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

FORM 10-Q

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from _____ to _____

CHENIERE



CHENIERE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

001-16383

(Commission File Number)

95-4352386

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

700 Milam Street, Suite 1900

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of April 29, 2016, the issuer had 235,503,063 shares of Common Stock outstanding.

CHENIERE ENERGY, INC.
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DEFINITIONS

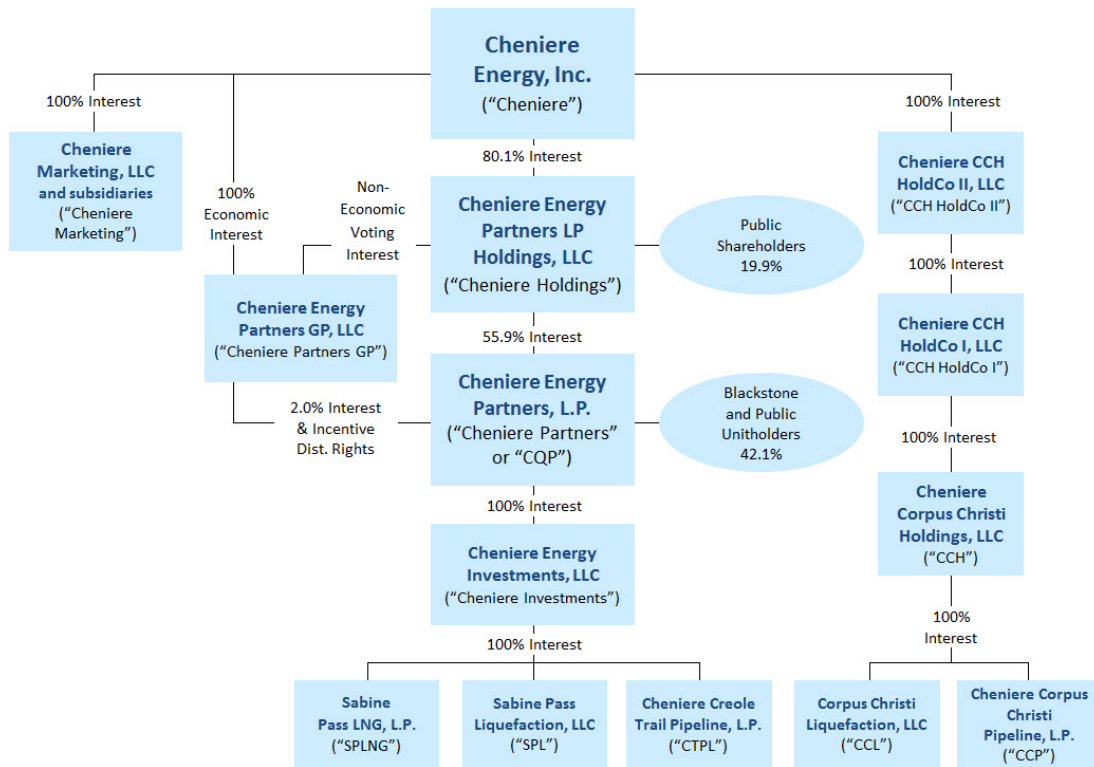
As commonly used in the liquefied natural gas industry, to the extent applicable and as used in this quarterly report, the terms listed below have the following meanings:

Common Industry and Other Terms

Bcf/d	billion cubic feet per day
Bcf/yr	billion cubic feet per year
Bcfe	billion cubic feet equivalent
DOE	U.S. Department of Energy
EPC	engineering, procurement and construction
FERC	Federal Energy Regulatory Commission
FTA countries	countries with which the United States has a free trade agreement providing for national treatment for trade in natural gas
GAAP	generally accepted accounting principles in the United States
Henry Hub	the final settlement price (in USD per MMBtu) for the New York Mercantile Exchange's Henry Hub natural gas futures contract for the month in which a relevant cargo's delivery window is scheduled to begin
LIBOR	London Interbank Offered Rate
LNG	liquefied natural gas, a product of natural gas consisting primarily of methane (CH ₄) that is in liquid form at near atmospheric pressure
MMBtu	million British thermal units, an energy unit
mtpa	million tonnes per annum
non-FTA countries	countries without a free trade agreement providing for national treatment for trade in natural gas and with which trade is permitted
SEC	Securities and Exchange Commission
SPA	LNG sale and purchase agreement
Train	an industrial facility comprised of a series of refrigerant compressor loops used to cool natural gas into LNG
TUA	terminal use agreement

Abbreviated Organizational Structure

The following diagram depicts our abbreviated organizational structure as of March 31, 2016, including our ownership of certain subsidiaries, and the references to these entities used in this quarterly report:



Unless the context requires otherwise, references to “Cheniere,” the “Company,” “we,” “us” and “our” refer to Cheniere Energy, Inc. (NYSE MKT: LNG) and its consolidated subsidiaries, including our publicly traded subsidiaries, Cheniere Partners (NYSE MKT: CQP) and Cheniere Holdings (NYSE MKT: CQH).

Unless the context requires otherwise, references to the “CCH Group” refer to CCH HoldCo II, CCH HoldCo I, CCH, CCL and CCP, collectively.

PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

ASSETS	March 31, 2016 (unaudited)	December 31, 2015
Current assets		
Cash and cash equivalents	\$ 1,094,833	\$ 1,201,112
Restricted cash	732,551	503,397
Accounts and interest receivable	23,979	5,749
Inventory	31,243	18,125
Other current assets	63,509	54,203
Total current assets	1,946,115	1,782,586
Non-current restricted cash	31,724	31,722
Property, plant and equipment, net	17,674,548	16,193,907
Debt issuance costs, net	409,894	378,677
Non-current derivative assets	29,361	30,887
Goodwill	76,819	76,819
Other non-current assets	262,486	314,455
Total assets	\$ 20,430,947	\$ 18,809,053
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 35,398	\$ 22,820
Accrued liabilities	670,584	427,199
Current debt, net	1,785,318	1,673,379
Deferred revenue	26,669	26,669
Derivative liabilities	50,561	35,201
Other current liabilities	93	—
Total current liabilities	2,568,623	2,185,268
Long-term debt, net	16,348,099	14,920,427
Non-current deferred revenue	8,500	9,500
Non-current derivative liabilities	239,372	79,387
Other non-current liabilities	61,668	53,068
Commitments and contingencies (see Note 14)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 5.0 million shares authorized, none issued	—	—
Common stock, \$0.003 par value		
Authorized: 480.0 million shares at March 31, 2016 and December 31, 2015		
Issued and outstanding: 235.5 million shares and 235.6 million shares at March 31, 2016 and December 31, 2015, respectively	707	708
Treasury stock: 11.7 million shares and 11.6 million shares at March 31, 2016 and December 31, 2015, respectively, at cost	(354,903)	(353,927)
Additional paid-in-capital	3,088,648	3,075,317
Accumulated deficit	(3,944,786)	(3,623,948)
Total stockholders' deficit	(1,210,334)	(901,850)
Non-controlling interest	2,415,019	2,463,253
Total equity	1,204,685	1,561,403
Total liabilities and equity	\$ 20,430,947	\$ 18,809,053

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Regasification revenues	\$ 65,551	\$ 66,802
LNG revenues	2,704	662
Other revenues	826	905
Total revenues	69,081	68,369
Operating costs and expenses		
Cost of sales (excluding depreciation and amortization expense shown separately below)	14,507	693
Operating and maintenance expense	36,317	35,706
Development expense	1,547	16,096
Marketing expense	24,978	13,046
General and administrative expense	47,924	44,971
Depreciation and amortization expense	24,089	17,769
Impairment expense	10,166	176
Other	112	156
Total operating costs and expenses	159,640	128,613
Loss from operations	(90,559)	(60,244)
Other income (expense)		
Interest expense, net of capitalized interest	(76,337)	(59,612)
Loss on early extinguishment of debt	(1,457)	(88,992)
Derivative loss, net	(180,934)	(126,690)
Other income	929	372
Total other expense	(257,799)	(274,922)
Loss before income taxes and non-controlling interest	(348,358)	(335,166)
Income tax provision	(616)	(678)
Net loss	(348,974)	(335,844)
Less: net loss attributable to non-controlling interest	(28,136)	(68,135)
Net loss attributable to common stockholders	\$ (320,838)	\$ (267,709)
Net loss per share attributable to common stockholders—basic and diluted	\$ (1.41)	\$ (1.18)
Weighted average number of common shares outstanding—basic and diluted	228,138	226,328

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Total Stockholders' Equity							
	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Non- controlling Interest	Total Equity
	Shares	Par Value Amount	Shares	Amount				
Balance at December 31, 2015	235,639	\$ 708	11,649	\$ (353,927)	\$ 3,075,317	\$ (3,623,948)	\$ 2,463,253	\$ 1,561,403
Forfeitures of restricted stock	(78)	(1)	—	—	1	—	—	—
Share-based compensation	—	—	—	—	13,329	—	—	13,329
Shares repurchased related to share-based compensation	(31)	—	31	(976)	—	—	—	(976)
Loss attributable to non-controlling interest	—	—	—	—	—	—	(28,136)	(28,136)
Distributions to non-controlling interest	—	—	—	—	—	—	(20,098)	(20,098)
Net loss	—	—	—	—	—	(320,838)	—	(320,838)
Balance at March 31, 2016	235,530	\$ 707	11,680	\$ (354,903)	\$ 3,088,648	\$ (3,944,786)	\$ 2,415,019	\$ 1,204,685

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (348,974)	\$ (335,844)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash LNG inventory write-downs	216	17,502
Depreciation and amortization expense	24,089	17,769
Share-based compensation	16,171	16,140
Amortization of debt issuance costs and discount	12,817	9,116
Loss on early extinguishment of debt	1,457	88,992
Total losses on derivatives, net	182,169	126,183
Net cash used for settlement of derivative instruments	(8,817)	(37,262)
Impairment expense	10,166	176
Other	303	8,627
Changes in restricted cash for certain operating activities	43,366	75,233
Changes in operating assets and liabilities:		
Accounts and interest receivable	1,092	(28,083)
Inventory	(1,531)	(29,676)
Accounts payable and accrued liabilities	(27,831)	73,002
Deferred revenue	(1,000)	(1,003)
Other, net	7,617	(15,052)
Net cash used in operating activities	(88,690)	(14,180)
Cash flows from investing activities		
Property, plant and equipment, net	(1,149,827)	(590,998)
Use of restricted cash for the acquisition of property, plant and equipment	1,151,073	572,623
Other	(17,861)	(46,164)
Net cash used in investing activities	(16,615)	(64,539)
Cash flows from financing activities		
Proceeds from issuances of debt	1,908,000	2,500,000
Repayments of debt	(415,000)	—
Debt issuance and deferred financing costs	(49,307)	(58,395)
Investment in restricted cash	(1,423,595)	(1,929,288)
Distributions and dividends to non-controlling interest	(20,098)	(20,050)
Proceeds from exercise of stock options	—	958
Payments related to tax withholdings for share-based compensation	(976)	(3,771)
Other	2	20
Net cash provided by (used in) financing activities	(974)	489,474
Net increase (decrease) in cash and cash equivalents	(106,279)	410,755
Cash and cash equivalents—beginning of period	1,201,112	1,747,583
Cash and cash equivalents—end of period	\$ 1,094,833	\$ 2,158,338

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1—BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements of Cheniere have been prepared in accordance with GAAP for interim financial information and with 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. Certain reclassifications have been made to conform prior period information to the current presentation. The reclassifications had no effect on our overall consolidated financial position, operating results or cash flows.

In 2016, we started production at our natural gas liquefaction facilities at the Sabine Pass LNG terminal (the “SPL Project”). As a result, we introduced two new line items entitled “Cost of sales” and “Marketing expense” on our Consolidated Statements of Operations. To conform to the new presentation, reclassifications were made in the prior period into these new line items. The components of these new line items are as follows:

- Cost of sales includes costs incurred directly for the production of LNG from the SPL Project such as natural gas feedstock, variable transportation and storage costs, derivative gains and losses associated with economic hedges to secure natural gas feedstock for the SPL Project, vessel chartering costs and other costs related to converting natural gas into LNG, all to the extent not utilized for the commissioning process. These costs were reclassified from operating and maintenance expense, which now primarily includes costs associated with operating and maintaining the SPL Project such as third-party service and maintenance contract costs, payroll and benefit costs of operations personnel, natural gas transportation and storage capacity demand charges, derivative gains and losses related to the sale and purchase of LNG associated with the regasification terminal, insurance and regulatory costs.
- Marketing expense includes costs directly associated with our LNG and natural gas marketing activities by Cheniere Marketing such as payroll and benefit costs of LNG marketing and origination personnel, professional services and other support costs to contract LNG customers throughout the global marketplace for the SPL Project and our second natural gas liquefaction and export facility at the Corpus Christi LNG terminal (the “CCL Project”). These costs were reclassified from general and administrative expense.

Additionally, we distinguished and reclassified our historical “LNG terminal revenues” line item into “regasification revenues” and “LNG revenues.” Regasification revenues include LNG regasification capacity reservation fees that are received pursuant to our TUAs and tug services fees that are received by Sabine Pass Tug Services, LLC, a wholly owned subsidiary of SPLNG. LNG revenues include fees that will be received pursuant to our SPAs and related LNG marketing activities.

Results of operations for the three months ended March 31, 2016 are not necessarily indicative of the operating results that will be realized for the year ending December 31, 2016.

For further information, refer to the Consolidated Financial Statements and accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2015.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

NOTE 2—RESTRICTED CASH

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal and have been presented separately from cash and cash equivalents on our Consolidated Balance Sheets. Restricted cash consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Current restricted cash		
SPLNG debt service and interest payment	\$ 115,469	\$ 77,415
SPL Project	177,609	189,260
CTPL construction and interest payment	—	7,882
CQP and cash held by guarantor subsidiaries	108,894	—
CCL Project	295,316	46,770
Cash held by our subsidiaries restricted to Cheniere	10,511	147,138
Other	24,752	34,932
Total current restricted cash	<u>\$ 732,551</u>	<u>\$ 503,397</u>
Non-current restricted cash		
SPLNG debt service	\$ 13,650	\$ 13,650
Other	18,074	18,072
Total non-current restricted cash	<u>\$ 31,724</u>	<u>\$ 31,722</u>

Under the indentures governing the senior notes issued by SPLNG (the “SPLNG Indentures”), except for permitted tax distributions, SPLNG may not make distributions until certain conditions are satisfied, including: (1) there must be on deposit in an interest payment account an amount equal to one-sixth of the semi-annual interest payment multiplied by the number of elapsed months since the last semi-annual interest payment, and (2) there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment. Distributions are permitted only after satisfying the foregoing funding requirements, a fixed charge coverage ratio test of 2:1 and other conditions specified in the SPLNG Indentures. During the three months ended March 31, 2016 and 2015, SPLNG made distributions of \$63.4 million and \$70.8 million, respectively, after satisfying all the applicable conditions in the SPLNG Indentures.

In February 2016, Cheniere Partners entered into a \$2.8 billion credit facility (the “2016 CQP Credit Facilities”). Under the terms of the 2016 CQP Credit Facilities and the related depositary agreement governing the extension of credit to Cheniere Partners, Cheniere Partners, and Cheniere Investments and CTPL as Cheniere Partners’ guarantor subsidiaries, are subject to limitations on the use of cash. Specifically, Cheniere Partners, Cheniere Investments and CTPL may only withdraw funds from collateral accounts held at a designated depository bank on a monthly basis and for specific purposes, including for the payment of operating expenses. In addition, distributions and capital expenditures may only be made quarterly and are subject to certain restrictions.

NOTE 3—INVENTORY

As of March 31, 2016 and December 31, 2015, inventory consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Natural gas	\$ 3,333	\$ 5,724
LNG	5,546	5,148
Materials and other	22,364	7,253
Total inventory	<u>\$ 31,243</u>	<u>\$ 18,125</u>

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

NOTE 4—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of LNG terminal costs and fixed assets and other, as follows (in thousands):

	March 31, 2016	December 31, 2015
LNG terminal costs		
LNG terminal	\$ 2,748,474	\$ 2,487,759
LNG terminal construction-in-process (1)	15,116,545	13,875,204
LNG site and related costs, net	38,612	33,512
Accumulated depreciation	(430,757)	(413,545)
Total LNG terminal costs, net	17,472,874	15,982,930
Fixed assets and other		
Computer and office equipment	12,159	12,153
Furniture and fixtures	17,201	17,101
Computer software	72,234	69,340
Leasehold improvements	41,930	40,136
Land	60,612	60,612
Other	38,786	49,376
Accumulated depreciation	(41,248)	(37,741)
Total fixed assets and other, net	201,674	210,977
Property, plant and equipment, net	\$ 17,674,548	\$ 16,193,907

(1) As of March 31, 2016, LNG terminal construction-in-process is presented net of amounts received from the sale of commissioning cargoes because the related costs were capitalized as testing costs for the construction of the SPL Project.

