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

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): May 25, 2007**

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**CHENIERE ENERGY, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**1-16383**  
(Commission File Number)

**95-4352386**  
(I.R.S. Employer  
Identification No.)

**700 Milam Street**  
**Suite 800**  
**Houston, Texas**  
(Address of principal executive offices)

**77002**  
(Zip Code)

**Registrant's telephone number, including area code: (713) 375-5000**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement.**

On May 25, 2007, the Board of Directors (the "Board") of Cheniere Energy, Inc. (the "Company") approved the recommendation of the Compensation Committee to compensate each non-employee director of the Company \$160,000 for services for the period from the current year's Annual Meeting of Stockholders (May 25, 2007) until the next year's Annual Meeting of Stockholders (the "Annual Period"). Additional compensation of \$20,000 for the Annual Period was approved for the chairman of the Audit Committee, the chairman of the Compensation Committee and the Lead Director. Additional compensation of \$10,000 for the Annual Period was approved for the chairman of the Governance and Nominating Committee. Compensation will be made, at the election of the director, either 100% in shares of the Company's restricted stock or 50% in cash and 50% in shares of restricted stock. If a director elects to receive 50% of his or her compensation in cash, such cash payments will be made quarterly as of the 15<sup>th</sup> day of August, November, February and May, beginning on August 15, 2007. Payment in the form of restricted stock will be made May 29, 2007 (the "Date of Grant"), and the number of shares granted will be determined by the closing price of the Company's common stock as reported on the American Stock Exchange ("AMEX") on the Date of Grant. Vesting of the restricted stock will occur in full on the first anniversary of the Date of Grant. A summary of the compensation to be paid to non-employee directors is attached hereto as Exhibit 10.1. The form of Restricted Stock Agreement for Non-Employee Directors is attached hereto as Exhibit 10.2.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

Principal Accounting Officer On June 1, 2007, Craig K. Townsend, the Company's Vice President and Chief Accounting Officer, began a leave of absence. During Mr. Townsend's leave of absence, Don A. Turkleson, Senior Vice President and Chief Financial Officer of the Company, will assume the responsibilities of the principal accounting officer. Information regarding Mr. Turkleson's business experience and any arrangements with the Company are reported in the Company's 2007 Proxy Statement.

2007 Incentive Compensation Plan As previously reported in April 2007, on March 30, 2007, the Section 162(m) Subcommittee (the "Subcommittee") of the Compensation Committee of the Board established the 2007 performance goals, performance period and the maximum pay-outs for certain of the Company's executive officers under the 2007 Performance Bonus Plan ("2007 Plan Participants") upon achievement of the 2007 performance goals. On May 25, 2007, the Subcommittee approved the form of 2007 Phantom Stock Grant and the number of shares of phantom stock ("Phantom Stock") to be issued to the 2007 Plan Participants, which are set forth below. The Phantom Stock will be payable in equal shares of the Company's common stock if the stock price hurdle of \$33.57, which represents a 15% increase to the average closing price of the Company's common stock during the last 20 trading days of 2006 (the "2007 Stock Price Hurdle"), is met for the period January 1, 2007 through December 31, 2007 (the "2007 Performance Period"). Achievement of the 2007 Stock Price Hurdle will be calculated based on the average closing price of the Company's common stock as reported on the AMEX for the last 20 trading days of the 2007 Performance Period. If the 2007 Stock Price Hurdle is not met at the end of the 2007 Performance Period, the Phantom Stock will still be payable in the event the 2007 Stock Price Hurdle is achieved during the last 20 trading days of 2008, 2009 or 2010. At the Subcommittee's sole discretion, a 2007 Plan Participant may receive cash in lieu of Company

common stock for all or a portion of the Phantom Stock. A 2007 Plan Participant will only become entitled to a payment if such Participant is employed by the Company or a subsidiary on the date of the Subcommittee's certification that the 2007 Stock Price Hurdle has been achieved, or earlier, on the date of a change of control. Such Participants will be paid within 10 business days following such certification of (or change of control). In the event of a change of control as defined in the Company's Amended and Restated 2003 Stock Incentive Plan, as amended (the "2003 Plan"), Phantom Stock will be payable if, as applicable, (i) the consideration to be paid to stockholders for each share of the Company's common stock in connection with such change of control is equal to or exceeds \$33.57 or (ii) the closing price of the Company's common stock as reported on the AMEX on the effective date of such change of control is equal to or exceeds \$33.57. If a 2007 Plan Participant's employment with the Company is terminated for any reason, any Phantom Stock that is not payable on the date of such termination will be automatically forfeited to the Company. A summary of the 2007 Incentive Compensation Plan is described in the Summary Terms for the Cheniere Energy, Inc. Incentive Compensation Plan for Executive Committee Members and Other Key Employees ("Summary Terms") attached hereto as Exhibit 10.3 and the form of 2007 Phantom Stock Grant is included as Schedule B to the Summary Terms.

