution**" means, with respect to any Member, the amount of money and the agreed fair value of any property (other than money) contributed to the Company by such Member in respect of the issuance of a Membership Interest to such Member. Any reference in this Agreement to the Capital Contribution of a Member shall include a Capital Contribution of its predecessors in interest.

"**Certificate**" means the Certificate of Formation of the Company as filed with the Secretary of State of the State of Delaware, as it shall be amended from time to time.

"**Cheniere Holdings**" means Cheniere LNG Holdings, LLC, a Delaware limited liability company, as the sole member of the Company.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a section of the Code shall include a reference to any amendatory or successor provisions thereto.

"**Common Units**" means the common units representing limited partner interests in the Partnership.

"**Company**" means Cheniere Energy Partners GP, LLC, a Delaware limited liability company.

"**Company Property**" means any and all property, both real and personal, tangible and intangible, whether contributed or otherwise acquired, owned by the Company.

"**Compensation Committee**" has the meaning given such term in Section 6.10(d).

"**Conflicts Committee**" has the meaning given such term in Section 6.10(c).

"**Contribution Agreement**" means the Contribution and Conveyance Agreement, dated as of March 26, 2007, among Cheniere Holdings, the Company, the Partnership and the other parties thereto.

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“**Day**” means a calendar day; *provided, however*, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the end of the next succeeding Business Day.

“**Director**” or “**Directors**” has the meaning given such term in Section 6.02.

“**Dissolution Event**” has the meaning given such term in Section 12.01(a).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**GAAP**” means generally accepted accounting principles as applied in the United States.

“**Governmental Authority**” or “**Governmental**” means any federal, state, local or foreign court or governmental or regulatory agency or authority or any arbitration board, tribunal or mediator having jurisdiction over the Company or its assets or Members.

“**Indemnitee**” means (a) any Person who is or was an Affiliate of the Company, (b) any Person who is or was a member, partner, officer, director, employee, agent or trustee of the Company or any Affiliate of the Company and (c) any Person who is or was serving at the request of the Company or any Affiliate of the Company as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; *provided, however*, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

“**Independent Director**” has the meaning given such term in Section 6.10(b).

“**Initial Capital Contribution**” means the initial contribution to the capital of the Company made by the Member pursuant to the Original Agreement.

“**Member**” means Cheniere Holdings as the sole member of the Company executing this Agreement and any Person hereafter admitted to the Company as a member as provided in this Agreement, but such term does not include any Person who has ceased to be a member in the Company.

“**Membership Interest**” means, with respect to any Member at any time, (a) that Member’s status as a Member; (b) that Member’s share of the income, gain, loss, deduction and credits of, and the right to receive distributions from, the Company; (c) all other rights, benefits and privileges enjoyed by that Member (under the Act, this Agreement or otherwise) in its capacity as a Member, including that Member’s rights to vote, consent and approve and otherwise to participate in the management of the Company; and (d) all obligations, duties and liabilities imposed on that Member (under the Act, this Agreement or otherwise) in its capacity as a Member, including any obligations to make Capital Contributions.

“**Officer**” means any person elected as an officer of the Company as provided in Section 7.01, but such term does not include any person who has ceased to be an officer of the Company.

“**Original Filing Date**” has the meaning given such term in the Recitals.

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“**Partnership**” means Cheniere Energy Partners, L.P., a Delaware limited partnership, and any successors thereto.

“**Partnership Agreement**” means the First Amended and Restated Agreement of Limited Partnership of the Partnership, dated March 26, 2007, as amended from time to time, or any successor agreement.

“**Person**” means any natural person, partnership, corporation, limited liability company, association, joint-stock company, unincorporated organization, joint venture, trust, court, Governmental Authority or any political subdivision thereof, or any other legal entity.

“**Registered Public Accountants**” means a firm of independent registered certified public accountant selected from time to time by the Board.

“**Sharing Ratio**” means, subject in each case to adjustments in accordance with this Agreement, (a) in the case of a Member executing this Agreement as of the date of this Agreement or a Person acquiring such Member’s Membership Interest, the percentage specified for that Member as its Sharing Ratio on Exhibit A, and (b) in the case of Membership Interests issued pursuant to Section 3.01, the Sharing Ratio established pursuant thereto; *provided, however*, that the total of all Sharing Ratios shall always equal 100%.

“**Tax Matters Member**” has the meaning given such term in Section 10.03.

“**Term**” has the meaning given such term in Section 2.05.

“**Treasury Regulations**” means the regulations (including temporary regulations) promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute, temporary or final, Treasury Regulations.

SECTION 1.02 Construction.

Unless the context requires otherwise, (a) the gender of all words used in this Agreement includes the masculine, feminine and neuter; (b) the singular forms of nouns, pronouns and verbs shall include the plural and vice versa; (c) all references to Articles and Sections refer to articles and sections in this Agreement, each of which is made a part for all purposes; (d) all references to Applicable Laws refer to such Applicable Laws as they may be amended from time to time, and references to particular provisions of an Applicable Law include any corresponding provisions or any succeeding Applicable Law; (e) references to money refer to the legal currency of the United States of America; and (f) the term “include” or “includes” means includes, without limitation, and “including” means including, without limitation.

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**ARTICLE II  
ORGANIZATION**

**SECTION 2.01 Formation.**

The Company was formed as a Delaware limited liability company by the filing of the Certificate, dated as of the Original Filing Date, with the Secretary of State of Delaware pursuant to the Act.

**SECTION 2.02 Name.**

The name of the Company is "*Cheniere Energy Partners GP, LLC*" and all Company business must be conducted in that name or such other names that comply with Applicable Law as the Directors may select.