NOTE 5—DERIVATIVE INSTRUMENTS

We have entered into the following derivative instruments that are reported at fair value:

- interest rate swaps to hedge the exposure to volatility in a portion of the floating-rate interest payments under certain of our credit facilities (“Interest Rate Derivatives”);
- commodity derivatives to hedge the exposure to price risk attributable to future: (1) sales of our LNG inventory and (2) purchases of natural gas to operate the Sabine Pass LNG terminal (“Natural Gas Derivatives”);
- commodity derivatives consisting of natural gas purchase agreements for the commissioning and operation of the SPL Project (“Physical Liquefaction Supply Derivatives”) and associated economic hedges (“Financial Liquefaction Supply Derivatives”, and collectively with the Physical Liquefaction Supply Derivatives, the “Liquefaction Supply Derivatives”);
- financial derivatives to hedge the exposure to the commodity markets in which we have contractual arrangements to purchase or sell physical LNG (“LNG Trading Derivatives”); and
- foreign currency exchange (“FX”) contracts to hedge exposure to currency risk associated with operations in countries outside of the United States (“FX Derivatives”).

None of our derivative instruments are designated as cash flow hedging instruments, and changes in fair value are recorded within our Consolidated Statements of Operations.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

The following table (in thousands) shows the fair value of our derivative instruments that are required to be measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015, which are classified as other current assets, non-current derivative assets, derivative liabilities or non-current derivative liabilities in our Consolidated Balance Sheets.

	Fair Value Measurements as of							
	March 31, 2016				December 31, 2015			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
SPL Interest Rate Derivatives liability	\$ —	\$ (18,009)	\$ —	\$ (18,009)	\$ —	\$ (8,740)	\$ —	\$ (8,740)
CQP Interest Rate Derivatives liability	—	(9,490)	—	(9,490)	—	—	—	—
CCH Interest Rate Derivatives liability	—	(259,305)	—	(259,305)	—	(104,999)	—	(104,999)
Liquefaction Supply Derivatives asset (liability)	—	(151)	30,054	29,903	—	(25)	32,492	32,467
LNG Trading Derivatives asset	—	5,814	—	5,814	—	1,053	—	1,053
Natural Gas Derivatives liability	—	—	—	—	—	(66)	—	(66)
FX Derivatives liability	—	(2,527)	—	(2,527)	—	—	—	—

We value our Interest Rate Derivatives using valuations based on the initial trade prices. Using an income-based approach, subsequent valuations are based on observable inputs to the valuation model including interest rate curves, risk adjusted discount rates, credit spreads and other relevant data. The estimated fair values of our economic hedges related to the LNG Trading Derivatives and our Natural Gas Derivatives are the amounts at which the instruments could be exchanged currently between willing parties. We value these derivatives using observable commodity price curves and other relevant data. We estimate the fair values of our FX Derivatives with a market approach using observable FX rates and other relevant data.

The fair value of substantially all of our Physical Liquefaction Supply Derivatives is developed through the use of internal models which are impacted by inputs that are unobservable in the marketplace. As a result, the fair value of our Physical Liquefaction Supply Derivatives is designated as Level 3 within the valuation hierarchy. The curves used to generate the fair value of our Physical Liquefaction Supply Derivatives are based on basis adjustments applied to forward curves for a liquid trading point. In addition, there may be observable liquid market basis information in the near term, but terms of a particular Physical Liquefaction Supply Derivatives contract may exceed the period for which such information is available, resulting in a Level 3 classification. In these instances, the fair value of the contract incorporates extrapolation assumptions made in the determination of the market basis price for future delivery periods in which applicable commodity basis prices were either not observable or lacked corroborative market data. Internal fair value models include conditions precedent to the respective long-term natural gas purchase agreements. As of March 31, 2016 and December 31, 2015, some of our Physical Liquefaction Supply Derivatives existed within markets for which the pipeline infrastructure has not been developed to accommodate marketable physical gas flow. In the absence of infrastructure to accommodate marketable physical gas flow, our internal fair value models are based on a market price that equates to our own contractual pricing due to: (1) the inactive and unobservable market and (2) conditions precedent and their impact on the uncertainty in the timing of our actual receipt of the physical volumes associated with each forward. The fair value of our Physical Liquefaction Supply Derivatives is predominantly driven by market commodity basis prices and our assessment of the associated conditions precedent, including evaluating whether the respective market is available as pipeline infrastructure is developed. Upon the completion and placement into service of relevant pipeline infrastructure to accommodate marketable physical gas flow, we recognize a gain or loss based on the fair value of the respective natural gas purchase agreements as of the reporting date.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

There were no transfers into or out of Level 3 Physical Liquefaction Supply Derivatives for the three months ended March 31, 2016 and 2015. As all of our Physical Liquefaction Supply Derivatives are either purely index-priced or index-priced with a fixed basis, we do not believe that a significant change in market commodity prices would have a material impact on our Level 3 fair value measurements. The following table includes quantitative information for the unobservable inputs for our Level 3 Physical Liquefaction Supply Derivatives as of March 31, 2016:

	Net Fair Value Asset (in thousands)	Valuation Technique	Significant Unobservable Input	Significant Unobservable Inputs Range
Physical Liquefaction Supply Derivatives	\$30,054	Income Approach	Basis Spread	\$ (0.350) - \$0.020

The following table (in thousands) shows the changes in the fair value of our Level 3 Physical Liquefaction Supply Derivatives during the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Balance, beginning of period	\$ 32,492	\$ 342
Realized and mark-to-market losses:		
Included in cost of sales (1)	(2,653)	—
Purchases and settlements:		
Purchases	215	—
Settlements (1)	—	—
Balance, end of period	\$ 30,054	\$ 342
Change in unrealized gains relating to instruments still held at end of period	\$ (2,194)	\$ —

(1) Does not include the decrease in fair value of \$0.5 million related to the realized gains capitalized during the three months ended March 31, 2016.

Derivative assets and liabilities arising from our derivative contracts with the same counterparty are reported on a net basis, as all counterparty derivative contracts provide for net settlement. The use of derivative instruments exposes us to counterparty credit risk, or the risk that a counterparty will be unable to meet its commitments in instances when our derivative instruments are in an asset position.

Interest Rate Derivatives

SPL Interest Rate Derivatives

SPL has entered into interest rate swaps (“SPL Interest Rate Derivatives”) to protect against volatility of future cash flows and hedge a portion of the variable interest payments on the \$4.6 billion credit facilities (the “2015 SPL Credit Facilities”). The SPL Interest Rate Derivatives hedge a portion of the expected outstanding borrowings over the term of the 2015 SPL Credit Facilities.

In March 2015, SPL settled a portion of the SPL Interest Rate Derivatives and recognized a derivative loss of \$34.7 million within our Consolidated Statements of Operations in conjunction with the termination of approximately \$1.8 billion of commitments under the previous credit facilities.

CQP Interest Rate Derivatives

In March 2016, Cheniere Partners entered into interest rate swaps (“CQP Interest Rate Derivatives”) to protect against volatility of future cash flows and hedge a portion of the variable interest payments on the 2016 CQP Credit Facilities. The CQP Interest Rate Derivatives hedge a portion of the expected outstanding borrowings over the term of the 2016 CQP Credit Facilities.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

CCH Interest Rate Derivatives

CCH has entered into interest rate swaps (“CCH Interest Rate Derivatives”) to protect against volatility of future cash flows and hedge a portion of the variable interest payments on its \$8.4 billion credit facility (the “2015 CCH Credit Facility”). The CCH Interest Rate Derivatives hedge a portion of the expected outstanding borrowings over the term of the 2015 CCH Credit Facility.

As of March 31, 2016, we had the following Interest Rate Derivatives outstanding:

	Initial Notional Amount	Maximum Notional Amount	Effective Date	Maturity Date	Weighted Average Fixed Interest Rate Paid	Variable Interest Rate Received
SPL Interest Rate Derivatives	\$20.0 million	\$628.8 million	August 14, 2012	July 31, 2019	1.98%	One-month LIBOR
CQP Interest Rate Derivatives	\$225.0 million	\$1.3 billion	March 22, 2016	February 29, 2020	1.19%	One-month LIBOR
CCH Interest Rate Derivatives	\$28.8 million	\$5.5 billion	May 20, 2015	May 31, 2022	2.29%	One-month LIBOR

The following table (in thousands) shows the fair value and location of our Interest Rate Derivatives on our Consolidated Balance Sheets:

Balance Sheet Location	March 31, 2016				December 31, 2015			
	SPL Interest Rate Derivatives	CQP Interest Rate Derivatives	CCH Interest Rate Derivatives	Total	SPL Interest Rate Derivatives	CQP Interest Rate Derivatives	CCH Interest Rate Derivatives	Total
Derivative liabilities	(6,759)	(4,530)	(36,926)	(48,215)	(5,940)	—	(28,559)	(34,499)
Non-current derivative liabilities	(11,250)	(4,960)	(222,379)	(238,589)	(2,800)	—	(76,440)	(79,240)
Total derivative liabilities	(18,009)	(9,490)	(259,305)	(286,804)	(8,740)	—	(104,999)	(113,739)
Derivative liability, net	\$ (18,009)	\$ (9,490)	\$ (259,305)	\$ (286,804)	\$ (8,740)	\$ —	\$ (104,999)	\$ (113,739)

The following table (in thousands) shows the changes in the fair value and settlements of our Interest Rate Derivatives recorded in derivative loss, net on our Consolidated Statements of Operations during the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
SPL Interest Rate Derivatives loss	\$ (11,278)	\$ (37,138)
CQP Interest Rate Derivatives loss	(9,530)	—
CCH Interest Rate Derivatives loss	(160,176)	(89,552)

Commodity Derivatives

We recognize all commodity derivative instruments, including our Liquefaction Supply Derivatives, LNG Trading Derivatives and Natural Gas Derivatives (collectively, “Commodity Derivatives”), as either assets or liabilities and measure those instruments at fair value. Changes in the fair value of our Commodity Derivatives are reported in earnings.

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The following table (in thousands) shows the fair value and location of our Commodity Derivatives on our Consolidated Balance Sheets:

Balance Sheet Location	March 31, 2016				December 31, 2015			
	Liquefaction Supply Derivatives (1)	LNG Trading Derivatives	Natural Gas Derivatives	Total	Liquefaction Supply Derivatives	LNG Trading Derivatives	Natural Gas Derivatives (2)	Total
Other current assets	\$ 2,222	\$ 4,663	\$ —	\$ 6,885	\$ 2,737	\$ 640	\$ —	\$ 3,377
Non-current derivative assets	28,210	1,151	—	29,361	30,304	583	—	30,887
Total derivative assets	30,432	5,814	—	36,246	33,041	1,223	—	34,264
Derivative liabilities	(529)	—	—	(529)	(490)	(107)	(66)	(663)
Non-current derivative liabilities	—	—	—	—	(84)	(63)	—	(147)
Total derivative liabilities	(529)	—	—	(529)	(574)	(170)	(66)	(810)
Derivative asset (liabilities), net	\$ 29,903	\$ 5,814	\$ —	\$ 35,717	\$ 32,467	\$ 1,053	\$ (66)	\$ 33,454

- (1) Does not include collateral of \$1.5 million deposited for such contracts, which is included in other current assets in our Consolidated Balance Sheet as of March 31, 2016.
- (2) Does not include collateral of \$5.5 million deposited for such contracts, which is included in other current assets in our Consolidated Balance Sheet as of December 31, 2015.

The following table (in thousands) shows the changes in the fair value and settlements and location of our Commodity Derivatives recorded on our Consolidated Statements of Operations during the three months ended March 31, 2016 and 2015:

Statement of Operations Location	Three Months Ended March 31,	
	2016	2015
Liquefaction Supply Derivatives gain	\$ 28	\$ —
Liquefaction Supply Derivatives loss (1)	(3,594)	—
LNG Trading Derivatives gain	4,762	—
Natural Gas Derivatives loss	(5)	(247)
Natural Gas Derivatives gain	174	754

- (1) Does not include the realized value associated with derivative instruments that settle through physical delivery.

The use of Commodity Derivatives exposes us to counterparty credit risk, or the risk that a counterparty will be unable to meet its commitments in instances when our Commodity Derivatives are in an asset position.

Liquefaction Supply Derivatives

SPL has entered into index-based physical natural gas supply contracts and associated economic hedges to purchase natural gas for the commissioning and operation of the SPL Project. The terms of the physical natural gas supply contracts primarily range from approximately one to seven years and commence upon the occurrence of conditions precedent, including the date of first commercial operation of specified Trains of the SPL Project. We recognize our Physical Liquefaction Supply Derivatives as either assets or liabilities and measure those instruments at fair value. Changes in the fair value of our Physical Liquefaction Supply Derivatives are reported in earnings. As of March 31, 2016, SPL has secured up to approximately 2,047.9 million MMBtu of natural gas feedstock through natural gas purchase agreements. The notional natural gas position of our Physical Liquefaction Supply Derivatives was approximately 1,134.9 million MMBtu as of March 31, 2016.

Our Financial Liquefaction Supply Derivatives are executed through over-the-counter contracts which are subject to nominal

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credit risk as these transactions are settled on a daily margin basis with investment grade financial institutions. We are required by these financial institutions to use margin deposits as credit support for our Financial Liquefaction Supply Derivatives activities.

LNG Trading Derivatives

As of March 31, 2016, we have entered into certain LNG Trading Derivatives representing a short position of 9.2 million MMBtu, and we may from time to time enter into certain financial derivatives in the form of swaps, forwards, options or futures to economically hedge exposure to the commodity markets in which we have contractual arrangements to purchase or sell physical LNG. We have entered into LNG Trading Derivatives to secure a fixed price position to minimize future cash flow variability associated with such LNG transactions.

Natural Gas Derivatives

Our Natural Gas Derivatives were executed through over-the-counter contracts which were subject to nominal credit risk as these transactions settled on a daily margin basis with investment grade financial institutions. We were required by these financial institutions to use margin deposits as credit support for our Natural Gas Derivatives activities. As of March 31, 2016, we did not have any open Natural Gas Derivatives positions or margin deposits at financial institutions.

FX Derivatives

Cheniere Marketing has entered into FX Derivatives to protect against the volatility in future cash flows attributable to changes in international currency exchange rates. The FX Derivatives economically hedge the foreign currency exposure arising from cash flows expended for both general and administrative expenses and physical and financial LNG transactions related to operations in countries outside of the United States. The total notional amount of our FX Derivatives was approximately \$56.7 million as of March 31, 2016.

The following table (in thousands) shows the fair value and location of our FX Derivatives on our Consolidated Balance Sheets:

	Balance Sheet Location	Fair Value Measurements as of	
		March 31, 2016	December 31, 2015
FX Derivatives	Other current assets	\$ 73	\$ —
FX Derivatives	Derivative liabilities	(1,817)	—
FX Derivatives	Non-current derivative liabilities	(783)	—

The following table (in thousands) shows the changes in the fair value of our FX Derivatives recorded on our Consolidated Statements of Operations during the three months ended March 31, 2016 and 2015:

	Statement of Operations Location	Three Months Ended March 31,	
		2016	2015
FX Derivatives gain	Derivative loss, net	\$ 50	\$ —
FX Derivatives loss	LNG revenues	(2,600)	—

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Balance Sheet Presentation

Our Interest Rate Derivatives and Commodity Derivatives are presented on a net basis on our Consolidated Balance Sheets as described above. The following table (in thousands) shows the fair value of our derivatives outstanding on a gross and net basis:

Offsetting Derivative Assets (Liabilities)	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets
As of March 31, 2016			
SPL Interest Rate Derivatives	\$ (18,009)	\$ —	\$ (18,009)
CQP Interest Rate Derivatives	(9,490)	—	(9,490)
CCH Interest Rate Derivatives	(259,304)	—	(259,304)
Liquefaction Supply Derivatives	30,618	(186)	30,432
Liquefaction Supply Derivatives	(1,668)	1,139	(529)
LNG Trading Derivatives	15,412	(9,598)	5,814
FX Derivatives	73	—	73
FX Derivatives	(2,600)	—	(2,600)
As of December 31, 2015			
SPL Interest Rate Derivatives	\$ (8,740)	\$ —	\$ (8,740)
CCH Interest Rate Derivatives	(104,999)	—	(104,999)
Liquefaction Supply Derivatives	33,636	(595)	33,041
Liquefaction Supply Derivatives	(574)	—	(574)
LNG Trading Derivatives	1,922	(699)	1,223
LNG Trading Derivatives	(2,826)	2,656	(170)
Natural Gas Derivatives	188	(254)	(66)

NOTE 6—OTHER NON-CURRENT ASSETS

As of March 31, 2016 and December 31, 2015, other non-current assets consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Advances made under EPC and non-EPC contracts	\$ 19,766	\$ 83,579
Advances made to municipalities for water system enhancements	88,151	89,953
Tax-related payments and receivables	29,197	31,712
Equity method investments	20,543	20,295
Other	104,829	88,916
Total other non-current assets	\$ 262,486	\$ 314,455

NOTE 7—VARIABLE INTEREST ENTITY

Cheniere Holdings

On January 1, 2016, we adopted ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This guidance changed (1) the identification of variable interests, (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination.