PHANTOM STOCK GRANTS  
2007 INCENTIVE COMPENSATION PLAN

<u>Position</u>	<u>Number of Shares of Phantom Stock</u>
Chief Executive Officer	100,000
Chief Operating Officer	66,000
Vice Chairman, Senior Vice President or Executive Director of subsidiary company serving on the Executive Committee	37,000
Other key employees	25,000

2008 – 2010 Incentive Compensation Plan On May 25, 2007, the Subcommittee also approved a 2008-2010 Incentive Compensation Plan for certain executive officers and other key employees (the "Incentive Plan Participants") that includes both a cash pool and performance equity. In the event the Company's earnings before taxes and depreciation ("EBTD") for a fiscal year, taking into account any bonus accruals, is greater than 75% of the budget approved by the Board for the applicable fiscal year (the "EBTD Hurdle"), the Subcommittee, in its sole discretion, may fund a cash pool, in an amount of 3% of EBTD for the applicable year and allocate payments to the Incentive Plan Participants. No later than 90 days after the beginning of each plan year the Subcommittee will approve the allocation of payments to the Incentive Plan Participants following the end of the applicable performance period. The Subcommittee retains the discretion to decrease, but not increase, the amount payable to any Incentive Plan Participant following the end of the plan year, provided that no amounts may be reallocated to other Incentive Plan Participants. An Incentive Plan Participant will only become entitled to a payment hereunder if such Participant is employed by the Company or a subsidiary on the date of the Subcommittee's certification that the EBTD Hurdle has been achieved. Such Participants will be paid within 10 business days following such certification.

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The Subcommittee also established at the May 25, 2007 meeting the 2008, 2009 and 2010 performance periods, stock price hurdles for each of the performance periods and the number of shares of Phantom Stock to be granted to individual Incentive Plan Participants for the three-year period as set forth below. The performance period for 2008 is January 1, 2008 through December 31, 2008 (the "2008 Performance Period"), for 2009 is January 1, 2009 through December 31, 2009 (the "2009 Performance Period") and for 2010 is January 1, 2010 through December 31, 2010 (the "2010 Performance Period"). The stock price hurdle is \$42.00 for the 2008 Performance Period, \$50.00 for the 2009 Performance Period and \$60.00 for the 2010 Performance Period (each, a "Stock Price Hurdle"). One-third of the Phantom Stock will be paid out in equal shares of common stock of the Company upon achievement of the Stock Price Hurdle. Achievement of the Stock Price Hurdle will be calculated based on the average closing price of the Company's common stock as reported on the AMEX for the last 20 trading days of the respective Performance Period. Any shares of Phantom Stock not payable for an applicable Performance Period may be payable following any future Performance Period provided the Stock Price Hurdle applicable to such future Performance Period is achieved. Notwithstanding the foregoing, no shares of Phantom Stock will be payable for a Stock Price Hurdle achieved after the end of the 2010 Performance Period. At the Subcommittee's sole discretion, an Incentive Plan Participant may receive cash in lieu of Company common stock for all or a portion of the Phantom Stock. An Incentive Plan Participant will only become entitled to a payment hereunder if such Participant is employed by the Company or a subsidiary on the date of the Subcommittee's certification that the applicable Stock Price Hurdle has been achieved, or earlier, on the date of a change of control. Such Participants will be paid within 10 business days following such certification of Achievement of Stock Price Hurdle (or change of control). In the event of a change of control as defined in the 2003 Plan, Phantom Stock will be payable if, as applicable, (i) the consideration to be paid to stockholders for each share of the Company's common stock in connection with such change of control is equal to or exceeds the applicable Stock Price Hurdle or (ii) the closing price of the Company's common stock as reported on the AMEX on the effective date of such change of control is equal to or exceeds the applicable Stock Price Hurdle. If an Incentive Plan Participant's employment with the Company is terminated for any reason, any Phantom Stock that is not payable on the date of such termination will be automatically forfeited to the Company. A summary of the 2008 – 2010 Incentive Compensation Plan is described in the Summary Terms attached hereto as Exhibit 10.3. The form of 2008-2010 Phantom Stock Grant is attached as Schedule D to the Summary Terms.

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PHANTOM STOCK GRANTS  
2008-2010 INCENTIVE COMPENSATION PLAN

<u>Position</u>	<u>Aggregate Number of Shares of Phantom Stock</u>
Chief Executive Officer	300,000
Chief Operating Officer	198,000
Vice Chairman, Senior Vice President or Executive Director of subsidiary company serving on the Executive Committee	111,000
Other key employees	75,000

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits (filed herewith)

<u>Exhibit Number</u>	<u>Description</u>
10.1	Summary of Compensation to Non-Employee Directors
10.2	Form of Restricted Stock Agreement for Non-Employee Directors
10.3	Summary of Terms for Cheniere Energy, Inc. Incentive Compensation Plan for Executive Committee Members and Other Key Employees

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**SIGNATURES**

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

CHENIERE ENERGY, INC.