**SECTION 2.03 Registered Office; Registered Agent; Principal Office.**

The name of the Company's registered agent for service of process is Corporation Services Company, and the address of the Company's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The principal place of business of the Company shall be located at 700 Milam Street, Suite 800, Houston, Texas 77002. The Members may change the Company's registered agent or the location of the Company's registered office or principal place of business as the Members may from time to time determine. The Company may have such other offices as the Members may designate.

**SECTION 2.04 Purposes.**

The purposes of the Company are to act as the general partner of the Partnership as described in the Partnership Agreement and to engage in any lawful business or activity ancillary or related thereto. The Company shall possess and may exercise all of the powers and privileges granted by the Act, by any other Applicable Law or by this Agreement, together with any powers incidental thereto, including such powers and privileges as are necessary or appropriate to the conduct, promotion or attainment of the businesses, purposes or activities of the Company.

**SECTION 2.05 Term.**

The period of existence of the Company (the "*Term*") commenced on the Original Filing Date and shall end at such time as a certificate of cancellation is filed with the Secretary of State of the State of Delaware in accordance with Section 12.04.

**SECTION 2.06 No State Law Partnership.**

It is intended that the Company shall be a limited liability company formed under the Applicable Laws of the State of Delaware and shall not be a partnership (including a limited partnership) or joint venture, and that no Member shall be a partner or joint venturer of any other party for any purposes other than federal, state, local and foreign income tax purposes, and this Agreement may not be construed to suggest otherwise.

SECTION 2.07 Title to Company Assets.

Title to Company assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member shall have any ownership interest in such Company assets or portion thereof.

SECTION 2.08 Liability of Members, Directors And Officers

No Member, Director or Officer, solely by reason of being a Member, Director or Officer, shall be liable, under a judgment, decree or order of a court, or in any other manner, for a debt, obligation or liability of the Company or the Partnership, whether arising in contract, tort or otherwise, for the acts or omissions of any other Member, Director, Officer, agent or employee of the Company or its Affiliates. The failure of the Company (acting in its own capacity or as the general partner of the Partnership) to observe any formalities or requirements relating to the exercise of its powers or management of its (or the Partnership's) business or affairs shall not be grounds for imposing liability for any such debts, obligations or liabilities of the Company or the Partnership.

**ARTICLE III  
MEMBERSHIP**

SECTION 3.01 Membership Interests: Additional Members.

Cheniere Holdings is the sole initial Member of the Company, as reflected on Exhibit A hereto. Additional Person(s) may be admitted to the Company as Members upon the unanimous approval of the existing Members, without any approval of the Board, on such terms and conditions as the Members determine at the time of such admission. The terms of admission or issuance must specify the Sharing Ratios applicable thereto and may provide for the creation of different classes or groups of Members having different rights, powers and duties. The Members may reflect the creation of any new class or group in an amendment to this Agreement, executed in accordance with Section 14.05, indicating the different rights, powers and duties thereof. Any such amendment shall be approved and executed by the Members. Any such admission is effective only after such new Member has executed and delivered to the Members and the Company an instrument containing the notice address of the new Member and such new Member's ratification of this Agreement and agreement to be bound by it. Upon the admission of a new Member, Exhibit A will be updated to reflect such admission.

SECTION 3.02 Access To Information.

Each Member shall be entitled to receive any information that it may request concerning the Company *provided, however*, that this Section 3.02 shall not obligate the Company to create any information that does not already exist at the time of such request (other than to convert existing information from one medium to another, such as providing a printout of information that is stored in a computer database). Each Member shall also have the right, upon reasonable notice and at all reasonable times during usual business hours, to inspect the properties of the Company and to audit, examine and make copies of the books of account and other records of the Company. Such right may be exercised through any agent or employee of such Member designated in writing by it or by an independent public accountant, engineer, attorney or other

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consultant so designated. All costs and expenses incurred in any inspection, examination or audit made on such Member's behalf shall be borne by such Member.

SECTION 3.03 Liability.

Except as otherwise required under the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member or beneficial owner of any Membership Interest shall be personally liable for or otherwise obligated with respect to any such debt, obligation or liability of the Company by reason of being a Member or beneficial owner of such Membership Interest. The Members and beneficial owners agree that their rights, duties and obligations in their capacities as Members and beneficial owners are only as set forth in this Agreement and as otherwise arise under the Act. Furthermore, the Members and beneficial owners agree that the existence of any rights of a Member or beneficial owner, or the exercise or forbearance from exercise of any such rights shall not create any duties or obligations of the Member or beneficial owner in their capacities as such, nor shall such rights be construed to enlarge or otherwise alter in any manner the duties and obligations of the Member or beneficial owner.

**ARTICLE IV  
CAPITAL CONTRIBUTIONS**

SECTION 4.01 Initial Capital Contributions.

At the time of the formation of the Company, as reflected on Exhibit A, Cheniere Holdings made a Capital Contribution in the amount of \$1,000.00 in exchange for all of the Membership Interests in the Company. In addition, on March 26, 2007, Cheniere Holdings made such additional Capital Contributions to the Company as are described in the Contribution Agreement. Upon the admission of a subsequent Member, Exhibit A shall be updated to reflect the Capital Contribution attributable to such Member. After admission as a Member, no Member shall be obligated to make any additional capital contributions to the Company.

SECTION 4.02 Loans.

If the Company does not have sufficient cash to pay its obligations, any Member may advance all or part of the needed funds to or on behalf of the Company. An advance described in this Section 4.02 constitutes a loan from the Member to the Company, shall bear interest at a rate comparable to the rate the Company could obtain from third parties, from the date of the advance until the date of payment, and is not a Capital Contribution.

SECTION 4.03 Return of Contributions.