Cheniere Holdings is a limited liability company formed by us in 2013 to hold our Cheniere Partners limited partner interests. As of March 31, 2016, we owned 80.1% of Cheniere Holdings as well as a director voting share. The director voting share is the sole share entitled to vote in the election of Cheniere Holdings' board of directors and allows us to remove members of the board of directors at any time and for any reason. If we cease to own greater than 25% of the common shares of Cheniere Holdings or if we choose to relinquish the director voting share, the director voting share will be extinguished.

The board of directors makes all major operating and financial decisions on behalf of Cheniere Holdings. Because ownership of the director voting share allows us to control Cheniere Holdings, irrespective of our majority ownership interest, and the director voting share cannot be removed from our control by the other equity holders of Cheniere Holdings, we have determined that

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Cheniere Holdings is now a variable interest entity. However, this determination has not changed the consolidation of Cheniere Holdings as we have determined that we are its primary beneficiary. Therefore, the determination that Cheniere Holdings is now a variable interest entity had no impact on our Consolidated Financial Statements.

NOTE 8—NON-CONTROLLING INTEREST

Cheniere Holdings was formed by us to hold our limited partner interest in Cheniere Partners and in December 2013, completed its initial public offering. As of both March 31, 2016 and December 31, 2015, our ownership interest in Cheniere Holdings was 80.1%, with the remaining non-controlling interest held by the public. Cheniere Holdings owns a 55.9% limited partner interest in Cheniere Partners in the form of 12.0 million common units, 45.3 million Class B units and 135.4 million subordinated units, with the remaining non-controlling interest held by Blackstone CQP Holdco LP and the public. We also own 100% of the general partner interest and the incentive distribution rights in Cheniere Partners.

NOTE 9—ACCRUED LIABILITIES

As of March 31, 2016 and December 31, 2015, accrued liabilities consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Interest expense and related debt fees	\$ 169,921	\$ 159,968
Compensation and benefits	43,991	99,511
Liquefaction projects costs	434,990	145,105
LNG terminal costs	4,230	3,918
Other accrued liabilities	17,452	18,697
Total accrued liabilities	<u>\$ 670,584</u>	<u>\$ 427,199</u>

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NOTE 10—DEBT

As of March 31, 2016 and December 31, 2015, our debt consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Long-term debt:		
<i>SPLNG</i>		
6.50% Senior Secured Notes due 2020 (“2020 SPLNG Senior Notes”) (1)	\$ 420,000	\$ 420,000
<i>SPL</i>		
5.625% Senior Secured Notes due 2021 (“2021 SPL Senior Notes”), net of unamortized premium of \$8,341 and \$8,718	2,008,341	2,008,718
6.25% Senior Secured Notes due 2022 (“2022 SPL Senior Notes”)	1,000,000	1,000,000
5.625% Senior Secured Notes due 2023 (“2023 SPL Senior Notes”), net of unamortized premium of \$6,212 and \$6,392	1,506,212	1,506,392
5.75% Senior Secured Notes due 2024 (“2024 SPL Senior Notes”)	2,000,000	2,000,000
5.625% Senior Secured Notes due 2025 (“2025 SPL Senior Notes”)	2,000,000	2,000,000
2015 SPL Credit Facilities	1,505,000	845,000
<i>CTPL</i>		
\$400.0 million Term Loan Facility (“CTPL Term Loan”), net of unamortized discount of zero and \$1,429	—	398,571
<i>Cheniere Partners</i>		
2016 CQP Credit Facilities	450,000	—
<i>CCH</i>		
2015 CCH Credit Facility	3,386,000	2,713,000
<i>CCH HoldCo II</i>		
11.0% Convertible Senior Notes due 2025 (“2025 CCH HoldCo II Convertible Senior Notes”)	1,079,479	1,050,588
<i>Cheniere</i>		
4.875% Convertible Unsecured Notes due 2021 (“2021 Cheniere Convertible Unsecured Notes”), net of unamortized discount of \$165,738 and \$174,095	888,296	879,938
4.25% Convertible Senior Notes due 2045 (“2045 Cheniere Convertible Senior Notes”), net of unamortized discount of \$318,535 and \$319,062	306,465	305,938
Unamortized debt issuance costs (2)	(201,694)	(207,718)
Total long-term debt, net	16,348,099	14,920,427
Current debt:		
7.50% Senior Secured Notes due 2016 (“2016 SPLNG Senior Notes”), net of unamortized discount of \$3,130 and \$4,303 (3)	1,662,370	1,661,197
\$1.2 billion SPL Working Capital Facility (“SPL Working Capital Facility”)	125,000	15,000
Unamortized debt issuance costs (2)	(2,052)	(2,818)
Total current debt, net	1,785,318	1,673,379
Total debt, net	\$ 18,133,417	\$ 16,593,806

- (1) Must be redeemed or repaid concurrently with the 2016 Senior Notes under the terms of the 2016 CQP Credit Facilities if the obligations under the 2016 Senior Notes are satisfied with borrowings under the 2016 CQP Credit Facilities.
- (2) Effective January 1, 2016, we adopted ASU 2015-03 and ASU 2015-15, which require debt issuance costs related to term notes to be presented in the balance sheet as a direct deduction from the debt liability, rather than as an asset, retrospectively for each reporting period presented. As a result, we reclassified \$207.8 million and \$2.8 million from debt issuance costs, net to long-term debt, net and current debt, net, respectively, as of December 31, 2015.
- (3) Matures on November 30, 2016. We currently anticipate satisfying this obligation with borrowings under the 2016 CQP Credit Facilities.

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2016 Debt Issuances and Redemptions

2016 CQP Credit Facilities

In February 2016, Cheniere Partners entered into the \$2.8 billion 2016 CQP Credit Facilities which consist of: (1) a \$450.0 million CTPL tranche term loan that was used to prepay the \$400.0 million CTPL Term Loan in February 2016, (2) an approximately \$2.1 billion SPLNG tranche term loan that will be used to redeem or repay the approximately \$2.1 billion of the 2016 SPLNG Senior Notes and the 2020 SPLNG Senior Notes (which must be redeemed or repaid concurrently under the terms of the 2016 CQP Credit Facilities), (3) a \$125.0 million debt service reserve credit facility (the “DSR Facility”) that may be used to satisfy a six-month debt service reserve requirement and (4) a \$115.0 million revolving credit facility that may be used for general business purposes.

The 2016 CQP Credit Facilities accrue interest at a variable rate per annum equal to LIBOR or the base rate (equal to the highest of the prime rate, the federal funds effective rate, as published by the Federal Reserve Bank of New York, plus 0.50% and adjusted one month LIBOR plus 1.0%), plus the applicable margin. The applicable margin for LIBOR loans is 2.25% per annum, and the applicable margin for base rate loans is 1.25% per annum, in each case with a 0.50% step-up beginning on February 25, 2019. Interest on LIBOR loans is due and payable at the end of each applicable LIBOR period (and at the end of every three month period within the LIBOR period, if any), and interest on base rate loans is due and payable at the end of each calendar quarter.

Cheniere Partners incurred \$48.7 million of debt issuance costs during the three months ended March 31, 2016, and will incur an additional \$21.5 million of debt issuance costs when the SPLNG tranche is funded. The prepayment of the CTPL Term Loan resulted in a write-off of unamortized discount and debt issuance costs of \$1.5 million during the three months ended March 31, 2016. Cheniere Partners pays a commitment fee equal to an annual rate of 40% of the margin for LIBOR loans multiplied by the average daily amount of the undrawn commitment, payable quarterly in arrears. The DSR Facility and the revolving credit facility are both available for the issuance of letters of credit, which incur a fee equal to an annual rate of 2.25% of the undrawn portion with a 0.50% step-up beginning on February 25, 2019.

The 2016 CQP Credit Facilities mature on February 25, 2020, and the outstanding balance may be repaid, in whole or in part, at any time without premium or penalty, except for interest hedging and interest rate breakage costs. The 2016 CQP Credit Facilities contain conditions precedent for extensions of credit, as well as customary affirmative and negative covenants and limit Cheniere Partners’ ability to make restricted payments, including distributions, to once per fiscal quarter as long as certain conditions are satisfied. Under the terms of the 2016 CQP Credit Facilities, Cheniere Partners is required to hedge not less than 50% of the variable interest rate exposure on its projected aggregate outstanding balance, maintain a minimum debt service coverage ratio of at least 1.15x at the end of each fiscal quarter beginning March 31, 2019 and have a projected debt service coverage ratio of 1.55x in order to incur additional indebtedness to refinance a portion of the existing obligations.

The 2016 CQP Credit Facilities are unconditionally guaranteed by each subsidiary of Cheniere Partners other than: (1) SPL, (2) SPLNG until funding of its tranche term loan and (3) certain of the subsidiaries of Cheniere Partners owning other development projects, as well as certain other specified subsidiaries and members of the foregoing entities.

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Credit Facilities

Below is a summary of our credit facilities outstanding as of March 31, 2016 (in thousands):

	2015 SPL Credit Facilities	SPL Working Capital Facility	2016 CQP Credit Facilities	2015 CCH Term Loan Facilities
Total facility size	\$ 4,600,000	\$ 1,200,000	\$ 2,800,000	\$ 8,403,714
Outstanding balance	1,505,000	125,000	450,000	3,386,000
Letters of credit issued	—	236,459	7,500	—
Available commitment	\$ 3,095,000	\$ 838,541	\$ 2,342,500	\$ 5,017,714
Interest rate	LIBOR plus 1.30% - 1.75% or base rate plus 1.75%	LIBOR plus 1.75% or base rate plus 0.75%	LIBOR plus 2.25% or base rate plus 1.25% (1)	LIBOR plus 2.25% or base rate plus 1.25% (2)
Maturity date	Earlier of December 31, 2020 or second anniversary of SPL Trains 1 through 5 completion date	December 31, 2020, with various terms for underlying loans	February 25, 2020, with principals due quarterly commencing on February 19, 2019	Earlier of May 13, 2022 or second anniversary of CCL Trains 1 and 2 completion date

- (1) There is a 0.50% step-up for both LIBOR and base rate loans beginning on February 25, 2019.
- (2) There is a 0.25% step-up for both LIBOR and base rate loans following completion of the first two Trains of the CCL Project.

Convertible Notes

Below is a summary of our convertible notes outstanding as of March 31, 2016 (in thousands):

	2021 Cheniere Convertible Unsecured Notes	2025 CCH HoldCo II Convertible Senior Notes	2045 Cheniere Convertible Senior Notes
Aggregate principal	\$ 1,000,000	\$ 1,000,000	\$ 625,000
Debt component, net of discount	\$ 888,296	\$ 1,079,479	\$ 306,465
Equity component	\$ 203,035	\$ —	\$ 194,082
Interest payment method	Paid-in-kind	Paid-in-kind (1)	Cash
Conversion by us (2)	—	(3)	(4)
Conversion by holders (2)	(5)	(6)	(7)
Conversion basis	Cash and/or stock	Stock	Cash and/or stock
Conversion value in excess of principal	\$ —	\$ —	\$ —
Maturity date	May 28, 2021	March 1, 2025	March 15, 2045
Effective interest rate	9.6%	11.9%	9.4%
Remaining debt discount and debt issuance costs amortization period (8)	5.2 years	4.5 years	29.0 years

- (1) Prior to the substantial completion of Train 2 of the CCL Project, interest will be paid entirely in kind. Following this date, the interest generally must be paid in cash; however, a portion of the interest may be paid in kind under certain specified circumstances.
- (2) Conversion is subject to various limitations and conditions.
- (3) Convertible on or after the later of March 1, 2020 and the substantial completion of Train 2 of the CCL Project, provided that our market capitalization is not less than \$10.0 billion ("Eligible Conversion Date"). The conversion price is the lower of (1) a 10% discount to the average of the daily volume-weighted average price ("VWAP") of our common stock for the 90 trading day period prior to the date notice is provided, and (2) a 10% discount to the closing price of our common stock on the trading day preceding the date notice is provided.
- (4) Redeemable at any time after March 15, 2020 at a redemption price payable in cash equal to the accreted amount of the 2045 Cheniere Convertible Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to such redemption date.

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- (5) Initially convertible at \$93.64 (subject to adjustment upon the occurrence of certain specified events), provided that the closing price of our common stock is greater than or equal to the conversion price on the conversion date.
- (6) Convertible on or after the six-month anniversary of the Eligible Conversion Date, provided that our total market capitalization is not less than \$10.0 billion, at a price equal to the average of the daily VWAP of our common stock for the 90 trading day period prior to the date on which notice of conversion is provided.
- (7) Prior to December 15, 2044, convertible only under certain circumstances as specified in the indenture; thereafter, holders may convert their notes regardless of these circumstances. The conversion rate will initially equal 7.2265 shares of our common stock per \$1,000 principal amount of the 2045 Cheniere Convertible Senior Notes, which corresponds to an initial conversion price of approximately \$138.38 per share of our common stock (subject to adjustment upon the occurrence of certain specified events).
- (8) We amortize any debt discount and debt issuance costs using the effective interest over the period through contractual maturity except for the 2025 CCH HoldCo II Convertible Senior Notes, which are amortized through the date they are first convertible into our common stock.

Interest Expense

Total interest expense, including interest expense related to our convertible notes, consisted of the following (in thousands):

	Three Months Ended March 31,	
	2016	2015
Interest cost on convertible notes:		
Interest per contractual rate	\$ 49,040	\$ 13,939
Amortization of debt discount	8,885	6,598
Amortization of debt issuance costs	1,151	14
Total interest cost related to convertible notes	59,076	20,551
Interest cost on other debt	234,216	160,087
Total interest cost	293,292	180,638
Capitalized interest	(216,955)	(121,026)
Total interest expense, net	\$ 76,337	\$ 59,612

Fair Value Disclosures

The following table (in thousands) shows the carrying amount and estimated fair value of our debt:

	March 31, 2016		December 31, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Senior Notes, net of premium or discount (1)	\$ 10,596,923	\$ 10,299,660	\$ 10,596,307	\$ 9,525,809
CTPL Term Loan, net of discount (2)	—	—	398,571	400,000
Credit facilities (2) (3)	5,466,000	5,466,000	3,573,000	3,573,000
2021 Cheniere Convertible Unsecured Notes, net of discount (4)	888,296	858,091	879,938	825,413
2025 CCH HoldCo II Convertible Senior Notes (4)	1,079,479	1,071,219	1,050,588	914,363
2045 Cheniere Convertible Senior Notes, net of discount (5)	306,465	334,375	305,938	331,919

- (1) Includes 2016 SPLNG Senior Notes, net of discount; 2020 SPLNG Senior Notes; 2021 SPL Senior Notes, net of premium; 2022 SPL Senior Notes; 2023 SPL Senior Notes, net of premium; 2024 SPL Senior Notes and 2025 SPL Senior Notes (collectively, the "Senior Notes"). The Level 2 estimated fair value was based on quotes obtained from broker-dealers or market makers of our Senior Notes and other similar instruments.
- (2) The Level 3 estimated fair value approximates the principal amount because the interest rates are variable and reflective of market rates and the debt may be repaid, in full or in part, at any time without penalty.
- (3) Includes 2015 SPL Credit Facilities, SPL Working Capital Facility, 2016 CQP Credit Facilities and 2015 CCH Credit Facility.