Date: June 1, 2007

By: /s/ Don A. Turkleson

Name: Don A. Turkleson

Title: Senior Vice President and Chief Financial Officer

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Summary of Compensation to Non-Employee Directors*
10.2	Form of Restricted Stock Agreement for Non-Employee Directors*
10.3	Summary of Terms for Cheniere Energy, Inc. Incentive Compensation Plan for Executive Committee and Other Key Employees*

\* Filed Herewith

Summary of Compensation to Non-Employee Directors

On May 25, 2007, the Board of Directors (the "Board") of Cheniere Energy, Inc. (the "Company") approved the recommendation of the Compensation Committee to compensate each non-employee director of the Company \$160,000 for services for the period from the current year's Annual Meeting of Stockholders (May 25, 2007) until the next year's Annual Meeting of Stockholders (the "Annual Period"). Additional compensation of \$20,000 for the Annual Period was approved for the chairman of the Audit Committee, the chairman of the Compensation Committee and the Lead Director. Additional compensation of \$10,000 for the Annual Period was approved for the chairman of the Governance and Nominating Committee. Compensation will be made, at the election of the director, either 100% in shares of the Company's restricted stock or 50% in cash and 50% in shares of restricted stock. If a director elects to receive 50% of his or her compensation in cash, such cash payments will be made quarterly as of the 15<sup>th</sup> day of August, November, February and May, beginning on August 15, 2007. Payment in the form of restricted stock will be made May 29, 2007 (the "Date of Grant"), and the number of shares granted will be determined by the closing price of the Company's common stock as reported on the American Stock Exchange ("AMEX") on the Date of Grant. Vesting of the restricted stock will occur in full on the first anniversary of the Date of Grant.

CHENIERE ENERGY, INC.

Amended and Restated  
2003 STOCK INCENTIVE PLAN

RESTRICTED STOCK GRANT

**1. Grant of Restricted Shares.** Cheniere Energy, Inc., a Delaware corporation (the "Company"), hereby grants to \_\_\_\_\_ ("Participant") all rights, title and interest in the record and beneficial ownership of \_\_\_\_\_ (\_\_\_\_\_) shares (the "Restricted Shares") of common stock, \$0.03 par value per share, of the Company ("Common Stock"), subject to the conditions described in this grant of Restricted Stock (the "Grant") and in the Company's Amended and Restated 2003 Stock Incentive Plan (the "Plan"). The Restricted Shares are granted, effective as of the \_\_\_ day of \_\_\_\_\_, 200\_\_ (the "Grant Date").

**2. Issuance and Transferability.** Restricted Stock awarded under the Plan may be evidenced in such manner as the Company shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock. The Participant shall have all the rights of a stockholder with respect to such shares, including the right to vote and the right to receive dividends or other distributions paid or made with respect to such shares. Such shares are not transferable except by will or the laws of descent and distribution or pursuant to a domestic relations order of the court in a divorce proceeding. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Participant.

**3. Risk of Forfeiture.** Participant shall immediately forfeit all rights to any non-vested portion of the Restricted Shares in the event Participant resigns or is removed as a Director of the Company under circumstances that do not cause Participant to become fully vested under the terms of the Plan or this Grant.

**4. Vesting.** Subject to Paragraph 3 hereof, Participant shall vest in his or her rights to the Restricted Shares and the restrictions shall lapse with respect to 100% of the Restricted Shares on the first anniversary of the date hereof provided that Participant remains continuously

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engaged as a Director of the Company until such date. If Participant no longer serves as a Director of the Company, any Restricted Shares not then vested shall not vest (except as otherwise provided herein) and shall be forfeited back to the Company; provided, however, that any such Restricted Shares not then vested shall vest upon (i) resignation or removal of a Participant for any reason within one (1) year from the effective date of a Change of Control, or (ii) death or Disability of Participant.

**5. Ownership Rights.** Subject to the restrictions set forth in this Grant and the Plan, Participant is entitled to all voting and ownership rights applicable to the Restricted Shares, including the right to receive any cash dividends that may be paid on the Restricted Shares.

**6. Reorganization of the Company.** The existence of this Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; any merger or consolidation of the Company; any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Restricted Shares or the rights thereof; the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

**7. Recapitalization Events.** In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving the Company ("Recapitalization Events"), then for all purposes references herein to Common Stock or to Restricted Shares shall mean and include all securities or other property (other than cash) that holders of Common Stock of the Company are entitled to receive in respect of Common Stock by reason of each successive Recapitalization Event, which securities or other property (other than cash) shall be treated in the same manner and shall be subject to the same restrictions as the underlying Restricted Shares.