Except as expressly provided herein, no Member is entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions.

SECTION 4.04 Capital Accounts.

A Capital Account shall be established and maintained for each Member in accordance with Treasury Regulation Section 1.704-1(b)*et. seq.*, as such regulations may be amended and in effect from time to time and any corresponding provisions of succeeding regulations.

**ARTICLE V  
DISTRIBUTIONS AND ALLOCATIONS**

SECTION 5.01 Allocations for Capital Account Purposes.

(a) Except as otherwise set forth in Section 5.01(b), for purposes of maintaining the Capital Accounts and in determining the rights of the Members among themselves, the Company's items of income, gain, loss and deduction shall be allocated and charged to the Members in accordance with their respective Sharing Ratios.

(b) The following special allocations shall be made prior to making any allocations provided for in 5.01(a) above:

(i) *Qualified Income Offset.* Except as provided in Section 5.01(b)(ii) hereof, in the event any Member receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Company income and gain shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Allocation Regulations, the deficit balance, if any, in such Member's Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible.

(ii) *Nonrecourse Debt Allocations.* Notwithstanding any other provision of this Section 5.01, each Member shall be allocated items of Company income and gain in each fiscal year as necessary, in the Board's discretion, to comply with the Allocation Regulations relating to nonrecourse debt.

(iii) *Gross Income Allocations.* In the event any Member has a deficit balance in such Member's Adjusted Capital Account at the end of any Company taxable period, such Member shall be specially allocated items of Company gross income and gain in the amount of such excess as quickly as possible; *provided, however*, that an allocation pursuant to this Section 5.01(b)(iii) shall be made only if and to the extent that such Member would have a deficit balance in such Member's Adjusted Capital Account after all other allocations provided in this Section 5.01 have been tentatively made as if Section 5.01(b)(iii) were not in the Agreement.

(iv) *Code Section 754 Adjustment.* To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to the Allocation Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially

allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to the Allocation Regulations.

(v) *Curative Allocation*. The special allocations set forth in Section 5.01(b)(i), (ii) and (iii) (the "**Regulatory Allocations**") are intended to comply with the Allocation Regulations. Notwithstanding any other provisions of this Section 5.01, the Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Members such that, to the extent possible, the net amount of allocations of such items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each Member if the Regulatory Allocations had not occurred.

SECTION 5.02 Distributions.

Except as otherwise provided in Section 12.02, cash may be distributed at such time and in such amounts as the Board shall determine to the Members in accordance with their respective Sharing Ratios. Such distributions shall be made concurrently to the Members as reflected on the books of the Company on the date set for purposes of such distribution.

SECTION 5.03 Varying Interests.

All items of income, gain, loss, deduction or credit shall be allocated, and all distributions shall be made, to the Persons shown on the records of the Company to have been Members as of the last calendar day of the period for which the allocation or distribution is to be made. Notwithstanding the foregoing, if during any taxable year there is a change in any Member's Sharing Ratio, the Members agree that their allocable shares of such items for the taxable year shall be determined on any method determined by the Members in their sole discretion to be permissible under Code Section 706 and the related Treasury Regulations to take account of the Members' varying Sharing Ratios.

SECTION 5.04 Limitations on Distributions.

No distribution shall be declared and paid unless, if after the distribution is made, the value of assets of the Company would exceed the liabilities of the Company, except liabilities to the Members on account of their Capital Contributions. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of its interest in the Company if such distribution would violate any Applicable Law.

**ARTICLE VI  
MANAGEMENT**

SECTION 6.01 Management by Board of Directors.

The business and affairs of the Company shall be fully vested in, and managed by, a Board of Directors (the "**Board**") and, subject to the discretion of the Board, Officers elected pursuant to Article VII. The Directors and Officers shall collectively constitute "managers" of the Company within the meaning of the Act. Except as otherwise specifically provided in this Agreement, no Member, by virtue of having the status of a Member, shall have or attempt to

exercise or assert any management power over the business and affairs of the Company or shall have or attempt to exercise or assert actual or apparent authority to enter contracts on behalf of, or to otherwise bind, the Company. Except as otherwise provided in this Agreement, the authority and functions of the Board, on the one hand, and of the Officers, on the other hand, shall be identical to the authority and functions of the board of directors and officers, respectively, of a corporation organized under the General Corporation Law of the State of Delaware. The Officers shall be vested with such powers and duties as are set forth in Article VII and as are specified by the Board. Accordingly, except as otherwise specifically provided in this Agreement, the business and affairs of the Company shall be managed under the direction of the Board, and the day-to-day activities of the Company shall be conducted on the Company's behalf by the Officers who shall be agents of the Company.

SECTION 6.02 Number; Qualification; Tenure.

The number of directors constituting the Board shall not be less than one (1) nor more than nine (9) (each a "**Director**" and, collectively, the "**Directors**"), unless otherwise fixed from time to time pursuant to a resolution adopted by the Members. A Director need not be a Member nor a resident of the State of Delaware. Each Director shall be elected or approved by the Members at an annual meeting of the Members and shall serve as a Director of the Company for a term of one year (or their earlier death or removal from office) or until their successors are elected and qualified. The Board in its discretion may elect from among the Directors a chairman of the Board of Directors who shall preside at meetings of the Directors.

The Directors of the Company, as of the date of this Agreement, shall be Charif Souki, Stanley C. Horton, Don A. Turkleson, Meg Gentle, Robert J. Sutcliffe, Lon McCain and Walter L. Williams. The Members shall appoint one additional Independent Director within one year of the listing of the Common Units on the American Stock Exchange, LLC (the "**AMEX**") or within such other time period as may be required by the AMEX.

SECTION 6.03 Regular Meetings.