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- (4) The Level 3 estimated fair value was calculated based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including our stock price and interest rates based on debt issued by parties with comparable credit ratings to us and inputs that are not observable in the market.
- (5) The Level 1 estimated fair value was based on unadjusted quoted prices in active markets for identical liabilities that we had the ability to access at the measurement date.

NOTE 11—INCOME TAXES

We are not presently a taxpayer for federal or state income tax purposes and have not recorded a provision for federal or state income taxes in any of the periods included in the accompanying Consolidated Financial Statements. However, we are presently an international taxpayer and have recorded a net provision of \$0.6 million and \$0.7 million for the three months ended March 31, 2016 and 2015, respectively, for international income taxes.

We experienced an ownership change within the provisions of Internal Revenue Code (“IRC”) Section 382 in 2008, 2010 and 2012. An analysis of the annual limitation on the utilization of our net operating losses (“NOLs”) was performed in accordance with IRC Section 382. It was determined that IRC Section 382 will not limit the use of our NOLs in full over the carryover period. We will continue to monitor trading activity in our shares which may cause an additional ownership change which could ultimately affect our ability to fully utilize our existing tax NOL carryforwards.

NOTE 12—SHARE-BASED COMPENSATION

We have granted stock, restricted stock, phantom units and options to purchase common stock to employees, outside directors and a consultant under the Amended and Restated 2003 Stock Incentive Plan, as amended (the “2003 Plan”), 2011 Incentive Plan, as amended (the “2011 Plan”) and the 2015 Long-Term Cash Incentive Plan (the “2015 Plan”).

The 2003 Plan and 2011 Plan provide for the issuance of 21.0 million shares and 35.0 million shares, respectively, of our common stock that may be in the form of non-qualified stock options, incentive stock options, purchased stock, restricted (non-vested) stock, bonus (unrestricted) stock, stock appreciation rights, phantom units and other share-based performance awards deemed by the Compensation Committee of our Board of Directors (the “Compensation Committee”) to be consistent with the purposes of the 2003 Plan and 2011 Plan. As of March 31, 2016, all of the shares under the 2003 Plan have been granted and 26.8 million shares, net of cancellations, have been granted under the 2011 Plan. The 2015 Plan generally provides for cash-settled awards in the form of stock appreciation rights, phantom unit awards, performance unit awards, other-stock based awards and cash awards. The 2014-2018 Long-Term Cash Incentive Program (the “2014-2018 LTIP”) is a sub-plan of the 2015 Plan and provides for performance-based phantom unit awards. As of March 31, 2016, 5.4 million phantom units have been granted under the 2015 Plan.

Total share-based compensation expense consisted of the following (in thousands):

	Three Months Ended March 31,	
	2016	2015
Total share-based compensation	\$ 17,525	\$ 17,991
Capitalized share-based compensation	(1,354)	(1,851)
Total share-based compensation expense, net	\$ 16,171	\$ 16,140

The total unrecognized compensation cost at March 31, 2016 relating to non-vested share-based compensation arrangements was \$132.6 million, which is expected to be recognized over a weighted average period of 2.0 years.

We received zero and \$1.0 million in the three months ended March 31, 2016 and 2015, respectively, of proceeds from the exercise of stock options.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

NOTE 13—NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic net loss per share attributable to common stockholders (“EPS”) excludes dilution and is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects potential dilution and is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period increased by the number of additional common shares that would have been outstanding if the potential common shares had been issued.

The following table (in thousands, except for loss per share) reconciles basic and diluted weighted average common shares outstanding for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Weighted average common shares outstanding:		
Basic	228,138	226,328
Dilutive common stock options (1)	—	—
Diluted	228,138	226,328
Basic and diluted net loss per share attributable to common stockholders	\$ (1.41)	\$ (1.18)

(1) Stock options and unvested stock of 7.4 million shares and 10.3 million shares as of March 31, 2016 and 2015, respectively, representing securities that could potentially dilute basic EPS in the future, were not included in the diluted net loss per share computations because their effect would have been anti-dilutive. In addition, 82.7 million and 21.1 million shares in aggregate, issuable upon conversion of the 2021 Cheniere Convertible Unsecured Notes, the 2025 CCH HoldCo II Convertible Senior Notes and the 2045 Cheniere Convertible Senior Notes, were not included in the computation of diluted net loss per share for the three months ended March 31, 2016 and 2015, respectively, because the computation of diluted net loss per share utilizing the “if-converted” method at the share price as of March 31, 2016 and 2015, respectively, would be anti-dilutive.

NOTE 14—COMMITMENTS AND CONTINGENCIES

Cheniere has various contractual obligations which are recorded as liabilities in our Consolidated Financial Statements. Other items, such as certain purchase commitments and other executed contracts which do not meet the definition of a liability as of March 31, 2016, are not recognized as liabilities.

Parallax Litigation

In 2015, our wholly owned subsidiary, Cheniere LNG Terminals, LLC (“CLNGT”), entered into discussions with Parallax Enterprises, LLC (“Parallax Enterprises”) regarding the potential joint development of two liquefaction plants in Louisiana (the “Potential Liquefaction Transactions”). While the parties negotiated regarding the Potential Liquefaction Transactions, CLNGT loaned Parallax Enterprises approximately \$46 million, as reflected in a secured note dated April 23, 2015, as amended on June 30, 2015, September 30, 2015, and November 4, 2015 (the “Secured Note”). The Secured Note was secured by all assets of Parallax Enterprises and its subsidiary entities. On June 30, 2015, Parallax Enterprises’ parent entity, Parallax Energy LLC (“Parallax Energy”), executed a Pledge and Guarantee Agreement further securing repayment of the Secured Note by providing a parent guaranty and a pledge of all of the equity of Parallax Enterprises in satisfaction of the Secured Note (the “Pledge Agreement”). CLNGT and Parallax Enterprises never executed a definitive agreement to pursue the Potential Liquefaction Transactions. The Secured Note matured on December 11, 2015, and Parallax Enterprises failed to make payment. On February 3, 2016, CLNGT filed an action against Parallax Energy, Parallax Enterprises, and certain of Parallax Enterprises’ subsidiary entities, styled Cause No. 4:16-cv-00286, Cheniere LNG Terminals, LLC v. Parallax Energy LLC, et al., in the United States District Court for the Southern District of Texas (the “Texas Suit”). CLNGT asserted claims in the Texas Suit for (1) recovery of all amounts due under the Secured Note and (2) declaratory relief establishing that CLNGT is entitled to enforce its rights under the Secured Note and Pledge Agreement in accordance with each instrument’s terms and that CLNGT has no obligations of any sort to Parallax Enterprises concerning the Potential Liquefaction Transactions. On March 11, 2016, Parallax Enterprises and the other defendants in the Texas Suit moved to dismiss the suit for lack of subject matter jurisdiction. CLNGT has responded to that motion, and it remains pending before the court.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

On March 11, 2016, Parallax Enterprises filed a suit against us and CLNGT styled Civil Action No. 62-810, Parallax Enterprises LLP v. Cheniere Energy, Inc. and Cheniere LNG Terminals, LLC, in the 25th Judicial District Court of Plaquemines Parish, Louisiana (the “Louisiana Suit”), wherein Parallax Enterprises asserted claims for breach of contract, fraudulent inducement, negligent misrepresentation, detrimental reliance, unjust enrichment, and violation of the Louisiana Unfair Trade Practices Act. Parallax Enterprises predicated its claims in the Louisiana Suit on an allegation that we and CLNGT breached a purported agreement to jointly develop the Potential Liquefaction Transactions. Parallax Enterprises seeks \$400 million in alleged economic damages and rescission of the Secured Note. On April 11, 2016, we and CLNGT removed the Louisiana Suit to the United States District Court for the Eastern District of Louisiana, where it is pending as Civil Action No. 2:16-cv-03209-CJB-SS. On April 18, 2016, we and CLNGT filed a motion in the Louisiana Suit seeking (1) dismissal of all claims against us for lack of personal jurisdiction, (2) dismissal, stay, or transfer of the suit to the United States District Court for the Southern District of Texas in deference to the first-filed Texas Suit, and (3) alternatively, transfer of the suit for convenience of the parties and witnesses. Our motion is set for oral argument on May 18, 2016. We do not expect that the resolution of this litigation will have a material adverse impact on our financial results.

Obligations under Certain Guarantee Contracts

Cheniere and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate transactions with third parties. These arrangements include financial guarantees, letters of credit and debt guarantees. As of March 31, 2016 and December 31, 2015, there were no liabilities recognized under these guarantee arrangements.

NOTE 15—BUSINESS SEGMENT INFORMATION

We have two reportable segments: LNG terminal segment and LNG and natural gas marketing segment. We determine our reportable segments by identifying each segment that engaged in business activities from which it may earn revenues and incur expenses, had operating results regularly reviewed by the entities’ chief operating decision maker for purposes of resource allocation and performance assessment, and had discrete financial information. Substantially all of our revenues from external customers are attributed to the United States. Substantially all of our long-lived assets are located in the United States.

Our LNG terminal segment consists of the Sabine Pass and Corpus Christi LNG terminals. We own and operate the Sabine Pass LNG terminal located on the Sabine-Neches Waterway less than four miles from the Gulf Coast through our ownership interest in and management agreements with Cheniere Partners. We own 100% of the general partner interest in Cheniere Partners and 80.1% of the common shares of Cheniere Holdings, which owns a 55.9% limited partner interest in Cheniere Partners. We are also developing and constructing a second natural gas liquefaction and export facility at the Corpus Christi LNG terminal near Corpus Christi, Texas.

Our LNG and natural gas marketing segment consists of LNG and natural gas marketing activities by Cheniere Marketing. Cheniere Marketing is developing a platform for LNG sales to international markets with professional staff based in the United States, United Kingdom, Singapore and Chile.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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The following table (in thousands) summarizes revenues (losses) and loss from operations for each of our reporting segments:

	Segments			
	LNG Terminal	LNG & Natural Gas Marketing	Corporate and Other (1)	Total Consolidation
Three Months Ended March 31, 2016				
Revenues from external customers (2)	\$ 65,551	\$ 2,704	\$ 826	\$ 69,081
Intersegment revenues (losses) (3)	918	7,594	(8,512)	—
Depreciation and amortization expense	17,973	315	5,801	24,089
Loss from operations	(12,549)	(30,547)	(47,463)	(90,559)
Interest expense, net of capitalized interest	(51,366)	—	(24,971)	(76,337)
Loss before income taxes and non-controlling interest (4)	(240,971)	(30,680)	(76,707)	(348,358)
Share-based compensation	2,777	4,889	9,859	17,525
Expenditures for additions to long-lived assets	1,501,378	235	6,446	1,508,059
Three Months Ended March 31, 2015				
Revenues from external customers (2)	\$ 66,802	\$ 662	\$ 905	\$ 68,369
Intersegment revenues (losses) (3)	103	7,017	(7,120)	—
Depreciation and amortization expense	14,941	200	2,628	17,769
Loss from operations	(24,335)	(5,183)	(30,726)	(60,244)
Interest expense, net of capitalized interest	(42,845)	—	(16,767)	(59,612)
Loss before income taxes and non-controlling interest (4)	(277,655)	(5,390)	(52,121)	(335,166)
Share-based compensation	3,197	4,035	10,759	17,991
Expenditures for additions to long-lived assets	590,245	714	28,781	619,740

- (1) Includes corporate activities, business development, oil and gas exploration, development and exploitation, strategic activities and certain intercompany eliminations. These activities have been included in the corporate and other column due to the lack of a material impact that these activities have on our Consolidated Financial Statements.
- (2) Substantially all of the LNG terminal revenues relate to regasification capacity reservation fee payments made by Total Gas & Power North America, Inc. and Chevron U.S.A. Inc. LNG and natural gas marketing and trading revenue consists primarily of the domestic marketing of natural gas imported into the Sabine Pass LNG terminal.
- (3) Intersegment revenues (losses) related to our LNG and natural gas marketing segment are primarily a result of international revenue allocations using a cost plus transfer pricing methodology. These LNG and natural gas marketing segment intersegment revenues (losses) are eliminated with intersegment revenues (losses) in our Consolidated Statements of Operations.
- (4) Items to reconcile loss from operations and loss before income taxes and non-controlling interest include consolidated other income (expense) amounts as presented on our Consolidated Statements of Operations primarily related to our LNG terminal segment.

The following table (in thousands) shows total assets for each of our reporting segments:

	March 31, 2016	December 31, 2015
LNG Terminal	\$ 19,068,923	\$ 17,363,750
LNG & Natural Gas Marketing	549,509	550,896
Corporate and Other	812,515	894,407
Total Consolidation	\$ 20,430,947	\$ 18,809,053

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

NOTE 16—SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31,	
	2016	2015
Cash paid during the period for interest, net of amounts capitalized and deferred	\$ 15,251	\$ —

The balance in property, plant and equipment, net funded with accounts payable and accrued liabilities was \$577.3 million and \$150.6 million as of March 31, 2016 and 2015, respectively.

NOTE 17—RECENT ACCOUNTING STANDARDS

The following table provides a brief description of recent accounting standards that had not been adopted by the Company as of March 31, 2016:

Standard	Description	Expected Date of Adoption	Effect on our Consolidated Financial Statements or Other Significant Matters
ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i> , and subsequent amendments thereto	This standard amends existing revenue recognition guidance and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance may be early adopted beginning January 1, 2017, and may be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption.	January 1, 2018	We are currently evaluating the impact of the provisions of this guidance on our Consolidated Financial Statements and related disclosures.
ASU 2014-15, <i>Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern</i>	This standard requires an entity's management to evaluate, for each reporting period, whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. Additional disclosures are required if management concludes that conditions or events raise substantial doubt about the entity's ability to continue as a going concern. Early adoption is permitted.	December 31, 2016	The adoption of this guidance is not expected to have an impact on our Consolidated Financial Statements or related disclosures.
ASU 2015-11, <i>Inventory (Topic 330): Simplifying the Measurement of Inventory</i>	This standard requires inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance may be early adopted and must be adopted prospectively.	January 1, 2017	We are currently evaluating the impact of the provisions of this guidance on our Consolidated Financial Statements and related disclosures.
ASU 2016-02, <i>Leases (Topic 842)</i>	This standard requires a lessee to recognize leases on its balance sheet by recording a liability representing the obligation to make future lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. A lessee is permitted to make an election not to recognize lease assets and liabilities for leases with a term of 12 months or less. The standard also modifies the definition of a lease and requires expanded disclosures. This guidance may be early adopted, and must be adopted using a modified retrospective approach with certain available practical expedients.	January 1, 2019	We are currently evaluating the impact of the provisions of this guidance on our Consolidated Financial Statements and related disclosures.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

Standard	Description	Expected Date of Adoption	Effect on our Consolidated Financial Statements or Other Significant Matters
ASU 2016-09, <i>Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting</i>	This standard primarily requires the recognition of excess tax benefits for share-based awards in the statement of operations and the classification of excess tax benefits as an operating activity within the statement of cash flows. The guidance also allows an entity to elect to account for forfeitures when they occur. This guidance may be early adopted, but all of the guidance must be adopted in the same period.	January 1, 2017	We are currently evaluating the impact of the provisions of this guidance on our Consolidated Financial Statements and related disclosures.

Additionally, the following table provides a brief description of recent accounting standards that were adopted by the Company during the reporting period:

Standard	Description	Date of Adoption	Effect on our Consolidated Financial Statements or Other Significant Matters
ASU 2015-02, <i>Consolidation (Topic 810): Amendments to the Consolidation Analysis</i>	These amendments primarily affect asset managers and reporting entities involved with limited partnerships or similar entities, but the analysis is relevant in the evaluation of any reporting organization's requirement to consolidate a legal entity. This guidance changes (1) the identification of variable interests, (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. This guidance may be early adopted, and may be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption.	January 1, 2016	The adoption of this guidance did not have an impact on our Consolidated Financial Statements or related disclosures.
ASU 2015-03, <i>Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs</i> and ASU 2015-15, <i>Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements</i>	These standards require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. Debt issuance costs incurred in connection with line of credit arrangements may be presented as an asset and subsequently amortized ratably over the term of the line of credit arrangement. This guidance may be early adopted, and must be adopted retrospectively to each prior reporting period presented.	January 1, 2016	Upon adoption of these standards, the balance of debt, net was reduced by the balance of debt issuance costs, net, except for the balance related to line of credit arrangements, on our Consolidated Balance Sheets. See Note 10—Debt for additional disclosures.
ASU 2015-05, <i>Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement</i>	This standard clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. This guidance may be early adopted, and may be adopted as either retrospectively or prospectively to arrangements entered into, or materially modified, after the effective date.	January 1, 2016	The adoption of this guidance did not have an impact on our Consolidated Financial Statements or related disclosures.