**8. Certain Restrictions.** By executing this Grant, Participant acknowledges that he or she has received a copy of the Plan and agrees that Participant will enter into such written representations, warranties and agreements and execute such documents as the Company may reasonably request in order to comply with the securities law or any other applicable laws, rules or regulations, or with this document or the terms of the Plan.

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**9. Amendment and Termination.** No amendment or termination of this Grant shall be made by the Company at any time without the written consent of Participant.

**10. Withholding of Taxes.** Participant agrees that, if he or she makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with regard to the Restricted Shares, Participant will so notify the Company in writing within two (2) days after making such election, so as to enable the Company to timely comply with any applicable governmental reporting requirements. The Company shall have the right to take any action as may be necessary or appropriate to satisfy any federal, state or local tax withholding obligations.

**11. No Guarantee of Tax Consequences.** The Company makes no commitment or guarantee to Participant that any federal or state tax treatment will apply or be available to any person eligible for benefits under this Grant.

**12. Severability.** In the event that any provision of this Grant shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable and shall not affect the remaining provisions of this Grant, and the Grant shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

**13. Governing Law.** The Grant shall be construed in accordance with the laws of the State of Delaware to the extent that federal law does not supersede and preempt Delaware law.

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Executed the \_\_\_ day of \_\_\_\_\_, 200\_\_.

**COMPANY:**

By: \_\_\_\_\_

Accepted the \_\_\_ day of \_\_\_\_\_, 200\_\_.

**PARTICIPANT:**

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Social Security Number: \_\_\_\_\_

**SUMMARY OF TERMS  
FOR CHENIERE ENERGY, INC.  
INCENTIVE COMPENSATION PLAN FOR  
EXECUTIVE COMMITTEE MEMBERS AND OTHER KEY EMPLOYEES**

**May 25, 2007**

Company Cheniere Energy, Inc. (the “Company”)  
 Participants Members of the Company’s Executive Committee as well as other key employees of the Company and its subsidiaries who, upon recommendation by management, are designated from time to time as Participants in the Plan by the Compensation Committee of the Company’s Board of Directors or any subcommittee thereof (the “Committee”).

**2007 Incentive Compensation Plan**

Performance Equity The Committee may grant Phantom Stock to Participants as set forth on **Schedule A** attached hereto pursuant to the terms of the 2007 Phantom Stock Grant attached hereto as **Schedule B**, the Cheniere Energy, Inc. Amended and Restated 2003 Stock Incentive Plan (the “2003 Plan”) and as described below.

Performance Period and Stock Hurdle: The Phantom Stock shall be payable if the following Stock Price Hurdle is met for the Performance Period:

<u>Performance Period</u>	<u>Stock Price Hurdle</u>
January 1, 2007 – December 31, 2007	\$33.57

Achievement of the Stock Price Hurdle will be calculated based on the average closing price of the Company’s common stock as reported on the American Stock Exchange for the last 20 trading days of the Performance Period.

If the Stock Price Hurdle is not met at the end of the Performance Period, the Phantom Stock will still be payable in the event the Stock Price Hurdle is achieved during the last 20 trading days of 2008, 2009 or 2010, as calculated above.

Pursuant to Section 8.2(e) of the 2003 Plan, as soon as practicable following the Performance Period (or, if applicable, following the end of fiscal year 2008, 2009 or 2010), the Committee shall certify in writing the achievement of the Stock Price Hurdle (the “Certification of Achievement of Stock Price Hurdle”). A Participant shall only become entitled to a payment hereunder if such Participant is employed by the Company or a subsidiary on the date of the Committee’s Certification of Achievement of Stock Price Hurdle, or earlier, on the date of a Change of Control (as defined herein). Such Participants shall be paid within 10 business days following such Certification of Achievement of Stock Price Hurdle (or Change of Control).

Payment:	The Participant shall receive one share of Company common stock for each share of Phantom Stock. At the Committee's sole discretion, the Participant may receive cash in lieu of common stock for all or a portion of the Phantom Stock.
Tax:	The Company shall withhold the necessary number of shares of common stock in order to satisfy any tax amounts (federal, state, local or other) that may be required to be withheld or paid by the Company. Upon advance notice to the Company, the Participant may provide payment of any tax amount in cash or by check payable and acceptable to the Company.
Change of Control:	In the event of a Change of Control as defined in subsections (ii) and (iii) of the definition of "Change of Control" under the 2003 Plan, the Phantom Stock shall be payable to Participants who are employed by the Company or a subsidiary on the date of such Change of Control if the consideration to be paid to stockholders for each share of the Company's common stock in connection with such Change of Control is equal to or exceeds \$33.57. In the event of a Change of Control as defined in subsections (i) and (iv) of the definition of "Change of Control" under the 2003 Plan, the Phantom Stock shall be payable to Participants who are employed by the Company or a subsidiary on the date of such Change of Control if the closing price of the Company's common stock as reported on the American Stock Exchange on the effective date of such Change of Control is equal to or exceeds \$33.57. Such Participants shall be paid within 10 business days following such Change of Control.
Termination and Forfeiture:	Phantom Stock that is not payable on the date of termination of the Participant's employment or other service with the Company for any reason will not be payable and will be automatically forfeited and cancelled without further action. Any Phantom Stock which is not payable following fiscal year 2010 shall be automatically forfeited and cancelled without further action.