Regular meetings of the Board shall be held at such time and place as shall be designated from time to time by resolution of the Board. Notice of such regular meetings shall not be required.

SECTION 6.04 Annual Meetings.

Annual meetings of the Board shall be held, without further notice, immediately following the annual meeting of the Members, and at the same place, or at such other time and place as shall be fixed with the consent in writing of all of the Directors.

SECTION 6.05 Special Meetings.

A special meeting of the Board or any committee thereof may be called by any member of the Board or a committee thereof on at least three (3) days notice to the other members of such Board or committee, either personally or by mail, telephone, telegraph or electronic mail. Any such notice, or waiver thereof, need not state the purpose of such meeting, except for amendments to this Agreement and as may otherwise be required by Applicable Law.

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Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where such Director attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

SECTION 6.06 Action By Consent of Board or Committee of Board.

Subject to Article XIV, and to the extent permitted by Applicable Law, any action required or permitted to be taken at a meeting of the Board or any committee thereof may be taken without a meeting, without prior notice and without a vote, so long as a consent or consents in writing, setting forth the action so taken, are signed by at least as many members of, and the types of members of, the Board or committee thereof as would have been required to take such action at a meeting of the Board or such committee thereof.

SECTION 6.07 Conference Telephone Meetings.

Directors or members of any committee of the Board may participate in and hold a meeting of the Board or such committee by means of conference telephone, video conference or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

SECTION 6.08 Quorum.

A majority of all Directors, present in person or participating in accordance with Section 6.07, shall constitute a quorum for the transaction of business, unless a greater number is required by Applicable Law; but if at any meeting of the Board there shall be less than a quorum present, a majority of the Directors present may adjourn the meeting from time to time, without notice, other than announcement at the meeting, until a quorum shall be present. Except as otherwise required by Applicable Law, all decisions of the Board, or any committee thereof, shall require the affirmative vote of a majority of the members of the Board, or any committee thereof, respectively, present at a meeting duly called in accordance with this Article VI. The Directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum.

SECTION 6.09 Vacancies; Increases in the Number of Directors.

Vacancies and newly created directorships resulting from any increase in the number of Directors shall be filled by the Members in their sole discretion. Any Director so chosen shall hold office until the next annual election and until his successor shall be duly elected and shall qualify, unless sooner displaced.

SECTION 6.10 Committees.

(a) The Board may establish committees of the Board and may delegate any of its responsibilities, except as otherwise prohibited by Applicable Law, to such committees.

(b) The Board shall have an audit committee (the "**Audit Committee**") consisting of three Directors, all of whom shall be Independent Directors (as defined in this Section 6.10(b)).

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Such Audit Committee shall establish a written audit committee charter in accordance with the rules of the AMEX (or such other national securities exchange or quotation service on which the Common Units may be listed), as amended from time to time. “**Independent Director**” shall mean a Director meeting the standards required of directors who serve on an audit committee of a board of directors established by (i) the Exchange Act and the rules and regulations of the Securities and Exchange Commission thereunder and (ii) the AMEX (or such other national securities exchange or quotation service on which the Common Units may be listed).

(c) The Board shall have a conflicts committee (the “**Conflicts Committee**”) consisting of two or more Directors, all of whom shall be Independent Directors and none of whom shall be (i) security holders, officers or employees of the Company, (ii) officers, directors or employees of any Affiliate of the Company or (iii) holders of any ownership interest in the Partnership or any of its subsidiaries other than Common Units. The Conflicts Committee shall function in the manner described in the Partnership Agreement.

(d) The Board may elect to have a compensation committee (the “**Compensation Committee**”) comprised of three Directors, all of whom shall be Independent Directors. Such Compensation Committee shall establish a written compensation committee charter in accordance with the applicable rules of AMEX (or such other national securities exchange or quotation service on which the Common Units may be listed), as amended from time to time.

(e) A majority of any committee, present in person or participating in accordance with Section 6.07, shall constitute a quorum for the transaction of business of such committee, and the affirmative vote of a majority of the committee members present shall be necessary for the adoption by it of any resolution, unless the affirmative vote of a majority of the members of any such committee is required by Applicable Law or otherwise.

(f) A majority of any committee may determine its action and fix the time and place of its meetings unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 14.02. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee.

(g) Any committee designed pursuant to this Section 6.10 shall choose its own chairman and keep regular minutes of its proceedings and report the same to the Board when requested.

(h) The Board may designate one or more Directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of such committee; *provided, however*, that any such designated alternate of the Audit and Conflicts Committee must meet the standards for an Independent Director. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of the absent or disqualified member; *provided, however*, that any such replacement member of the Audit and Conflicts Committee must meet the standards for an Independent Director.

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Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not Directors *provided, however,* that no such committee shall have or may exercise any authority of the Board.

**SECTION 6.11 Resignation or Removal.**

Any Director may resign at any time upon written notice to the Board or any Director or Officer of the Company. Such resignation shall take effect at the time specified in such written notice, and unless otherwise specified therein, no acceptance of such resignation shall be necessary to make it effective.

Any Director or the entire Board may be removed at any time, with or without cause, by the Members.

Vacancies in the Board caused by any such resignation or removal shall be filled in accordance with Section 6.09.

**SECTION 6.12 Compensation.**

The members of the Board who are neither Officers nor employees of the Company or any affiliate thereof shall be entitled to compensation for their service as directors and committee members at rates established from time to time by resolution of the Board and shall be reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the Board or committees thereof.