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, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, included herein or incorporated herein by reference are "forward-looking statements." Included among "forward-looking statements" are, among other things:

- statements that we expect to commence or complete construction of our proposed LNG terminals, liquefaction facilities, pipeline facilities or other projects, or any expansions thereof, by certain dates, or at all;
- statements regarding future levels of domestic and international natural gas production, supply or consumption or future levels of LNG imports into or exports from North America and other countries worldwide or purchases of natural gas, regardless of the source of such information, or the transportation or other infrastructure or demand for and prices related to natural gas, LNG or other hydrocarbon products;
- statements regarding any financing transactions or arrangements, or ability to enter into such transactions;
- statements relating to the construction of our Trains, including statements concerning the engagement of any EPC contractor or other contractor and the anticipated terms and provisions of any agreement with any EPC or other contractor, and anticipated costs related thereto;
- statements regarding any SPA or any other agreement to be entered into or performed substantially in the future, including any revenues anticipated to be received and the anticipated timing thereof, and statements regarding the amounts of total LNG regasification, natural gas liquefaction or storage capacities that are, or may become, subject to contracts;
- statements regarding counterparties to our commercial contracts, construction contracts and other contracts;
- statements regarding our planned development and construction of additional Trains, including the financing of such Trains;
- statements that our Trains, when completed, will have certain characteristics, including amounts of liquefaction capacities;
- statements regarding our business strategy, our strengths, our business and operation plans or any other plans, forecasts, projections, or objectives, including anticipated revenues and capital expenditures, any or all of which are subject to change;
- statements regarding legislative, governmental, regulatory, administrative or other public body actions, approvals, requirements, permits, applications, filings, investigations, proceedings or decisions;
- statements regarding our anticipated LNG and natural gas marketing activities;
and
- any other statements that relate to non-historical or future information.

All of these types of statements, other than statements of historical fact, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology. The forward-looking statements contained in this quarterly report are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe that such estimates are reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond our control. In addition, assumptions may prove to be inaccurate. We caution that the forward-looking statements contained in this quarterly report are not guarantees of future performance and that such statements may not be realized or the forward-looking statements or events may not occur. Actual results may differ materially from those anticipated or implied in forward-looking statements due to factors described in this quarterly report and in the other reports and other information that we file with the SEC. These forward-looking statements speak only as of the date made, and other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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 annual report on Form 10-K for the year ended December 31,

2015. 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.

Introduction

The following discussion and analysis presents management's view of our business, financial condition and overall performance and should be read in conjunction with our Consolidated Financial Statements and the accompanying notes. This information is intended to provide investors with an understanding of our past performance, current financial condition and outlook for the future. Our discussion and analysis includes the following subjects:

- Overview of Business
- Overview of Significant Events
- Liquidity and Capital Resources
- Results of Operations
- Off-Balance Sheet Arrangements
- Summary of Critical Accounting Estimates
- Recent Accounting Standards

Overview of Business

Cheniere, a Delaware corporation, is a Houston-based energy company primarily engaged in LNG-related businesses. We own and operate the Sabine Pass LNG terminal in Louisiana through our ownership interest in and management agreements with Cheniere Partners, which is a publicly traded limited partnership that we created in 2007. We own 100% of the general partner interest in Cheniere Partners and 80.1% of Cheniere Holdings, which is a publicly traded limited liability company formed in 2013 that owns a 55.9% limited partner interest in Cheniere Partners. We are currently developing and constructing two natural gas liquefaction and export facilities.

The Sabine Pass LNG terminal is located on the Sabine-Neches Waterway less than four miles from the Gulf Coast. The Sabine Pass LNG terminal has operational regasification facilities owned by Cheniere Partners' wholly owned subsidiary, SPLNG, that include existing infrastructure of five LNG storage tanks with capacity of approximately 16.9 Bcfe, two marine berths that can accommodate vessels with nominal capacity of up to 266,000 cubic meters and vaporizers with regasification capacity of approximately 4.0 Bcf/d. Cheniere Partners is developing and constructing natural gas liquefaction facilities (the "SPL Project") at the Sabine Pass LNG terminal adjacent to the existing regasification facilities through a wholly owned subsidiary, SPL. Cheniere Partners plans to construct up to six Trains, which are in various stages of development. Trains 1 and 2 are undergoing commissioning, Trains 3 through 5 are under construction and Train 6 is fully permitted. Each Train is expected to have a nominal production capacity of approximately 4.5 mtpa of LNG. Cheniere Partners also owns a 94-mile pipeline that interconnects the Sabine Pass LNG terminal with a number of large interstate pipelines (the "Creole Trail Pipeline") through a wholly owned subsidiary, CTPL.

We are developing and constructing a second natural gas liquefaction and export facility at the Corpus Christi LNG terminal, which is on nearly 2,000 acres of land that we own or control near Corpus Christi, Texas, and a pipeline facility (collectively, the "CCL Project") through wholly owned subsidiaries CCL and CCP, respectively. The CCL Project is being developed for up to three Trains, with expected aggregate nominal production capacity of approximately 13.5 mtpa of LNG, three LNG storage tanks with capacity of approximately 10.1 Bcfe and two marine berths that can accommodate vessels with nominal capacity of up to 266,000 cubic meters. The CCL Project is being developed in stages. The first stage ("Stage 1") includes Trains 1 and 2, two LNG storage tanks, one complete marine berth and a second partial berth and all of the CCL Project's necessary infrastructure facilities. The second stage ("Stage 2") includes Train 3, one LNG storage tank and the completion of the second partial berth. The CCL Project also includes a 23-mile, 48-inch natural gas supply pipeline that will interconnect the Corpus Christi LNG terminal with several interstate and intrastate natural gas pipelines (the "Corpus Christi Pipeline").

Corpus Christi Liquefaction Stage III, LLC and Cheniere Corpus Christi Pipeline Stage III, LLC (the “CCL Stage III entities”), wholly owned subsidiaries of Cheniere separate from the CCH Group, are also developing two additional Trains and one LNG storage tank at the Corpus Christi LNG terminal adjacent to the CCL Project, along with a second natural gas pipeline.

Cheniere Marketing is engaged in the LNG and natural gas marketing business and is developing a portfolio of long-term, short-term and spotSPAs. Cheniere Marketing has entered into SPAs with SPL and CCL to purchase LNG produced by theSPL Project and the CCL Project.

We are also in various stages of developing other projects which, among other things, will require acceptable commercial and financing arrangements before we make a final investment decision (“FID”).

Overview of Significant Events

Our significant accomplishments since January 1, 2016 and through the filing date of this Form 10-Q include the following:

- In February 2016, Cheniere Partners entered into a Credit and Guaranty Agreement for the incurrence of debt of up to an aggregate amount of approximately \$2.8 billion (the “2016 CQP Credit Facilities”). The 2016 CQP Credit Facilities consist of: (1) a \$450.0 million CTPL tranche term loan that was used to prepay the \$400.0 million CTPL Term Loan in February 2016, (2) an approximately \$2.1 billion SPLNG tranche term loan that will be used to redeem or repay the approximately \$2.1 billion of the 7.50% Senior Secured Notes due 2016 issued by SPLNG (the “2016 SPLNG Senior Notes”) and the 6.50% Senior Secured Notes due 2020 issued by SPLNG (the “2020 SPLNG Senior Notes”) and collectively with the 2016 SPLNG Senior Notes, the “SPLNG Senior Notes”) (which must be redeemed or repaid concurrently under the terms of the 2016 CQP Credit Facilities), (3) a \$125.0 million debt service reserve credit facility (the “DSR Facility”) that may be used to satisfy a six-month debt service reserve requirement and (4) a \$115.0 million revolving credit facility that may be used for general business purposes.
- In February 2016, SPL commenced production and shipment of LNG commissioning cargoes from Train 1 of the SPL Project.

Liquidity and Capital Resources

Although results are consolidated for financial reporting, Cheniere, Cheniere Holdings, Cheniere Partners, SPL, SPLNG, CTPL and the CCH Group operate with independent capital structures. We expect the cash needs for at least the next twelve months will be met for each of these independent capital structures as follows:

- SPLNG through operating cash flows, existing unrestricted cash and debt offerings or equity contributions;
- SPL through project debt and borrowings, equity contributions from Cheniere Partners and operating cash flows;
- Cheniere Partners through operating cash flows from SPLNG, SPL and CTPL, existing unrestricted cash and debt or equity offerings;
- Cheniere Holdings through distributions from Cheniere Partners;
- CCH Group through project financing, operating cash flow from CCL and CCP and equity contributions from Cheniere; and
- Cheniere through project financing, existing unrestricted cash, debt and equity offerings by us or our subsidiaries, operating cash flows, services fees from Cheniere Holdings, Cheniere Partners and its other subsidiaries and distributions from our investments in Cheniere Holdings and Cheniere Partners.

As of March 31, 2016, we had cash and cash equivalents of \$1,094.8 million available to Cheniere. In addition, we had current and non-current restricted cash of \$764.3 million (which included current and non-current restricted cash available to us and our subsidiaries) designated for the following purposes: \$295.3 million for the CCL Project; \$177.6 million for the SPL Project; \$108.9 million for restrictions under the 2016 CQP Credit Facilities; \$129.1 million for interest payments related to the SPLNG Senior Notes; and \$53.4 million for other restricted purposes.

In November 2014, we issued an aggregate principal amount of \$1.0 billion Convertible Unsecured Notes due 2021 (the “2021 Cheniere Convertible Unsecured Notes”). The 2021 Cheniere Convertible Unsecured Notes are convertible at the option of the holder into our common stock at the then applicable conversion rate, provided that the clearing price of our common stock

is greater than or equal to the conversion price on the date of conversion. The initial conversion price was \$93.64 and is subject to adjustment upon the occurrence of certain specified events. We have the option to satisfy the conversion obligation with cash, common stock or a combination thereof.

In March 2015, we issued the \$625.0 million aggregate principal amount of 4.25% Convertible Senior Notes due 2045 (the "2045 Cheniere Convertible Senior Notes"). We have the right, at our option, at any time after March 15, 2020, to redeem all or any part of the 2045 Cheniere Convertible Senior Notes at a redemption price equal to the accreted amount of the 2045 Cheniere Convertible Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to such redemption date. The conversion rate will initially equal 7.2265 shares of our common stock per \$1,000 principal amount of the 2045 Cheniere Convertible Senior Notes, which corresponds to an initial conversion price of approximately \$138.38 per share of our common stock. The conversion rate is subject to adjustment upon the occurrence of certain specified events. We have the option to satisfy the conversion obligation with cash, common stock or a combination thereof.

Cheniere Holdings

Cheniere Holdings was formed by us to hold our Cheniere Partners limited partner interests, thereby allowing us to segregate our lower risk, stable, cash flow generating assets from our higher risk, early stage development projects and marketing activities. As of March 31, 2016, we had an 80.1% direct ownership interest in Cheniere Holdings. We receive dividends on our Cheniere Holdings shares from the distributions that Cheniere Holdings receives from Cheniere Partners, and we receive management fees for managing Cheniere Holdings. We received \$3.7 million and \$3.5 million in dividends on our Cheniere Holdings common shares during the three months ended March 31, 2016 and 2015, respectively, and \$0.3 million of management fees from Cheniere Holdings in each of the three months ended March 31, 2016 and 2015.

Cheniere Partners

Our ownership interest in the Sabine Pass LNG terminal is held through Cheniere Partners. As of March 31, 2016, we own 80.1% of Cheniere Holdings, which owns a 55.9% limited partner interest in Cheniere Partners in the form of 11,963,488 common units, 45,333,334 Class B units and 135,383,831 subordinated units. We also own 100% of the general partner interest and the incentive distribution rights in Cheniere Partners.

Prior to the initial public offering by Cheniere Holdings, we received quarterly equity distributions from Cheniere Partners related to our limited partner and 2% general partner interests. We will continue to receive quarterly equity distributions from Cheniere Partners related to our 2% general partner interest, and we receive fees for providing services to Cheniere Partners, SPLNG, SPL and CTPL. We received \$0.5 million in distributions on our general partner interest during each of the three months ended March 31, 2016 and 2015, and we received \$62.3 million and \$19.1 million in total service fees from Cheniere Partners, SPLNG, SPL and CTPL, during the three months ended March 31, 2016 and 2015, respectively.

Cheniere Partners' common unit and general partner distributions are being funded from accumulated operating surplus. We have not received distributions on our subordinated units with respect to the quarters ended on or after June 30, 2010. Cheniere Partners will not make distributions on our subordinated units until it generates additional cash flow from the SPL Project, SPLNG's excess capacity or other new business, which would be used to make quarterly distributions on our subordinated units before any increase in distributions to the common unitholders.

Cheniere Partners' Class B units are subject to conversion, mandatorily or at the option of the Class B unitholders under specified circumstances, into a number of common units based on the then-applicable conversion value of the Class B units. The Cheniere Partners Class B units are not entitled to cash distributions except in the event of a liquidation of Cheniere Partners, a merger, consolidation or other combination of Cheniere Partners with another person or the sale of all or substantially all of the assets of Cheniere Partners. On a quarterly basis beginning on the initial purchase date of the Class B units, the conversion value of the Class B units increases at a compounded rate of 3.5% per quarter, subject to an additional upward adjustment for certain equity and debt financings. The accreted conversion ratio of the Class B units owned by Cheniere Holdings and Blackstone CQP Holdco LP was 1.68 and 1.65, respectively, as of March 31, 2016. We expect the Class B units to mandatorily convert into common units within 90 days of the substantial completion date of Train 3 of the SPL Project, which Cheniere Partners currently expects to occur before April 30, 2017. If the Class B units are not mandatorily converted by July 2019, the holders of the Class B units have the option to convert the Class B units into common units at that time.

LNG Terminal Business

Sabine Pass LNG Terminal

Regasification Facilities

The Sabine Pass LNG terminal has operational regasification capacity of approximately 4.0Bcf/d and aggregate LNG storage capacity of approximately 16.9 Bcfe. Approximately 2.0Bcf/d of the regasification capacity at the Sabine Pass LNG terminal has been reserved under two long-term third-partyTUAs, under which SPLNG's customers are required to pay fixed monthly fees, whether or not they use the LNG terminal. Each of Total Gas & Power North America, Inc. ("Total") and Chevron U.S.A. Inc. ("Chevron") has reserved approximately 1.0Bcf/d of regasification capacity and is obligated to make monthly capacity payments to SPLNG aggregating approximately \$125 million annually for 20 years that commenced in 2009. Total S.A. has guaranteed Total's obligations under its TUA up to \$2.5 billion, subject to certain exceptions, and Chevron Corporation has guaranteed Chevron's obligations under its TUA up to 80% of the fees payable by Chevron.

The remaining approximately 2.0 Bcf/d of capacity has been reserved under a TUA by SPL. SPL is obligated to make monthly capacity payments to SPLNG aggregating approximately \$250 million annually, continuing until at least 20 years after SPL delivers its first commercial cargo at the SPL Project. SPL entered into a partial TUA assignment agreement with Total, whereby SPL will progressively gain access to Total's capacity and other services provided under Total's TUA with SPLNG. This agreement will provide SPL with additional berthing and storage capacity at the Sabine Pass LNG terminal that may be used to accommodate the development of Trains 5 and 6, provide increased flexibility in managing LNG cargo loading and unloading activity starting with the commencement of commercial operations of Train 3 and permit SPL to more flexibly manage its LNG storage capacity with the commencement of Train 1. Notwithstanding any arrangements between Total and SPL, payments required to be made by Total to SPLNG will continue to be made by Total to SPLNG in accordance with its TUA.

Under each of these TUAs, SPLNG is entitled to retain 2% of the LNG delivered to the Sabine Pass LNG terminal.

Liquefaction Facilities

The SPL Project is being developed and constructed at the Sabine Pass LNG terminal adjacent to the existing regasification facilities. We have received authorization from the FERC to site, construct and operate Trains 1 through 6. We commenced construction of Trains 1 and 2 and the related new facilities needed to treat, liquefy, store and export natural gas in August 2012. Construction of Trains 3 and 4 and the related facilities commenced in May 2013. In June 2015, we commenced construction of Train 5 and the related facilities.