**2008 – 2010 Incentive Compensation Plan**

Plan Components

- (i) Cash Pool
- (ii) Performance Equity

Cash Pool

EBTD Hurdle:	In the event the Company's earnings before taxes and depreciation ("EBTD") for a fiscal year, taking into account any bonus accruals, is greater than 75% of the budget approved by the Company's Board of Directors for such fiscal year and subject to the sole discretion of the Committee, the Committee may fund the pool in an amount equal to 3% of EBTD for the applicable year.
Allocation:	No later than 90 days after the beginning of each plan year, the Committee shall approve, in its sole discretion based on a recommendation from management, the allocation of any payments to be made to Participants following the end of the applicable plan year. The Committee shall retain the discretion to decrease, but not increase, the amount payable to any Participant following the end of the plan year, provided that no amounts may be reallocated to other Participants.

Payment: Pursuant to Section 8.2(e) of the 2003 Plan, as soon as practicable following the plan year, the Committee shall certify in writing the achievement of the EBTD Hurdle (the "Certification of Achievement of EBTD Hurdle") and the amount payable to each Participant. A Participant shall only become entitled to a payment hereunder if such Participant is employed by the Company or a subsidiary on the date of the Committee's Certification of Achievement of EBTD Hurdle. Such Participants shall be paid within 10 business days following such Certification of EBTD Hurdle.

Performance Equity The Committee may grant Phantom Stock to Participants as set forth on **Schedule C** attached hereto pursuant to the terms of the Phantom Stock Grant attached hereto as **Schedule D**, the 2003 Plan and as described below.

Performance Period and Stock Price Hurdle: One-third of the Phantom Stock is payable annually (the "Annual Tranche") if the following Stock Price Hurdles are met for the applicable Performance Periods:

<u>Performance Period</u>	<u>Stock Price Hurdle</u>
January 1, 2008 – December 31, 2008	\$42.00
January 1, 2009 – December 31, 2009	\$50.00
January 1, 2010 – December 31, 2010	\$60.00

Achievement of the Stock Price Hurdle will be calculated based on the average closing price of the Company's common stock as reported on the American Stock Exchange for the last 20 trading days of the applicable Performance Period.

Any Annual Tranche not payable following the applicable Performance Period may be payable following any future Performance Period provided the Stock Price Hurdle applicable to such Annual Tranche is achieved as calculated above.

Pursuant to Section 8.2(e) of the 2003 Plan, as soon as practicable following each Performance Period, the Committee shall certify in writing the achievement of the Stock Price Hurdle (the "Certification of Achievement of Stock Price Hurdle"). A Participant shall only become entitled to a payment hereunder if such Participant is employed by the Company or a subsidiary on the date of the Committee's Certification of Achievement of Stock Price Hurdle, or earlier, on the date of a Change of Control (as defined herein). Such Participants shall be paid within 10 business days following such Certification of Achievement of Stock Price Hurdle (or Change of Control).

Payment: The Participant shall receive one share of Company common stock for each share of Phantom Stock which is payable. At the Committee's sole discretion, the Participant may receive cash in lieu of common stock for all or a portion of the Phantom Stock.

Tax: The Company shall withhold the necessary number of shares of common stock in order to satisfy any tax amounts (federal, state, local or other) that may be required to be withheld or paid by the Company. Upon advance notice to the Company, the Participant may provide payment of any tax amount in cash or by check payable and acceptable to the Company.

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Change of Control:

In the event of a Change of Control as defined in subsections (ii) and (iii) of the definition of "Change of Control" under the 2003 Plan, any outstanding Annual Tranche shall be payable to Participants who are employed by the Company or a subsidiary on the date of such Change of Control if the consideration to be paid to stockholders for each share of the Company's common stock in connection with such Change of Control is equal to or exceeds the Stock Price Hurdle applicable to such Annual Tranche. In the event of a Change of Control as defined in subsections (i) and (iv) of the definition of "Change of Control" under the 2003 Plan, any outstanding Annual Tranche shall be payable to Participants who are employed by the Company or a subsidiary on the date of such Change of Control if the closing price of the Company's common stock as reported on the American Stock Exchange on the effective date of such Change of Control is equal to or exceeds the Stock Price Hurdle applicable to such Annual Tranche. Such Participants shall be paid within 10 business days following such Change of Control.