**ARTICLE VII  
OFFICERS**

**SECTION 7.01 Elected Officers.**

The Officers of the Company shall serve at the pleasure of the Board. Such Officers shall have the authority and duties delegated to each of them, respectively, by the Board from time to time. No Officer need be a Member or Director. Any number of Offices may be held by the same Person. The Officers of the Company shall be a Chairman of the Board, a Chief Executive Officer, a Chief Financial Officer, a Secretary, a Treasurer and such other officers (including, without limitation, a President, a Chief Operating Officer, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents) as the Board from time to time may deem proper.

The Chairman of the Board shall be chosen from among the Directors. All Officers elected by the Board shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article VII and shall perform such additional duties as the Board may, from time to time, delegate to them. The Board or any committee thereof may from time to time elect or appoint, as the case may be, such other Officers (including one or more Vice Presidents, Controllers, Assistant Secretaries and Assistant Treasurers) and agents, as may be necessary or desirable for the conduct of the business of the Company. Such other Officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in this Agreement or as may be prescribed by the Board or such committee, as the case may be.

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SECTION 7.02 Election and Term of Office.

The names and titles of the Officers of the Company, as of the date of this Agreement, are set forth on Exhibit B hereto. Thereafter, the Officers of the Company shall be elected annually by the Board at the regular meeting of the Board held after the annual meeting of the Members or at such time and for such term as the Board shall determine. Each Officer shall hold office until such Person's successor shall have been duly elected and shall have qualified or until such Person's death or until he or she shall resign or be removed pursuant to Section 7.14.

SECTION 7.03 Chairman of the Board.

The Chairman of the Board shall preside at all meetings of the Board. If the Chairman is unable to preside at a meeting of the Board and the Chief Executive Officer is also unable to preside at such meeting pursuant to Section 7.04, then the Directors may appoint another Director to preside at such meeting. The Directors also may elect a Vice-Chairman to act in the place of the Chairman upon his absence or inability to act.

SECTION 7.04 Chief Executive Officer.

The Chief Executive Officer shall be responsible for the general management of the affairs of the Company and shall perform all duties incidental to such Person's office that may be required by Applicable Law and all such other duties as are properly required of him or her by the Board. The Chief Executive Officer shall supervise generally the affairs of the Company, its other Officers, employees and agents and may take all actions that the Company may legally take. He or she shall make reports to the Board and the Members and shall see that all orders and resolutions of the Board and of any committee thereof are carried into effect. The Chief Executive Officer shall have full authority to execute all deeds, mortgages, bonds, contracts, documents or other instruments, except in cases where the execution thereof shall be expressly delegated by the Board to some other Officer or agent of the Company or shall be required by Applicable Law to be otherwise executed. The Chairman of the Board may serve in the capacity of Chief Executive Officer. If the Chairman of the Board does not so serve, then the Chief Executive Officer, if he or she is also a Director, shall, in the absence of or because of the inability of the Chairman of the Board to act, perform all duties of the Chairman of the Board and preside at all meetings of the Board.

SECTION 7.05 President.

The Chief Executive Officer may serve in the capacity as President. If the Chief Executive Officer does not so serve, then the President shall assist the Chief Executive Officer in the administration and operation of the Company's business and general supervision of its policies and affairs. The President shall have full authority to execute all deeds, mortgages, bonds, contracts, documents or other instruments, except in cases where the execution thereof shall be expressly delegated by the Board to some other Officer or agent of the Company or shall be required by Applicable Law to be otherwise executed. In the absence of the Chairman of the Board and a Chief Executive Officer, the President, if he or she is also a Director, shall preside at all meetings of the Board.

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SECTION 7.06 Chief Financial Officer.

The Chief Financial Officer shall be responsible for financial reporting for the Company and shall perform all duties incidental to such Person's office that may be required by Applicable Law and all such other duties as are properly required by of him or her by the Board. He or she shall make reports to the Board and shall see that all orders and resolutions of the Board and any committee thereof relating to financial reporting are carried into effect. He or she shall also render to the Board or the Chief Executive Officer, whenever any of them request it, an account of all of his or her transactions as Chief Executive Officer and of the financial condition of the Company. The Chief Financial Officer shall have the same power as the Chief Executive Officer to execute documents on behalf of the Company.

SECTION 7.07 Chief Operating Officer.

The Chief Operating Officer of the Company shall assist the President and Chief Executive Officer in the administration and operation of the Company's business and general supervision of its policies and affairs.

SECTION 7.08 Vice Presidents.

Each Executive Vice President and Senior Vice President and any Vice President shall have such powers and shall perform such duties as may from time to time be assigned to him or her by the Board, the President or the Chief Executive Officer.

SECTION 7.09 Treasurer.

(a) The Treasurer shall exercise general supervision over the receipt, custody and disbursement of Company funds. The Treasurer shall, in general, perform all duties incident to the office of Treasurer and shall have such further powers and duties and shall be subject to such directions as may be granted or imposed from time to time by the Board and the Chief Financial Officer.

(b) Assistant Treasurers shall have such authority and perform such duties of the Treasurer as may be provided in this Agreement or assigned to them by the Board or the Treasurer. Assistant Treasurers shall assist the Treasurer in the performance of the duties assigned to the Treasurer and, in assisting the Treasurer, each Assistant Treasurer shall for such purpose have the powers of the Treasurer. During the Treasurer's absence or inability or refusal to act, the Treasurer's authority and duties shall be possessed by such Assistant Treasurer or Assistant Treasurers as the Board may designate.

SECTION 7.10 Secretary.

(a) The Secretary shall keep or cause to be kept, in one or more books provided for that purpose, the minutes of all meetings or actions of the Board, the committees of the Board and the Members. The Secretary shall (i) see that all notices are duly given in accordance with the provisions of this Agreement and as required by Applicable Law; (ii) be custodian of the records and the seal of the Company and affix and attest the seal to all documents to be executed on behalf of the Company under its seal; (iii) see that the books, reports, statements, certificates

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and other documents and records required by Applicable Law to be kept and filed are properly kept and filed; and (iv) in general, perform all of the duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board.