The DOE has authorized the export of domestically produced LNG by vessel from the Sabine Pass LNG terminal (1) to FTA countries for a 30-year term and (2) to non-FTA countries for a 20-year term with a 3-year makeup period for LNG volumes SPL was unable to export during the initial 20-year export period, in an amount up to a combined total of the equivalent of 16 mtpa (approximately 803 Bcf/yr of natural gas). The DOE further issued an order authorizing SPL to export domestically produced LNG from the Sabine Pass LNG terminal to FTA countries for a 25-year term and non-FTA countries for a 20-year term up to the equivalent of approximately 203 Bcf/yr of natural gas. Additionally, the DOE issued orders authorizing SPL to export domestically produced LNG from the Sabine Pass LNG terminal to FTA countries and non-FTA countries for a 20-year term up to a combined total of 503.3 Bcf/yr of natural gas. A party to the proceedings requested rehearings of the orders above related to the export of 203 Bcf/yr and 503.3 Bcf/yr to non-FTA countries and the DOE has not yet issued a final ruling on the rehearing requests. In each case, the terms of these authorizations begin on the earlier of the date of first export thereunder or the date specified in the particular order, which ranges from 5 to 10 years from the date the order was issued. Furthermore, the DOE issued an order authorizing SPL to export domestically produced LNG by vessel from the Sabine Pass LNG terminal to FTA countries and non-FTA countries over a two-year period commencing on January 15, 2016 up to 600 Bcf in total of natural gas.

As of March 31, 2016, the overall project completion percentages for Trains 1 and 2 and Trains 3 and 4 of the SPL Project were approximately 98.3% and 83.8%, respectively. As of March 31, 2016, the overall project completion percentage for Train 5 of the SPL Project was approximately 28.8% with engineering, procurement, subcontract work and Bechtel direct hire construction approximately 59.1%, 45.1%, 24.2% and 0.4% complete, respectively. As of March 31, 2016, the overall project completion of each of our Trains was ahead of the contractual schedule. We produced our first LNG from Train 1 of the SPL Project in February 2016. Based on our current construction schedule, we anticipate that Train 2 will produce LNG as early as mid-2016 and Trains 3 through 5 are expected to commence operations on a staggered basis thereafter.

Customers

SPL has entered into six fixed price, 20-year SPAs with third parties to make available an aggregate amount of LNG that equates to approximately 19.75 mtpa of LNG, which is approximately 88% of the expected aggregate nominal production capacity of Trains 1 through 5. The obligation to make LNG available under the SPAs commences from the date of first commercial delivery for Trains 1 through 5, as specified in each SPA. Under these SPAs, the customers will purchase LNG from SPL for a price consisting of a fixed fee (a portion of which is subject to annual adjustment for inflation) per MMBtu of LNG plus a variable fee equal to 115% of Henry Hub per MMBtu of LNG. In certain circumstances, the customers may elect to cancel or suspend deliveries of LNG cargoes, in which case the customers would still be required to pay the fixed fee with respect to the contracted volumes that are not delivered as a result of such cancellation or suspension. The SPAs and contracted volumes to be made available under the SPAs are not tied to a specific Train; however, the term of each SPA commences upon the start of operations of a specified Train.

In aggregate, the fixed fee portion to be paid by the third-party SPA customers is approximately \$2.9 billion annually for Trains 1 through 5, with the applicable fixed fees starting from the commencement of commercial operations of the applicable Train. These fixed fees equal approximately \$411 million, \$564 million, \$650 million, \$648 million and \$588 million for each of Trains 1 through 5, respectively.

In addition, Cheniere Marketing has entered into an SPA with SPL to purchase, at Cheniere Marketing's option, any LNG produced by SPL in excess of that required for other customers.

Natural Gas Transportation, Storage and Supply

To ensure SPL is able to transport adequate natural gas feedstock to the Sabine Pass LNG terminal, it has entered into transportation precedent agreements to secure firm pipeline transportation capacity with CTPL and third-party pipeline companies. For SPL's natural gas storage requirements, SPL has entered into firm storage services agreements with third parties. The storage services agreements assist SPL in managing volatility in natural gas needs for the SPL Project. SPL has also entered into enabling agreements and natural gas purchase agreements with third parties in order to secure natural gas feedstock for the SPL Project. As of March 31, 2016, SPL has secured up to approximately 2,047.9 million MMBtu of natural gas feedstock through natural gas purchase agreements.

Construction

SPL entered into lump sum turnkey contracts with Bechtel for the engineering, procurement and construction of Trains 1 through 5, under which Bechtel charges a lump sum for all work performed and generally bears project cost risk unless certain specified events occur, in which case Bechtel may cause SPL to enter into a change order, or SPL agrees with Bechtel to a change order.

The total contract prices of the EPC contract for Trains 1 and 2, the EPC contract for Trains 3 and 4 and the EPC Contract for Train 5 of the SPL Project are approximately \$4.1 billion, \$3.8 billion and \$3.0 billion, respectively, reflecting amounts incurred under change orders through March 31, 2016. Total expected capital costs for Trains 1 through 5 are estimated to be between \$12.5 billion and \$13.5 billion before financing costs and between \$17.0 billion and \$18.0 billion after financing costs including, in each case, estimated owner's costs and contingencies.

Final Investment Decision on Train 6

We will contemplate making an FID to commence construction of Train 6 of the SPL Project based upon, among other things, entering into an EPC contract, entering into acceptable commercial arrangements and obtaining adequate financing to construct the Train.

Capital Resources

We currently expect that SPL's capital resources requirements with respect to Trains 1 through 5 of the SPL Project will be financed through one or more of the following: borrowings, equity contributions from Cheniere Partners and cash flows under the SPAs. We believe that with the net proceeds of borrowings, available commitments under the 2015 SPL Credit Facilities, available

commitments under the SPL Working Capital Facility and cash flows from operations, we will have adequate financial resources available to complete Trains 1 through 5 of the SPL Project and to meet our currently anticipated capital, operating and debt service requirements. SPL will begin generating cash flow from operations through the sale of LNG cargoes in 2016.

Senior Secured Notes

As of March 31, 2016, Cheniere Partners' subsidiaries had seven series of senior secured notes outstanding (collectively, the "Senior Notes"):

- \$1.7 billion of 2016 SPLNG Senior Notes;
- \$0.4 billion of 2020 SPLNG Senior Notes;
- \$2.0 billion of 5.625% Senior Secured Notes due 2021 issued by SPL (the "2021 SPL Senior Notes");
- \$1.0 billion of 6.25% Senior Secured Notes due 2022 issued by SPL (the "2022 SPL Senior Notes");
- \$1.5 billion of 5.625% Senior Secured Notes due 2023 issued by SPL (the "2023 SPL Senior Notes");
- \$2.0 billion of 5.75% Senior Secured Notes due 2024 issued by SPL (the "2024 SPL Senior Notes"); and
- \$2.0 billion of 5.625% Senior Secured Notes due 2025 (the "2025 SPL Senior Notes" and collectively with the 2021 SPL Senior Notes, the 2022 SPL Senior Notes, the 2023 SPL Senior Notes and the 2024 SPL Senior Notes, the "SPL Senior Notes").

Interest on the SPL Senior Notes is payable semi-annually in arrears. Subject to permitted liens, the SPLNG Senior Notes are secured on a *pari passu* first-priority basis by a security interest in all of SPLNG's equity interests and substantially all of SPLNG's operating assets. The SPL Senior Notes are secured on a first-priority basis by a security interest in all of the membership interests in SPL and substantially all of SPL's assets.

SPLNG may redeem all or part of its 2016 SPLNG Senior Notes at any time at a redemption price equal to 100% of the principal plus any accrued and unpaid interest plus the greater of:

- 1.0% of the principal amount of the 2016 SPLNG Senior Notes; or
- the excess of: (1) the present value at such redemption date of (a) the redemption price of the 2016 SPLNG Senior Notes plus (b) all required interest payments due on the 2016 SPLNG Senior Notes (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points; over (2) the principal amount of the 2016 SPLNG Senior Notes, if greater.

SPLNG may redeem all or part of the 2020 SPLNG Senior Notes at any time on or after November 1, 2016 at fixed redemption prices specified in the indenture governing the 2020 SPLNG Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption. SPLNG may also, at its option, redeem all or part of the 2020 SPLNG Senior Notes at any time prior to November 1, 2016, at a "make-whole" price set forth in the indenture governing the 2020 SPLNG Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption.

At any time prior to three months before the respective dates of maturity for each series of the SPL Senior Notes, SPL may redeem all or part of such series of the SPL Senior Notes at a redemption price equal to the "make-whole" price set forth in the common indenture governing the SPL Senior Notes (the "SPL Indenture"), plus accrued and unpaid interest, if any, to the date of redemption. SPL may also, at any time within three months of the respective maturity dates for each series of the SPL Senior Notes, redeem all or part of such series of the SPL Senior Notes at a redemption price equal to 100% of the principal amount of such series of the SPL Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Under the indentures governing the SPLNG Senior Notes (the "SPLNG Indentures"), except for permitted tax distributions, SPLNG may not make distributions until, among other requirements, deposits are made into debt service reserve accounts and a fixed charge coverage ratio test of 2:1 is satisfied. Under the SPL Indenture, SPL may not make any distributions until, among other requirements, substantial completion of Trains 1 and 2 of the SPL Project has occurred, deposits are made into debt service reserve accounts as required and a debt service coverage ratio test of 1.25:1.00 is satisfied. During the three months ended March 31, 2016 and 2015, SPLNG made distributions of \$63.4 million and \$70.8 million, respectively, after satisfying all the applicable conditions in the SPLNG Indentures.

The SPL Indenture includes restrictive covenants. SPL may incur additional indebtedness in the future, including by issuing additional notes, and such indebtedness could be at higher interest rates and have different maturity dates and more restrictive covenants than the current outstanding indebtedness of SPL, including the SPL Senior Notes, the 2015 SPL Credit Facilities and the SPL Working Capital Facility.

2015 SPL Credit Facilities

In June 2015, SPL entered into the 2015 SPL Credit Facilities with commitments aggregating \$4.6 billion. The 2015 SPL Credit Facilities are being used to fund a portion of the costs of developing, constructing and placing into operation Trains 1 through 5 of the SPL Project. Borrowings under the 2015 SPL Credit Facilities may be refinanced, in whole or in part, at any time without premium or penalty; however, interest rate hedging and interest rate breakage costs may be incurred. As of March 31, 2016, SPL had \$3.1 billion of available commitments and \$1.5 billion of outstanding borrowings under the 2015 SPL Credit Facilities.

Loans under the 2015 SPL Credit Facilities accrue interest at a variable rate per annum equal to, at SPL's election, LIBOR or the base rate plus the applicable margin. The applicable margin for LIBOR loans ranges from 1.30% to 1.75%, depending on the applicable 2015 SPL Credit Facility, and the applicable margin for base rate loans is 1.75%. Interest on LIBOR loans is due and payable at the end of each LIBOR period and interest on base rate loans is due and payable at the end of each quarter. In addition, SPL is required to pay insurance/guarantee premiums of 0.45% per annum on any drawn amounts under the covered tranches of the 2015 SPL Credit Facilities. The 2015 SPL Credit Facilities also require SPL to pay a quarterly commitment fee calculated at a rate per annum equal to either: (1) 40% of the applicable margin, multiplied by the average daily amount of the undrawn commitment, or (2) 0.70% of the undrawn commitment, depending on the applicable 2015 SPL Credit Facility. The principal of the loans made under the 2015 SPL Credit Facilities must be repaid in quarterly installments, commencing with the earlier of June 30, 2020 and the last day of the first full calendar quarter after the completion date of Trains 1 through 5 of the SPL Project. Scheduled repayments are based upon an 18-year amortization profile, with the remaining balance due upon the maturity of the 2015 SPL Credit Facilities.

The 2015 SPL Credit Facilities contain conditions precedent for borrowings, as well as customary affirmative and negative covenants. The obligations of SPL under the 2015 SPL Credit Facilities are secured by substantially all of the assets of SPL as well as all of the membership interests in SPL on *pari passu* basis with the SPL Senior Notes and SPL Working Capital Facility.

Under the terms of the 2015 SPL Credit Facilities, SPL is required to hedge not less than 65% of the variable interest rate exposure of its projected outstanding borrowings, calculated on a weighted average basis in comparison to its anticipated draw of principal. Additionally, SPL may not make any distributions until substantial completion of Trains 1 and 2 of the SPL Project has occurred, deposits are made into debt service reserve accounts and a debt service coverage ratio test of 1.25:1.00 is satisfied.

2013 SPL Credit Facilities

In May 2013, SPL entered into four credit facilities aggregating \$5.9 billion (collectively, the "2013 SPL Credit Facilities") to fund a portion of the costs of developing, constructing and placing into operation Trains 1 through 4 of the SPL Project. In June 2015, the 2013 SPL Credit Facilities were replaced with the 2015 SPL Credit Facilities.

In March 2015, in conjunction with SPL's issuance of the 2025 SPL Senior Notes, SPL terminated approximately \$1.8 billion of commitments under the 2013 SPL Credit Facilities. This termination resulted in a write-off of debt issuance costs and deferred commitment fees associated with the 2013 SPL Credit Facilities of \$89.0 million for the three months ended March 31, 2015.

CTPL Term Loan

In May 2013, CTPL entered into a \$400.0 million term loan facility (the "CTPL Term Loan"), which was used to fund modifications to the Creole Trail Pipeline and for general business purposes. In February 2016, CTPL prepaid the full amount of \$400.0 million outstanding under the CTPL Term Loan with capital contributions from Cheniere Partners, which in turn was funded with borrowings under the 2016 CQP Credit Facilities. This prepayment resulted in a write-off of unamortized discount and debt issuance costs of \$1.5 million during the three months ended March 31, 2016.

2016 CQP Credit Facilities

In February 2016, Cheniere Partners entered into the 2016 CQP Credit Facilities. The 2016 CQP Credit Facilities consist of: (1) a \$450.0 million CTPL tranche term loan that was used to prepay the \$400.0 million CTPL Term Loan in February 2016, (2) an approximately \$2.1 billion SPLNG tranche term loan that will be used to redeem or repay the approximately \$2.1 billion of the 2016 SPLNG Senior Notes and the 2020 SPLNG Senior Notes (which must be redeemed or repaid concurrently under the terms of the 2016 CQP Credit Facilities), (3) a \$125.0 million debt service reserve credit facility (the “DSR Facility”) that may be used to satisfy a six-month debt service reserve requirement and (4) a \$115.0 million revolving credit facility that may be used for general business purposes. As of March 31, 2016, Cheniere Partners had \$2.3 billion of available commitments, \$7.5 million aggregate amount of issued letters of credit and \$450.0 million of outstanding borrowings under the 2016 CQP Credit Facilities.

The 2016 CQP Credit Facilities accrue interest at a variable rate per annum equal to LIBOR or the base rate (equal to the highest of the prime rate, the federal funds effective rate, as published by the Federal Reserve Bank of New York, plus 0.50% and adjusted one month LIBOR plus 1.0%), plus the applicable margin. The applicable margin for LIBOR loans is 2.25% per annum, and the applicable margin for base rate loans is 1.25% per annum, in each case with a 0.50% step-up beginning on February 25, 2019. Interest on LIBOR loans is due and payable at the end of each applicable LIBOR period (and at the end of every three month period within the LIBOR period, if any), and interest on base rate loans is due and payable at the end of each calendar quarter.

Cheniere Partners incurred \$48.7 million of debt issuance costs during the three months ended March 31, 2016, and will incur an additional \$21.5 million of debt issuance costs when the SPLNG tranche is funded. Cheniere Partners pays a commitment fee equal to an annual rate of 40% of the margin for LIBOR loans multiplied by the average daily amount of the undrawn commitment, payable quarterly in arrears. The DSR Facility and the revolving credit facility are both available for the issuance of letters of credit, which incur a fee equal to an annual rate of 2.25% of the undrawn portion with a 0.50% step-up beginning on February 25, 2019.

The 2016 CQP Credit Facilities mature on February 25, 2020, and the outstanding balance may be repaid, in whole or in part, at any time without premium or penalty, except for interest hedging and interest rate breakage costs. The 2016 CQP Credit Facilities contain conditions precedent for extensions of credit, as well as customary affirmative and negative covenants and limit Cheniere Partners’ ability to make restricted payments, including distributions, to once per fiscal quarter as long as certain conditions are satisfied. Under the terms of the 2016 CQP Credit Facilities, Cheniere Partners is required to hedge not less than 50% of the variable interest rate exposure on its projected aggregate outstanding balance, maintain a minimum debt service coverage ratio of at least 1.15x at the end of each fiscal quarter beginning March 31, 2019 and have a projected debt service coverage ratio of 1.55x in order to incur additional indebtedness to refinance a portion of the existing obligations.