Termination and Forfeiture:

Phantom Stock that is not payable on the date of termination of the Participant's employment or other service with the Company for any reason will not be payable and will be automatically forfeited and cancelled without further action. Any Phantom Stock which is not payable following the final Performance Period shall be automatically forfeited and cancelled without further action.

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**SCHEDULE A**  
**PHANTOM STOCK GRANTS**  
**2007 INCENTIVE COMPENSATION PLAN**

<u>Position</u>	<u>No. of Shares of Phantom Stock</u>
Chief Executive Officer	100,000
Chief Operating Officer	66,000
Senior Vice Presidents <sup>1</sup>	37,000
Other Key Employees	25,000

<sup>1</sup> Includes the Vice Chairman and any Executive Director of a subsidiary of the Company serving on the Company's Executive Committee.

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**SCHEDULE B**

**FORM OF 2007 PHANTOM STOCK GRANT**

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CHENIERE ENERGY, INC.

AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

2007 PHANTOM STOCK GRANT

**1. Grant of Phantom Stock.** Cheniere Energy, Inc., a Delaware corporation (the "Company"), hereby grants to \_\_\_\_\_ ("Participant") \_\_\_\_\_ (\_\_\_\_\_) shares of phantom stock (the "Phantom Stock"), subject to the conditions described in this grant of Phantom Stock (the "Grant") and in the Company's Amended and Restated 2003 Stock Incentive Plan (the "Plan"). The Phantom Stock is granted effective as of the \_\_\_ day of \_\_\_\_\_.

**2. Transferability.** The Phantom Stock is not transferable except pursuant to a domestic relations order of the court in a divorce proceeding. No right or benefit hereunder shall in any manner be subject to any debts, contracts, liabilities, or torts of Participant.

**3. Phantom Stock Payment.** The Phantom Stock is eligible for payment at the end of fiscal year 2007 (the "Performance Period") in the event the Company's common stock, \$.003 par value per share ("Common Stock"), is equal to or exceeds \$33.57 calculated based on the average closing price of the Company's Common Stock as reported on the American Stock Exchange for the last 20 trading days of the year (the "Stock Price Hurdle"), or earlier, on the date of a Change of Control (as defined below). In the event the Stock Price Hurdle is attained, the Compensation Committee of the Company's Board of Directors or a subcommittee thereof (the "Committee") shall certify in writing as soon as practicable after the end of the Performance Period the achievement of the Stock Price Hurdle. The Participant shall only be entitled to payment if he/she is employed by the Company or any subsidiary on the date the Committee certifies achievement of the Stock Price Hurdle, or earlier, on the date of a Change of Control (as defined below). The Participant shall be entitled to payment within 10 business days following such certification, but, pursuant to 409A of the Internal Revenue Code, not later than December 31 of such year. The Participant shall receive one share of Common Stock for each share of Phantom Stock less the necessary number of shares of Common Stock to be withheld by the Company in order to satisfy the tax amounts (federal, state, local or other) that may be required to be withheld or paid by the Company, provided that upon advance notice to the Company, the Participant may provide payment of any tax amount in cash or by check payable and acceptable to the Company. The Committee may, in its sole discretion, authorize payment of the Phantom Stock, or a portion thereof, in cash.

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In the event the Stock Price Hurdle is not attained at the end of the Performance Period, the Phantom Stock shall be eligible for payment at the end of fiscal years 2008, 2009 or 2010, provided the Stock Price Hurdle is attained. Any Phantom Stock which has not become payable as provided above following the expiration of fiscal year 2010 shall be automatically forfeited and cancelled without further action.

**4. Change of Control.** In the event of a Change of Control as defined in subsections (ii) and (iii) of the definition of "Change of Control" under the 2003 Plan, the Phantom Stock shall be payable to the Participant only if he or she is employed by the Company or a subsidiary on the date of such Change of Control and if the consideration to be paid to stockholders for each share of Common Stock in connection with such Change of Control is equal to or exceeds \$33.57. In the event of a Change of Control as defined in subsections (i) and (iv) of the definition of "Change of Control" under the 2003 Plan, the Phantom Stock shall be payable to the Participant only if he or she is employed by the Company or a subsidiary on the date of such Change of Control and if the closing price of the Common Stock as reported on the American Stock Exchange on the effective date of such Change of Control is equal to or exceeds \$33.57. The Participant will be entitled to payment within 10 business days following such Change of Control, but, pursuant to 409A of the Internal Revenue Code, not later than December 31 of such year.