(b) Assistant Secretaries shall have such authority and perform such duties of the Secretary as may be provided in this Agreement or assigned to them by the Board or the Secretary. Assistant Secretaries shall assist the Secretary in the performance of the duties assigned to the Secretary, and in assisting the Secretary, each Assistant Secretary shall for such purpose have the powers of the Secretary. During the Secretary's absence or inability or refusal to act, the Secretary's authority and duties shall be possessed by such Assistant Secretary or Assistant Secretaries as the Board may designate.

SECTION 7.11 Powers of Attorney.

The Company may grant powers of attorney or other authority as appropriate to establish and evidence the authority of the Officers and other Persons.

SECTION 7.12 Delegation of Authority.

Unless otherwise provided by this Agreement or by resolution of the Board, no Officer shall have the power or authority to delegate to any Person such Officer's rights and powers as an Officer to manage the business and affairs of the Company.

SECTION 7.13 Compensation and Expenses.

The salaries or other compensation, if any, of the Officers and agents of the Company shall be fixed from time to time by the Board *provided, however*, that no such Officer or agent shall have any contractual rights against the Company for compensation by virtue of such election or appointment beyond the date of the election or appointment of such Person's successor, such Person's death, such Person's resignation or such Person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

The Officers and agents shall be entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of their service hereunder.

SECTION 7.14 Removal.

Any Officer elected, or agent appointed, by the Board may be removed, either with or without cause, by the affirmative vote of a majority of the Board whenever, in their judgment, the best interests of the Company would be served thereby.

SECTION 7.15 Vacancies.

A newly created elected office and a vacancy in any elected office because of death, resignation or removal may be filled by the Board for the unexpired portion of the term at any meeting of the Board.

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**ARTICLE VIII  
MEMBER MEETINGS**

**SECTION 8.01 Meetings.**

Except as otherwise provided in this Agreement, all acts of the Members to be taken hereunder shall be taken in the manner provided in this Article VIII. An annual meeting of the Members for the election of Directors and the transaction of such other business as may properly come before the meeting shall be held at such time and place as the Board shall specify from time to time. Special meetings of the Members may be called by the Board or by any Member. A Member shall call a meeting by delivering to the Board one or more requests in writing stating that the signing Member wishes to call a meeting and indicating the general or specific purposes for which the meeting is to be called.

**SECTION 8.02 Notice of a Meeting.**

Notice of a meeting called pursuant to Section 8.01 shall be given to the Members in writing by mail or other means of communication in accordance with Section 14.02. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of communication.

Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, except where a Member attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**SECTION 8.03 Action by Consent of Members.**

Notwithstanding any provision contained in this Article VIII, any action that may be taken at a meeting of the Members may be taken without a meeting if a written consent setting forth such action is signed by the Members holding not less than the minimum percentage of the Membership Interests that would be necessary to authorize or take such action at a meeting at which all of the Members entitled to vote on such matter were present and voted.

**SECTION 8.04 Member Vote.**

Unless a provision of this Agreement specifically provides otherwise, any provision of this Agreement requiring the authorization of, or action taken by, the Members shall require the approval of the Members holding a majority of the Membership Interests.

**SECTION 8.05 Election of Directors.**

Directors of the Company shall be elected by Members holding a majority of the Membership Interests.

**SECTION 8.06 In the Event of a Sole Member.**

Notwithstanding any other provision of this Agreement, at any time at which there is only a single Person serving as a Member of the Company, any provision herein that requires a

Member to make a delivery to, or to obtain the consent of, the other Members of the Company shall be disregarded until such time as an additional Person is admitted as Member of the Company.

**ARTICLE IX  
INDEMNIFICATION OF DIRECTORS,  
OFFICERS, EMPLOYEES AND AGENTS**

**SECTION 9.01 Indemnification.**

(a) To the fullest extent permitted by law, but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, whether joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of the Indemnitee's serving or having served, or taking or having taken any action or inaction in, any capacity that causes or caused the Indemnitee to be an Indemnitee; *provided, however*, that the Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 9.01, the Indemnitee acted in bad faith, engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was unlawful. Any indemnification pursuant to this Section 9.01 shall be made only out of the assets of the Company, it being agreed that the Members shall not be liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 9.01(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding, upon receipt by the Company of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 9.01.

(c) The indemnification provided by this Section 9.01 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Company may purchase and maintain insurance on behalf of the Company, its Affiliates, the Board, the Officers and such other Persons as the Board shall determine, against any liability that may be asserted against, or expense that may be incurred by, such

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Person in connection with the Company's activities or such Person's activities on behalf of the Company, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 9.01, (i) the Company shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by the Indemnitee of its duties to the Company also imposes duties on, or otherwise involves services by, the Indemnitee to the plan or participants or beneficiaries of the plan; (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to Applicable Law shall constitute "fines" within the meaning of Section 9.01(a); and (iii) action taken or omitted by the Indemnitee with respect to any employee benefit plan in the performance of the Indemnitee's duties for a purpose reasonably believed by such Indemnitee to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Company.

(f) An Indemnitee shall not be denied indemnification in whole or in part under this Section 9.01 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(g) The provisions of this Section 9.01 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(h) No amendment, modification or repeal of this Section 9.01 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Company, nor the obligations of the Company to indemnify any such Indemnitee under and in accordance with the provisions of this Section 9.01 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(i) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Company, the Members or any other Persons who have acquired membership interests in the Company, for losses sustained or liabilities incurred as a result of any act or omission of an Indemnitee unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnitee acted in bad faith or engaged in fraud, willful misconduct or, in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was criminal.