The 2016 CQP Credit Facilities are unconditionally guaranteed by each subsidiary of Cheniere Partners other than: (1) SPL, (2) SPLNG until funding of its tranche term loan and (3) certain of the subsidiaries of Cheniere Partners owning other development projects, as well as certain other specified subsidiaries and members of the foregoing entities.

SPL Working Capital Facility

In September 2015, SPL entered into a \$1.2 billion Amended and Restated Senior Working Capital Revolving Credit and Letter of Credit Reimbursement Agreement (the “SPL Working Capital Facility”), which replaced the \$325.0 million Senior Letter of Credit and Reimbursement Agreement that was entered into in April 2014 (the “SPL LC Agreement”). The SPL Working Capital Facility is intended to be used for loans to SPL (“Working Capital Loans”), the issuance of letters of credit, as well as for swing line loans to SPL (“Swing Line Loans”), primarily for certain working capital requirements related to developing and placing into operation the SPL Project. SPL may, from time to time, request increases in the commitments under the SPL Working Capital Facility of up to \$760 million and, upon the completion of the debt financing of Train 6 of the SPL Project, request an incremental increase in commitments of up to an additional \$390 million. As of March 31, 2016, SPL had \$838.5 million of available commitments, \$236.5 million aggregate amount of issued letters of credit and \$125.0 million outstanding under the SPL Working Capital Facility. As of December 31, 2015, SPL had \$1.1 billion of available commitments, \$135.2 million aggregate amount of issued letters of credit and \$15.0 million outstanding under the SPL Working Capital Facility.

The SPL Working Capital Facility accrues interest at a variable rate per annum equal to LIBOR or the base rate (equal to the highest of the senior facility agent’s published prime rate, the federal funds effective rate, as published by the Federal Reserve

Bank of New York, plus 0.50% and one month LIBOR plus 0.50%), plus the applicable margin. The applicable margin for LIBOR loans under the SPL Working Capital Facility is 1.75% per annum, and the applicable margin for base rate loans under the SPL Working Capital Facility is 0.75% per annum. Interest on Swing Line Loans and loans deemed made in connection with a draw upon a letter of credit (“LC Loans”) is due and payable on the date the loan becomes due. Interest on LIBOR Working Capital Loans is due and payable at the end of each applicable LIBOR period, and interest on base rate Working Capital Loans is due and payable at the end of each fiscal quarter. However, if such base rate Working Capital Loan is converted into a LIBOR Working Capital Loan, interest is due and payable on that date. Additionally, if the loans become due prior to such periods, the interest also becomes due on that date.

SPL pays (1) a commitment fee equal to an annual rate of 0.70% on the average daily amount of the excess of the total commitment amount over the principal amount outstanding without giving effect to any outstanding Swing Line Loans and (2) a letter of credit fee equal to an annual rate of 1.75% of the undrawn portion of all letters of credit issued under the SPL Working Capital Facility. If draws are made upon a letter of credit issued under the SPL Working Capital Facility and SPL does not elect for such draw (an “LC Draw”) to be deemed an LC Loan, SPL is required to pay the full amount of the LC Draw on or prior to the business day following the notice of the LC Draw. An LC Draw accrues interest at an annual rate of 2.0% plus the base rate. As of March 31, 2016, no LC Draws had been made upon any letters of credit issued under the SPL Working Capital Facility.

The SPL Working Capital Facility matures on December 31, 2020, and the outstanding balance may be repaid, in whole or in part, at any time without premium or penalty upon three business days’ notice. LC Loans have a term of up to one year. Swing Line Loans terminate upon the earliest of (1) the maturity date or earlier termination of the SPL Working Capital Facility, (2) the date 15 days after such Swing Line Loan is made and (3) the first borrowing date for a Working Capital Loan or Swing Line Loan occurring at least three business days following the date the Swing Line Loan is made. SPL is required to reduce the aggregate outstanding principal amount of all Working Capital Loans to zero for a period of five consecutive business days at least once each year.

The SPL Working Capital Facility contains conditions precedent for extensions of credit, as well as customary affirmative and negative covenants. The obligations of SPL under the SPL Working Capital Facility are secured by substantially all of the assets of SPL as well as all of the membership interests in SPL on *pari passu* basis with the SPL Senior Notes and the 2015 SPL Credit Facilities.

Corpus Christi LNG Terminal

Liquefaction Facilities

The CCL Project is being developed and constructed at the Corpus Christi LNG terminal, on nearly 2,000 acres of land that we own or control near Corpus Christi, Texas. In December 2014, we received authorization from the FERC to site, construct and operate Stages 1 and 2 of the CCL Project. In May 2015, we commenced construction of Stage 1 of the CCL Project.

Through the CCL Stage III entities, which are separate from the CCH Group, we are developing two additional Trains and one LNG storage tank at the Corpus Christi LNG terminal adjacent to the CCL Project, along with a second natural gas pipeline, and we commenced the regulatory approval process in June 2015.

The DOE has authorized the export of domestically produced LNG by vessel from the CCL Project to FTA countries for a 25-year term and to non-FTA countries for a 20-year term up to a combined total of the equivalent of 767 Bcf/yr (approximately 15 mtpa) of natural gas. A party to the proceeding requested a rehearing of the non-FTA order, and the DOE has not yet issued a final ruling on the rehearing request. Additionally, the DOE has authorized the export of domestically produced LNG by vessel from the two additional Trains being developed adjacent to the CCL Project to FTA countries for a 20-year term in an amount equivalent to 514 Bcf/yr (approximately 10 mtpa) of natural gas. The application for authorization to export that same 514 Bcf/yr of domestically produced LNG by vessel to non-FTA countries is currently pending at the DOE. In each case, the terms of these authorizations begin on the earlier of the date of first export thereunder or the date specified in the particular order, which ranges from 7 to 10 years from the date the order was issued.

As of March 31, 2016, the overall project completion percentage for Stage 1 of the CCL Project was approximately 32.5% with engineering, procurement and construction approximately 97.1%, 46.0% and 4.6% complete, respectively. The construction of the Corpus Christi Pipeline is planned to commence in 2016. Based on our current construction schedule, we anticipate that

Train 1 of the CCL Project will produce LNG as early as late 2018, and Train 2 is expected to commence operations several months thereafter.

Customers

CCL has entered into seven fixed price, 20-year SPAs with six third parties to make available an aggregate amount of LNG that equates to approximately 7.7 mtpa of LNG, which is approximately 86% of the expected aggregate nominal production capacity of Trains 1 and 2. The obligation to make LNG available under these SPAs commences from the date of first commercial delivery for Trains 1 and 2, as specified in each SPA. In addition, CCL has entered into one fixed price, 20-year SPA with a third party for another 0.8 mtpa of LNG that commences with the date of first commercial delivery for Train 3. Under these eight SPAs, the customers will purchase LNG from CCL for a price consisting of a fixed fee of \$3.50 (a portion of which is subject to annual adjustment for inflation) per MMBtu of LNG plus a variable fee equal to 115% of Henry Hub per MMBtu of LNG. In certain circumstances, the customers may elect to cancel or suspend deliveries of LNG cargoes, in which case the customers would still be required to pay the fixed fee with respect to the contracted volumes that are not delivered as a result of such cancellation or suspension. The SPAs and contracted volumes to be made available under the SPAs are not tied to a specific Train; however, the term of each SPA commences upon the start of operations of a specified Train.

In aggregate, the fixed fee portion to be paid by the third-party SPA customers is approximately \$1.4 billion annually for Trains 1 and 2, and \$1.5 billion if we make a positive FID with respect to Stage 2 of the CCL Project, with the applicable fixed fees starting from the commencement of commercial operations of the applicable Train. These fixed fees equal approximately \$550 million, \$846 million and \$140 million for each of Trains 1 through 3, respectively.

Natural Gas Transportation, Storage and Supply

To ensure CCL is able to transport adequate natural gas feedstock to the Corpus Christi LNG terminal, it has entered into transportation precedent agreements to secure firm pipeline transportation capacity with CCP and certain third-party pipeline companies. For CCL's natural gas storage requirements, CCL has entered into a firm storage services agreement with a third party. The storage services agreement assists CCL in managing volatility in natural gas needs for the CCL Project. CCL has also entered into enabling agreements with third parties, and will continue to enter into such agreements, in order to secure natural gas feedstock for the CCL Project.

Construction

CCL entered into separate lump sum turnkey contracts with Bechtel for the engineering, procurement and construction of Stages 1 and 2 of the CCL Project under which Bechtel charges a lump sum for all work performed and generally bears project cost risk unless certain specified events occur, in which case Bechtel may cause CCL to enter into a change order, or CCL agrees with Bechtel to a change order.

The total contract prices of the EPC contracts for Stages 1 and 2, which do not include the Corpus Christi Pipeline, are approximately \$7.6 billion and \$2.4 billion, respectively, reflecting amounts incurred under change orders through March 31, 2016. Total expected capital costs for Stages 1 and 2 are estimated to be between \$12.0 billion and \$13.0 billion before financing costs, and between \$15.0 billion and \$16.0 billion after financing costs including, in each case, estimated owner's costs and contingencies. Total expected capital costs for Stage 1 only are estimated to be between \$9.0 billion and \$10.0 billion before financing costs, and between \$11.0 billion and \$12.0 billion after financing costs including, in each case, estimated owner's costs and contingencies.

Final Investment Decision on Stage 2

We will contemplate making an FID to commence construction of Stage 2 of the CCL Project based upon, among other things, entering into acceptable commercial arrangements and obtaining adequate financing to construct the facility.

Capital Resources

We expect to finance the construction costs of the CCL Project from one or more of the following: project financing, operating cash flow from CCL and CCP and equity contributions from Cheniere.

2025 CCH HoldCo II Convertible Senior Notes

In May 2015, CCH HoldCo II issued \$1.0 billion aggregate principal amount of the 2025 CCH HoldCo II Convertible Senior Notes on a private placement basis. The \$1.0 billion principal of the 2025 CCH HoldCo II Convertible Senior Notes will be used to partially fund costs associated with Stage 1 of the CCL Project and the Corpus Christi Pipeline. The 2025 CCH HoldCo II Convertible Senior Notes bear interest at a rate of 11.0% per annum, which is payable quarterly in arrears. Prior to the substantial completion of Train 2 of the CCL Project, interest on the 2025 CCH HoldCo II Convertible Senior Notes will be paid entirely in kind. Following this date, the interest generally must be paid in cash; however, a portion of the interest may be paid in kind under certain specified circumstances. The 2025 CCH HoldCo II Convertible Senior Notes are secured by a pledge by us of 100% of the equity interests in CCH HoldCo II, and a pledge by CCH HoldCo II of 100% of the equity interests in CCH HoldCo I.

At CCH HoldCo II's option, the outstanding 2025 CCH HoldCo II Convertible Senior Notes are convertible into our common stock, provided that our total market capitalization at that time is not less than \$10.0 billion, on or after the later of (1) 58 months from May 1, 2015, and (2) the substantial completion of Train 2 of the CCL Project (the "Eligible Conversion Date"). The conversion price for 2025 CCH HoldCo II Convertible Senior Notes converted at CCH HoldCo II's option is the lower of (1) a 10% discount to the average of the daily volume-weighted average price ("VWAP") of our common stock for the 90 trading day period prior to the date on which notice of conversion is provided, and (2) a 10% discount to the closing price of our common stock on the trading day preceding the date on which notice of conversion is provided. At the option of the holders, the 2025 CCH HoldCo II Convertible Senior Notes are convertible on or after the six-month anniversary of the Eligible Conversion Date at a conversion price equal to the average of the daily VWAP of our common stock for the 90 trading day period prior to the date on which notice of conversion is provided. Conversions are also subject to various limitations and conditions.

CCH HoldCo II is restricted from making distributions to Cheniere under agreements governing its indebtedness generally until, among other requirements, Trains 1 and 2 of the CCL Project are in commercial operation and a historical debt service coverage ratio and a projected fixed debt service coverage ratio of 1.20:1.00 are achieved.

2015 CCH Credit Facility

In May 2015, CCH entered into a \$8.4 billion credit facility (the "2015 CCH Credit Facility"), which is being used to fund a portion of the costs associated with the development, construction, operation and maintenance of Stage 1 of the CCL Project and the Corpus Christi Pipeline. Borrowings under the 2015 CCH Credit Facility may be refinanced, in whole or in part, at any time without premium or penalty; however, interest rate hedging and interest rate breakage costs may be incurred. As of March 31, 2016, CCH had \$5.0 billion of available commitments and \$3.4 billion of outstanding borrowings under the 2015 CCH Credit Facility.

The principal of the loans made under the 2015 CCH Credit Facility must be repaid in quarterly installments, commencing on the earlier of (1) the first quarterly payment date occurring more than three calendar months following project completion and (2) a set date determined by reference to the date under which a certain LNG buyer linked to Train 2 of the CCL Project is entitled to terminate its SPA for failure to achieve the date of first commercial delivery for that agreement. Scheduled repayments will be based upon a 19-year tailored amortization, commencing the first full quarter after the project completion and designed to achieve a minimum projected fixed debt service coverage ratio of 1.55:1.

Loans under the 2015 CCH Credit Facility accrue interest at a variable rate per annum equal to, at CCH's election, LIBOR or the base rate, plus the applicable margin. The applicable margins for LIBOR loans are 2.25% prior to completion and 2.50% on completion and thereafter. The applicable margins for base rate loans are 1.25% prior to completion and 1.50% on completion and thereafter. Interest on LIBOR loans is due and payable at the end of each applicable interest period and interest on base rate loans is due and payable at the end of each quarter. The 2015 CCH Credit Facility also requires CCH to pay a commitment fee at a rate per annum equal to 40% of the margin for LIBOR loans, multiplied by the outstanding undrawn debt commitments.

The obligations of CCH under the 2015 CCH Credit Facility are secured by a first priority lien on substantially all of the assets of CCH and its subsidiaries and by a pledge by CCH HoldCo I of its limited liability company interests in CCH.

Under the terms of the 2015 CCH Credit Facility, CCH is required to hedge not less than 65% of the variable interest rate exposure of its senior secured debt. CCH is restricted from making distributions under agreements governing its indebtedness generally until, among other requirements, the completion of the construction of Trains 1 and 2 of the CCL Project, funding of a

debt service reserve account equal to six months of debt service and achieving a historical debt service coverage ratio and fixed projected debt service coverage ratio of at least 1.25:1.00.

LNG and Natural Gas Marketing Business

Cheniere Marketing is engaged in the LNG and natural gas marketing business and is developing a portfolio of long-term, short-term and spot LNG SPAs. Cheniere Marketing has purchased, transported and unloaded commercial LNG cargoes into the Sabine Pass LNG terminal and other LNG terminals worldwide and has used trading strategies intended to maximize margins on these cargoes. Cheniere Marketing has secured the following rights and obligations to support its business:

- pursuant to an SPA with SPL, the right to purchase, at Cheniere Marketing's option, any LNG produced by SPL in excess of that required for other customers;
- pursuant to SPAs with CCL, the right to purchase, at Cheniere Marketing's option, any LNG produced by CCL not required for other customers; and
- a portfolio of LNG vessel time charters.

In addition, as of March 31, 2016, Cheniere Marketing has sold approximately 524 million MMBtu of LNG to be delivered to mostly investment grade counterparties between 2016 and 2023, with delivery obligations conditioned on the performance of the SPL Project and the CCL Project. The cargoes have been sold with a portfolio of delivery points, either on a Free on Board basis (delivered to the counterparty at the Sabine Pass LNG terminal) or a Delivered at Terminal ("DAT") basis (delivered to the counterparty at their LNG receiving terminal). Cheniere Marketing has chartered LNG vessels to be utilized in DAT transactions. In addition, Cheniere Marketing has entered into a long-term agreement to sell LNG cargoes on a DAT basis. The agreement is conditioned upon the buyer achieving certain milestones, including reaching anFID related to certain projects and obtaining related financing.

Corporate and Other Activities

We are required to maintain corporate and general and administrative functions to serve our business activities described above. We are also in various stages of developing other projects which, among other things, will require acceptable commercial and financing arrangements before we make an FID.

Sources and Uses of Cash

The following table (in thousands) summarizes the sources and uses of our cash and cash equivalents for the three months ended March 31, 2016 and 2015. The table presents capital expenditures on a cash basis; therefore, these amounts differ from the amounts of capital expenditures, including accruals, which are referred to elsewhere in this report. Additional discussion of these items follows the table.