**5. Termination of Employment.** A Participant shall forfeit all rights pursuant to this Grant in the event such Participant's employment or other service with the Company or any subsidiary is terminated for any reason prior to the earlier of the Committee's certification under Paragraph 3 or a Change of Control.

**6. Ownership Rights.** The Participant shall not have any of the rights of a stockholder with respect to the Phantom Stock, including the right to vote and the right to receive dividends or other distributions paid or made with respect to such shares.

**7. Reorganization of the Company.** The existence of this Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; any merger or consolidation of the Company; any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Phantom Stock or the rights thereof; the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

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**8. Recapitalization Events.** In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving the Company (“Recapitalization Events”), then for all purposes references herein to Common Stock (including the Stock Price Hurdle) or to Phantom Stock shall mean and include all securities or other property (other than cash) that holders of Common Stock of the Company are entitled to receive in respect of Common Stock by reason of each successive Recapitalization Event, which securities or other property (other than cash) shall be treated in the same manner and shall be subject to the same restrictions as the underlying Phantom Stock.

**9. Certain Restrictions.** By executing this Grant, Participant acknowledges that he or she has received a copy of the Plan and agrees that Participant will enter into such written representations, warranties and agreements and execute such documents as the Company may reasonably request in order to comply with the securities laws or any other applicable laws, rules or regulations, or with this document or the terms of the Plan.

**10. Amendment and Termination.** No amendment or termination of this Grant shall be made by the Company at any time without the written consent of Participant.

**11. No Guarantee of Tax Consequences.** The Company makes no commitment or guarantee to Participant that any federal or state tax treatment will apply or be available to any person eligible for benefits under this Grant.

**12. Severability.** In the event that any provision of this Grant shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable and shall not affect the remaining provisions of this Grant, and the Grant shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

**13. Governing Law.** The Grant shall be construed in accordance with the laws of the State of Delaware, without regard to any principles of conflicts of law, to the extent that federal law does not supersede and preempt Delaware law.

**14. Definitions and Other Terms.** All capitalized terms used herein shall have the meanings set forth in the Plan unless otherwise provided herein.

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Executed the \_\_ day of \_\_\_\_\_, 2007.

**COMPANY:**

By: \_\_\_\_\_

Accepted the \_\_ day of \_\_\_\_\_, 2007.

**PARTICIPANT:**

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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**SCHEDULE C**

**PHANTOM STOCK GRANTS**

**2008 – 2010 INCENTIVE COMPENSATION PLAN**

<b>Position</b>	<b>Aggregate No. of Shares of Phantom Stock</b>
Chief Executive Officer	300,000
Chief Operating Officer	198,000
Senior Vice Presidents <sup>2</sup>	111,000
Other Key Employees	75,000

<sup>2</sup> Includes the Vice Chairman of the Company and any Executive Director of a subsidiary of the Company serving on the Company's Executive Committee.

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**SCHEDULE D**

**FORM OF 2008 – 2010 PHANTOM STOCK GRANT**

CHENIERE ENERGY, INC.

AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

2008 – 2010 PHANTOM STOCK GRANT

- 1. Grant of Phantom Stock.** Cheniere Energy, Inc., a Delaware corporation (the “Company”), hereby grants to \_\_\_\_\_ (“Participant”) \_\_\_\_\_ (\_\_\_\_\_) shares of phantom stock (the “Phantom Stock”), subject to the conditions described in this grant of Phantom Stock (the “Grant”) and in the Company’s Amended and Restated 2003 Stock Incentive Plan (the “Plan”). The Phantom Stock is granted effective as of the \_\_\_\_\_ day of \_\_\_\_\_.
- 2. Transferability.** The Phantom Stock is not transferable except pursuant to a domestic relations order of the court in a divorce proceeding. No right or benefit hereunder shall in any manner be subject to any debts, contracts, liabilities, or torts of Participant.
- 3. Phantom Stock Payment.** One-third of the Phantom Stock (the “Annual Tranche”) is eligible for payment at the end of each annual Performance Period upon the attainment of certain Stock Price Hurdles, each as set forth on Exhibit A attached hereto. In the event the Stock Price Hurdle for a Performance Period is attained, the Compensation Committee of the Company’s Board of Directors or a subcommittee thereof (the “Committee”) shall certify in writing as soon as practicable after the end of the Performance Period the achievement of the Stock Price Hurdle or earlier, on the date of a Change of Control (as defined below). The Participant shall only be entitled to payment if he/she is employed by the Company or any subsidiary on the date the Committee certifies achievement of the Stock Price Hurdle, or earlier, on the date of a Change of Control (as defined below). The Participant shall be entitled to payment within 10 business days following such certification, but, pursuant to 409A of the Internal Revenue Code, not later than December 31 of such year. The Participant shall receive one share of the Company’s common stock, \$.003 par value per share (“Common Stock”), for each share of Phantom Stock comprising the Annual Tranche applicable to the Performance Period less the necessary number of shares of Common Stock to be withheld by the Company in order to satisfy the tax amounts (federal, state, local or other) that may be required to be withheld or paid by the Company, provided that upon advance notice to the Company, the Participant may provide payment of any tax amount in cash or by check payable and acceptable to the Company. The Committee may, in its sole discretion, authorize payment of the Phantom Stock, or a portion thereof, in cash.