(j) Subject to its obligations and duties as set forth in Article VI, the Board and any committee thereof may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through the Company's Officers or agents, and neither the Board nor any committee thereof shall be responsible for any misconduct or negligence on the part of any such Officer or agent appointed by the Board or any committee thereof in good faith.

(k) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Company, such Indemnitee, acting in connection with the Company's business or affairs, shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Indemnitee.

(l) Any amendment, modification or repeal of subsections (i), (j) (k) or (l) of this Section 9.01 shall be prospective only and shall not in any way affect the limitations on liability under such subsections as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

## **ARTICLE X TAXES**

### **SECTION 10.01 Tax Returns.**

The Tax Matters Member of the Company (as defined in Section 10.03) shall prepare and timely file (on behalf of the Company) all federal, state, local and foreign tax returns required to be filed by the Company. Each Member shall furnish to the Company all pertinent information in its possession relating to the Company's operations that is necessary to enable the Company's tax returns to be timely prepared and filed. The Company shall bear the costs of the preparation and filing of its returns.

### **SECTION 10.02 Tax Elections.**

(a) The Company shall make the following elections on the appropriate tax returns:

(i) to adopt the calendar year as the Company's fiscal year;

(ii) to adopt the accrual method of accounting;

(iii) if a distribution of the Company's property as described in Section 734 of the Code occurs, or upon a transfer of Membership Interest as described in Section 743 of the Code occurs, on request by notice from any Member, to elect, pursuant to Section 754 of the Code, to adjust the basis of the Company's properties; and

(iv) any other election that the Members, in their sole discretion, may deem appropriate.

(b) Neither the Company nor any Member shall make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state, local or foreign law, and no provision of this Agreement (including Section 2.06) shall be construed to sanction or approve such an election.

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SECTION 10.03 Tax Matters Member.

Cheniere Holdings shall be the “tax matters partner” of the Company pursuant to Code Section 6231(a)(7) (the “*Tax Matters Member*”). Any cost or expense incurred by the Tax Matters Member in connection with its duties, including the preparation for or pursuance of administrative or judicial proceedings, shall be paid by the Company. The Tax Matters Member shall take all actions with respect to taxes (including, but not limited to, (a) making, changing or revoking a material tax election, (b) taking a significant position in any tax return, (c) settling or otherwise resolving any audit or other proceeding relating to taxes and (d) extending the statute of limitations with respect to taxes) in its sole discretion.

**ARTICLE XI  
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS**

SECTION 11.01 Maintenance of Books.

(a) The Board shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the Members, appropriate registers, books of records and accounts and such supporting documentation of transactions as may be necessary for the proper conduct of the business of the Company and as are required to be maintained by Applicable Law.

(b) The books of account of the Company shall be (i) maintained on the basis of a fiscal year that is the calendar year, (ii) maintained on an accrual basis in accordance with GAAP, consistently applied and (iii) audited by the Registered Public Accountants at the end of each calendar year.

SECTION 11.02 Reports.

With respect to each calendar year, the Board shall prepare, or cause to be prepared, and deliver, or cause to be delivered, to each Member such reports, forecasts, studies, budgets and other information as the Members may reasonably request from time to time.

SECTION 11.03 Bank Accounts.

Funds of the Company shall be deposited in such banks or other depositories as shall be designated from time to time by the Board. All withdrawals from any such depository shall be made only as authorized by the Board and shall be made only by check, wire transfer, debit memorandum or other written instruction.

**ARTICLE XII  
DISSOLUTION, WINDING-UP, TERMINATION AND CONVERSION**

SECTION 12.01 Dissolution.

(a) The Company shall dissolve and its affairs shall be wound up on the first to occur of the following events (each, a “*Dissolution Event*”):

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(i) the unanimous consent of the Board; or

(ii) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

(b) No other event shall cause a dissolution of the Company.

(c) Upon the occurrence of any event that causes there to be no Members of the Company, to the fullest extent permitted by law, the personal representative of the last remaining Member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of the last remaining Member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute Member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining Member in the Company.

(d) Notwithstanding any other provision of this Agreement, the Bankruptcy of a Member shall not cause such Member to cease to be a member of the Company and, upon the occurrence of such an event, the Company shall continue without dissolution.

SECTION 12.02 Winding-Up and Termination.

(a) On the occurrence of a Dissolution Event of the type described in Section 12.01, the Board shall select one or more Persons to act as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of winding up shall be borne as a Company expense. Until final distribution, the liquidator shall continue to operate the Company properties with all of the power and authority of the Board. The steps to be accomplished by the liquidator are as follows:

(i) as promptly as possible after dissolution and again after final winding up, the liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last Day of the month in which the dissolution occurs or the final winding up is completed, as applicable;

(ii) the liquidator shall discharge from Company funds all of the debts, liabilities and obligations of the Company (including all expenses incurred in winding up) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine); and

(iii) all remaining assets of the Company shall be distributed to the Members as follows:

(A) the liquidator may sell any or all Company Property, including to Members, and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Members in accordance with the provisions of Article V;

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(B) with respect to all Company Property that has not been sold, the fair market value of that property shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(C) Company Property (including cash) shall be distributed to the Members in accordance with their relative positive Capital Account balances after the allocations pursuant to Section 5.01 have been made.

(b) The distribution of cash or property to a Member in accordance with the provisions of this Section 12.02 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all of the Company's property and constitutes a compromise to which all Members have consented pursuant to Section 18-502(b) of the Act. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

SECTION 12.03 Deficit Capital Accounts.

No Member will be required to pay to the Company, to any other Member or to any third party any deficit balance that may exist from time to time in the Member's Capital Account.