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In the event the Stock Price Hurdle for any applicable Performance Period is not attained, the Phantom Stock comprising the Annual Tranche applicable to such Performance Period shall be eligible for payment at the end of any future Performance Period, provided the Stock Price Hurdle applicable to such Annual Tranche is attained. Any Phantom Stock which has not become payable as provided above following the expiration of the final Performance Period shall be automatically forfeited and cancelled without further action.

**4. Change of Control.** In the event of a Change of Control as defined in subsections (ii) and (iii) of the definition of "Change of Control" under the 2003 Plan, any outstanding Annual Tranche shall be payable to the Participant only if he or she is employed by the Company or a subsidiary on the date of such Change of Control and if the consideration to be paid to stockholders for each share of the Common Stock in connection with such Change of Control is equal to or exceeds the Stock Price Hurdle applicable to such Annual Tranche. In the event of a Change of Control as defined in subsections (i) and (iv) of the definition of "Change of Control" under the 2003 Plan, any outstanding Annual Tranche shall be payable to the Participant only if he or she is employed by the Company or a subsidiary on the date of such Change of Control and if the closing price of the Common Stock as reported on the American Stock Exchange on the effective date of such Change of Control is equal to or exceeds the Stock Price Hurdle applicable to such Annual Tranche. The Participant will be entitled to payment within 10 business days following such Change of Control, but, pursuant to 409A of the Internal Revenue Code, not later than December 31 of such year.

**5. Termination of Employment.** A Participant shall forfeit all rights pursuant to this Grant in the event such Participant's employment or other service with the Company or any subsidiary is terminated for any reason prior to the earlier of the Committee's certification under Paragraph 3 or a Change of Control.

**6. Ownership Rights.** The Participant shall not have any of the rights of a stockholder with respect to the Phantom Stock, including the right to vote and the right to receive dividends or other distributions paid or made with respect to such shares.

**7. Reorganization of the Company.** The existence of this Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; any merger or consolidation of the Company; any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Phantom Stock or the rights thereof; the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

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**8. Recapitalization Events.** In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving the Company (“Recapitalization Events”), then for all purposes references herein to Common Stock (including the Stock Price Hurdle) or to Phantom Stock shall mean and include all securities or other property (other than cash) that holders of Common Stock of the Company are entitled to receive in respect of Common Stock by reason of each successive Recapitalization Event, which securities or other property (other than cash) shall be treated in the same manner and shall be subject to the same restrictions as the underlying Phantom Stock.

**9. Certain Restrictions.** By executing this Grant, Participant acknowledges that he or she has received a copy of the Plan and agrees that Participant will enter into such written representations, warranties and agreements and execute such documents as the Company may reasonably request in order to comply with the securities laws or any other applicable laws, rules or regulations, or with this document or the terms of the Plan.

**10. Amendment and Termination.** No amendment or termination of this Grant shall be made by the Company at any time without the written consent of Participant.

**11. No Guarantee of Tax Consequences.** The Company makes no commitment or guarantee to Participant that any federal or state tax treatment will apply or be available to any person eligible for benefits under this Grant.

**12. Severability.** In the event that any provision of this Grant shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable and shall not affect the remaining provisions of this Grant, and the Grant shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

**13. Governing Law.** The Grant shall be construed in accordance with the laws of the State of Delaware, without regard to any principles of conflicts of law, to the extent that federal law does not supersede and preempt Delaware law.

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**14. Definitions and Other Terms.** All capitalized terms used herein shall have the meanings set forth in the Plan unless otherwise provided herein.

Executed the \_\_ day of \_\_\_\_\_, 2007

**COMPANY:**

By: \_\_\_\_\_

Accepted the \_\_ day of \_\_\_\_\_, 2007

**PARTICIPANT:**

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Payment of Phantom Stock

Phantom Stock ("Annual Tranche")	Performance Period	Stock Price Hurdle*
	January 1, 2008 – December 31, 2008	\$42.00
	January 1, 2009 – December 31, 2009	\$50.00
	January 1, 2010 – December 31, 2010	\$60.00

**Total:**

\* Except as provided in Section 4 of the Grant, achievement of the Stock Price Hurdle will be calculated based on the average closing price of the Company's Common Stock as reported on the American Stock Exchange for the last 20 trading days of the applicable Performance Period.