SECTION 12.04 Certificate of Cancellation.

Upon completion of the distribution of Company assets as provided herein, the Members (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation with the Secretary of State of the State of Delaware and take such other actions as may be necessary to terminate the existence of the Company. Upon the filing of such certificate of cancellation, the existence of the Company shall terminate (and the Term shall end), except as may be otherwise provided by the Act or by Applicable Law.

**ARTICLE XIII  
TRANSFER OF MEMBERSHIP INTEREST**

The Member may sell, assign or otherwise transfer all or any portion of the Member's Membership Interest at any time to any Person.

**ARTICLE XIV  
GENERAL PROVISIONS**

SECTION 14.01 Offset.

Whenever the Company is to pay any sum to any Member, any amounts that Member owes the Company may be deducted from that sum before payment.

SECTION 14.02 Notices.

Except as expressly set forth to the contrary in this Agreement, all notices, demands, requests, consents, approvals or other communications required or permitted to be given hereunder or that are given with respect to this Agreement shall be in writing and shall be personally served, delivered by reputable air courier service with charges prepaid, or transmitted by hand delivery, telegram, telex, facsimile or electronic mail, addressed as set forth below, or to such other address as such party shall have specified most recently by written notice. Notice shall be deemed given on the date of service or transmission if personally served or transmitted by telegram, telex, facsimile or electronic mail. Notice otherwise sent as provided herein shall be deemed given upon delivery of such notice:

To the Company:

Cheniere Energy Partners GP, LLC  
700 Milam Street, Suite 800  
Houston, Texas 77002  
Attn: President  
Telephone: (713) 375-5000  
Fax: (713) 375-6000

To Cheniere LNG Holdings, LLC:

Cheniere LNG Holdings, LLC  
700 Milam Street, Suite 800  
Houston, Texas 77002  
Attn: President  
Telephone: (713) 375-5000  
Fax: (713) 375-6000

Whenever any notice is required to be given by Applicable Law, the Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

SECTION 14.03 Entire Agreement: Superseding Effect.

This Agreement constitutes the entire agreement of the Members, in such capacity, relative to the formation, operation and continuation of the Company and supersedes all prior contracts or agreements with respect to such subject matter, whether oral or written.

SECTION 14.04 Effect of Waiver or Consent.

Except as otherwise provided in this Agreement, a waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Except as otherwise provided in this Agreement, failure on the part of a Person to

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complain of any act of any Person or to declare any Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute-of-limitations period has run.

SECTION 14.05 Amendment or Restatement.

This Agreement or the Certificate may be amended or restated only by a written instrument executed (or, in the case of the Certificate, approved) by all of the Members.

SECTION 14.06 Binding Effect.

This Agreement is binding on and shall inure to the benefit of the Members and their respective heirs, legal representatives, successors and permitted assigns.

SECTION 14.07 Governing Law; Severability.

THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and any mandatory, non-waivable provision of the Act, such provision of the Act shall control. If any provision of the Act provides that it may be varied or superseded in a limited liability company agreement (or otherwise by agreement of the members or managers of a limited liability company), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Person or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by Applicable Law, and (b) the Members or Directors (as the case may be) shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts the Members in substantially the same economic, business and legal position as they would have been in if the original provision had been valid and enforceable.

SECTION 14.08 Further Assurances.

In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

SECTION 14.09 Counterparts.

This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

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IN WITNESS WHEREOF, the sole Member has executed this Agreement as of the date first set forth above.

MEMBER

CHENIERE LNG HOLDINGS, LLC

By: /s/ Stanley C. Horton

Name: Stanley C. Horton

Title: Chief Executive Officer

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**EXHIBIT A**

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MEMBER  
Cheniere LNG Holdings, LLC

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MEMBERSHIP  
INTEREST  
100%

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CAPITAL  
CONTRIBUTION  
\$1,000.00

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**EXHIBIT B**

**Officers of the Company**

1. Chairman of the Board — Charif Souki
2. Chief Executive Officer — Charif Souki
3. Chief Operating Officer — Stanley C. Horton
4. Chief Financial Officer — Don A. Turkleson
5. President — Stanley C. Horton
6. Senior Vice President — Don A. Turkleson
7. Secretary — Anne V. Vaughan
8. Treasurer — Graham A. McArthur
9. Chief Accounting Officer — Craig K. Townsend

CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO  
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT

I, Charif Souki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Intentionally omitted pursuant to SEC Release No. 34-47986];
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2007

/s/ Charif Souki

Charif Souki

Chief Executive Officer of Cheniere Energy Partners GP, LLC,  
general partner of Cheniere Energy Partners, L.P.

CERTIFICATION BY CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT

I, Don A. Turkleson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Intentionally omitted pursuant to SEC Release No. 34-47986];
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2007

/s/ Don A. Turkleson

Don A. Turkleson

Chief Financial Officer of Cheniere Energy Partners GP, LLC,  
general partner of Cheniere Energy Partners, L.P.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Cheniere Energy Partners, L.P. (the "Partnership") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charif Souki, Chief Executive Officer of Cheniere Energy Partners GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Charif Souki

Charif Souki

Chief Executive Officer of Cheniere Energy Partners GP, LLC,

general partner of Cheniere Energy Partners, L.P.

August 8, 2007

CERTIFICATION BY CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Cheniere Energy Partners, L.P. (the "Partnership") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Don A. Turkleson, Chief Financial Officer of Cheniere Energy Partners GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Don A. Turkleson

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Don A. Turkleson  
Chief Financial Officer of Cheniere Energy Partners GP, LLC,  
general partner of Cheniere Energy Partners, L.P.  
August 8, 2007