	Three Months Ended March 31,	
	2016	2015
Sources of cash and cash equivalents		
Proceeds from issuances of debt	\$ 1,908,000	\$ 2,500,000
Use of restricted cash for the acquisition of property, plant and equipment	1,151,073	572,623
Proceeds from exercise of stock options	—	958
Other	2	20
Total sources of cash and cash equivalents	3,059,075	3,073,601
Uses of cash and cash equivalents		
Investment in restricted cash	(1,423,595)	(1,929,288)
Property, plant and equipment, net	(1,149,827)	(590,998)
Debt issuance and deferred financing costs	(49,307)	(58,395)
Repayments of debt	(415,000)	—
Distributions and dividends to non-controlling interest	(20,098)	(20,050)
Payments related to tax withholdings for share-based compensation	(976)	(3,771)
Operating cash flow	(88,690)	(14,180)
Other	(17,861)	(46,164)
Total uses of cash and cash equivalents	(3,165,354)	(2,662,846)
Net increase (decrease) in cash and cash equivalents	(106,279)	410,755
Cash and cash equivalents—beginning of period	1,201,112	1,747,583
Cash and cash equivalents—end of period	<u>\$ 1,094,833</u>	<u>\$ 2,158,338</u>

Proceeds from Issuances of Debt, Debt Issuance and Deferred Financing Costs and Repayments of Debt

In February 2016, we entered into the 2016 CQP Credit Facilities and borrowed \$450.0 million to prepay the \$400.0 million CTPL Term Loan. Additionally, during the three months ended March 31, 2016, we borrowed \$660.0 million under the 2015 SPL Credit Facilities, \$125.0 million under the SPL Working Capital Facility and \$673.0 million under the 2015 CCH Term Loan Facilities, which was offset by a \$15.0 million repayment of borrowings made under the SPL Working Capital Facility. In March 2015, SPL issued an aggregate principal amount of \$2.0 billion of the 2025 SPL Senior Notes and we issued an aggregate principal amount of \$625.0 million of the 2045 Cheniere Convertible Senior Notes, with an original issued discount of 20% for net proceeds of \$495.7 million. Debt issuance and deferred financing costs in the three months ended March 31, 2016 primarily related to the up-front fees paid upon the closing of the 2016 CQP Credit Facilities and in the three months ended March 31, 2015 related to the issuance of the 2025 SPL Senior Notes and the 2045 Cheniere Convertible Senior Notes.

Use of Restricted Cash for the Acquisition of Property, Plant and Equipment and Property, Plant and Equipment, net

During the three months ended March 31, 2016 and 2015, we used \$1,151.1 million and \$572.6 million, respectively, of restricted cash for investing activities to partially fund \$1,149.8 million and \$591.0 million, respectively, of costs primarily related to the construction costs for Trains 1 through 5 of the SPL Project and Trains 1 and 2 of the CCL Project, which are capitalized as construction-in-process.

Investment in Restricted Cash and Distributions and Dividends to Non-controlling Interest

In the three months ended March 31, 2016, we invested \$1,423.6 million in restricted cash primarily related to the borrowings under the credit facilities described above, net of deferred financing costs, repayment of the CTPL Term Loan and the payment of distributions to non-controlling interest by Cheniere Partners and Cheniere Holdings. In the three months ended March 31, 2015, we invested \$1,929.3 million in restricted cash primarily related to the net proceeds from the 2025 SPL Senior Notes, partially

offset by the use of restricted cash related to the payment of commitment fees for the 2013 SPL Credit Facilities and the payment of distributions to non-controlling interest.

Payments Related to Tax Withholdings for Share-based Compensation

During the three months ended March 31, 2016 and 2015, we used \$1.0 million and \$3.8 million, respectively, of cash and cash equivalents to purchase restricted stock that was returned to us by employees to cover taxes related to their restricted stock that vested during such periods.

Operating Cash Flow

During the three months ended March 31, 2016 and 2015, we used \$88.7 million and \$14.2 million, respectively, of cash in operating activities. The increase in operating cash outflows in 2016 compared to 2015 primarily related to amounts paid for phantom stock vestings and accelerated payments made on share-based compensation resulting from employee terminations.

Other

During the three months ended March 31, 2016 and 2015, we used \$17.9 million and \$46.2 million, respectively, of cash in other activities primarily as a result of payments made to a municipal water district for water system enhancements that will increase potable water supply to our Sabine Pass LNG terminal and investments made in unconsolidated entities.

Results of Operations

Three Months Ended March 31, 2016 vs. Three Months Ended March 31, 2015

Our consolidated net loss attributable to common stockholders was \$320.8 million, or \$1.41 per share (basic and diluted), in the three months ended March 31, 2016 compared to a net loss attributable to common stockholders of \$267.7 million, or \$1.18 per share (basic and diluted), in the three months ended March 31, 2015. This \$53.1 million increase in net loss was primarily a result of increased derivative loss, net, decreased loss attributable to non-controlling interest and increased interest expense, net of amounts capitalized, which was partially offset by decreased loss on early extinguishment of debt.

Derivative loss, net increased \$54.2 million, from \$126.7 million in the three months ended March 31, 2015 to \$180.9 million in the three months ended March 31, 2016. The derivative loss recognized during the three months ended March 31, 2016 was attributable to a decrease in the forward LIBOR curve during that period, which was higher than the decrease in the forward LIBOR curve during the three months ended March 31, 2015. Derivative loss recognized during the three months ended March 31, 2015 was primarily attributable to the loss recognized upon meeting the contingency related to the CCH Interest Rate Derivatives, as well as the loss recognized in March 2015 upon the termination of interest rate swaps associated with approximately \$1.8 billion of commitments that were terminated under the 2013 SPL Credit Facilities.

Net loss attributable to non-controlling interest decreased \$40.0 million, from \$68.1 million in the three months ended March 31, 2015, to \$28.1 million in the three months ended March 31, 2016, as a result of the decrease in consolidated net loss recognized by Cheniere Partners in which the non-controlling interest is held. The consolidated net loss recognized by Cheniere Partners decreased from \$178.7 million in the three months ended March 31, 2015 to \$74.9 million in the three months ended March 31, 2016, primarily as a result of decreased loss on early extinguishment of debt, decreased derivative loss, net and decreased operating and maintenance expense.

Interest expense, net increased \$16.7 million in the three months ended March 31, 2016, as compared to the three months ended March 31, 2015, primarily as a result of an increase in our indebtedness outstanding as of March 31, 2016 compared to March 31, 2015. For the three months ended March 31, 2016 and 2015, we incurred \$293.3 million and \$180.6 million of total interest cost, respectively, of which we capitalized and deferred \$217.0 million and \$121.0 million, respectively, which were directly related to the construction of the SPL Project and the CCL Project.

Offsetting the above increase in expenses, loss on early extinguishment of debt decreased \$87.5 million, from \$89.0 million in the three months ended March 31, 2015, to \$1.5 million in the three months ended March 31, 2016. Loss on early extinguishment of debt during the three months ended March 31, 2016 was attributable to the write-off of debt issuance costs and unamortized discount in connection with the prepayment of the CTPL Term Loan in February 2016. Loss on early extinguishment of debt

during the three months ended March 31, 2015 was attributable to the write-off of debt issuance costs and deferred commitment fees related to the termination of approximately \$1.8 billion of commitments under the 2013 SPL Credit Facilities in March 2015.

During the three months ended March 31, 2016, we did not have any LNG revenues related to amounts received from the sale of commissioning cargoes because amounts received were offset against LNG terminal construction-in-process. Amounts received relating to the commissioning cargoes, and the related costs incurred, are capitalized as testing costs for the construction of the SPL Project.

Off-Balance Sheet Arrangements

As of March 31, 2016, we had no transactions that met the definition of off-balance sheet arrangements that may have a current or future material effect on our consolidated financial position or operating results.

Summary of Critical Accounting Estimates

The preparation of our Consolidated Financial Statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and the accompanying notes. There have been no significant changes to our critical accounting estimates from those disclosed in our annual report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Standards

For descriptions of recently issued accounting standards, see [Note 17—Recent Accounting Standards](#) of our Notes to Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Cash Investments

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 Balance Sheets.

Marketing and Trading Commodity Price Risk

We have entered into commodity derivatives consisting of natural gas purchase agreements to secure natural gas feedstock for the SPL Project (“Liquefaction Supply Derivatives”). In order to test the sensitivity of the fair value of the Liquefaction Supply Derivatives to changes in underlying commodity prices, management modeled a 10% change in the basis price for natural gas for each delivery location. As of March 31, 2016, we estimated the fair value of the Liquefaction Supply Derivatives to be \$29.9 million. Based on actual derivative contractual volumes, a 10% increase or decrease in the underlying basis price would have resulted in a change in the fair value of the Liquefaction Supply Derivatives of \$6.1 million as of March 31, 2016, compared to \$0.9 million as of December 31, 2015. See [Note 5—Derivative Instruments](#) for additional details about our derivative instruments.

We have also entered into financial derivatives to hedge the exposure to the commodity markets in which we have contractual arrangements to purchase or sell physical LNG (“LNG Trading Derivatives”). In order to test the sensitivity of the fair value of the LNG Trading Derivatives to changes in underlying commodity prices, management modeled a 10% change in the basis price for LNG. As of March 31, 2016, we estimated the fair value of the LNG Trading Derivatives to be \$5.8 million. Based on actual derivative contractual volumes, a 10% increase or decrease in the underlying basis price would have resulted in a change in the fair value of the LNG Trading Derivatives of \$0.6 million as of March 31, 2016, whereas it was immaterial as of December 31, 2015. See [Note 5—Derivative Instruments](#) for additional details about our derivative instruments.

Interest Rate Risk

SPL has entered into interest rate swaps to hedge the exposure to volatility in a portion of the floating-rate interest payments under the 2015 SPL Credit Facilities (“SPL Interest Rate Derivatives”). In order to test the sensitivity of the fair value of the SPL Interest Rate Derivatives to changes in interest rates, management modeled a 10% change in the forward 1-month LIBOR curve

across the remaining term of the SPL Interest Rate Derivatives. As of March 31, 2016, we estimated the fair value of the SPL Interest Rate Derivatives to be \$18.0 million. This 10% change in interest rates would have resulted in a change in the fair value of the SPL Interest Rate Derivatives of \$1.9 million as of March 31, 2016, compared to \$3.1 million as of December 31, 2015. The decrease in the effect of change in interest rates was due to a decrease in the forward 1-month LIBOR curve during the three months ended March 31, 2016.

Cheniere Partners has entered into interest rate swaps to hedge the exposure to volatility in a portion of the floating-rate interest payments under the 2016 CQP Credit Facilities ("CQP Interest Rate Derivatives"). In order to test the sensitivity of the fair value of the CQP Interest Rate Derivatives to changes in interest rates, management modeled a 10% change in the forward 1-month LIBOR curve across the remaining term of the CQP Interest Rate Derivatives. As of March 31, 2016, we estimated the fair value of the CQP Interest Rate Derivatives to be \$9.5 million. This 10% change in interest rates would have resulted in a change in the fair value of the CQP Interest Rate Derivatives of \$4.2 million as of March 31, 2016.

CCH has entered into interest rate swaps to hedge the exposure to volatility in a portion of the floating-rate interest payments under the 2015 CCH Credit Facility ("CCH Interest Rate Derivatives"). In order to test the sensitivity of the fair value of the CCH Interest Rate Derivatives to changes in interest rates, management modeled a 10% change in the forward 1-month LIBOR curve across the remaining term of the CCH Interest Rate Derivatives. As of March 31, 2016, we estimated the fair value of the CCH Interest Rate Derivatives to be \$259.3 million. This 10% change in interest rates would have resulted in a change in the fair value of the CCH Interest Rate Derivatives of \$43.5 million as of March 31, 2016, compared to \$55.6 million as of December 31, 2015. The decrease in the effect of change in interest rates was due to a decrease in the forward 1-month LIBOR curve during the three months ended March 31, 2016.

Foreign Currency Exchange Risk

We have entered into foreign currency exchange ("FX") contracts to hedge exposure to currency risk associated with operations in countries outside of the United States ("FX Derivatives"). In order to test the sensitivity of the fair value of the FX Derivatives to changes in FX rates, management modeled a 10% change in FX rate between the U.S. dollar and the applicable foreign currencies. As of March 31, 2016, we estimated the fair value of the FX Derivatives to be \$2.5 million. This 10% change in FX rates would have resulted in a change in the fair value of the FX Derivatives of \$0.3 million as of March 31, 2016.

ITEM 4. 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 management, including our Chief Executive Officer and our 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 Chief Executive Officer and our 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 may in the future be involved as a party to various legal proceedings, which are incidental to the ordinary course of business. We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters.

LDEQ Matter

SPLNG, SPL and Sabine Pass Liquefaction Expansion, LLC (“SPLE”), are in discussions with the Louisiana Department of Environmental Quality (“LDEQ”) to resolve self-reported deviations arising from operation of the Sabine Pass LNG terminal and the commissioning of the natural gas liquefaction facilities at such terminal and relating to certain requirements under its operating permit issued under Title V of the Clean Air Act Title V permit conditions. The matter involves deviations self-reported to LDEQ pursuant to the Title V permit and covering the time period from January 1, 2012 through March 25, 2016. On April 11, 2016, SPLNG, SPL and SPLE received a Consolidated Compliance Order and Notice of Potential Penalty (the “Compliance Order”) from LDEQ covering deviations self-reported during that time period. SPLNG, SPL and SPLE continue to work with LDEQ to resolve the matters identified in the Compliance Order. We do not expect that any ultimate sanction will have a material adverse impact on our financial results.

Parallax Litigation

In 2015, Cheniere Energy Inc.’s (“CEI”) wholly owned subsidiary, Cheniere LNG Terminals, LLC (“CLNGT”), entered into discussions with Parallax Enterprises, LLC (“Parallax Enterprises”) regarding the potential joint development of two liquefaction plants in Louisiana (the “Potential Liquefaction Transactions”). While the parties negotiated regarding the Potential Liquefaction Transactions, CLNGT loaned Parallax Enterprises approximately \$46 million, as reflected in a secured note dated April 23, 2015, as amended on June 30, 2015, September 30, 2015, and November 4, 2015 (the “Secured Note”). The Secured Note was secured by all assets of Parallax Enterprises and its subsidiary entities. On June 30, 2015, Parallax Enterprises’ parent entity, Parallax Energy LLC (“Parallax Energy”), executed a Pledge and Guarantee Agreement further securing repayment of the Secured Note by providing a parent guaranty and a pledge of all of the equity of Parallax Enterprises in satisfaction of the Secured Note (the “Pledge Agreement”). CLNGT and Parallax Enterprises never executed a definitive agreement to pursue the Potential Liquefaction Transactions. The Secured Note matured on December 11, 2015, and Parallax Enterprises failed to make payment. On February 3, 2016, CLNGT filed an action against Parallax Energy, Parallax Enterprises, and certain of Parallax Enterprises’ subsidiary entities, styled Cause No. 4:16-cv-00286, Cheniere LNG Terminals, LLC v. Parallax Energy LLC, et al., in the United States District Court for the Southern District of Texas (the “Texas Suit”). CLNGT asserted claims in the Texas Suit for (1) recovery of all amounts due under the Secured Note and (2) declaratory relief establishing that CLNGT is entitled to enforce its rights under the Secured Note and Pledge Agreement in accordance with each instrument’s terms and that CLNGT has no obligations of any sort to Parallax Enterprises concerning the Potential Liquefaction Transactions. On March 11, 2016, Parallax Enterprises and the other defendants in the Texas Suit moved to dismiss the suit for lack of subject matter jurisdiction. CLNGT has responded to that motion, and it remains pending before the court.

On March 11, 2016, Parallax Enterprises filed a suit against CEI and CLNGT styled Civil Action No. 62-810, Parallax Enterprises LLP v. Cheniere Energy, Inc. and Cheniere LNG Terminals, LLC, in the 25th Judicial District Court of Plaquemines Parish, Louisiana (the “Louisiana Suit”), wherein Parallax Enterprises asserted claims for breach of contract, fraudulent inducement, negligent misrepresentation, detrimental reliance, unjust enrichment, and violation of the Louisiana Unfair Trade Practices Act. Parallax Enterprises predicated its claims in the Louisiana Suit on an allegation that CEI and CLNGT breached a purported agreement to jointly develop the Potential Liquefaction Transactions. Parallax Enterprises seeks \$400 million in alleged economic damages and rescission of the Secured Note. On April 11, 2016, CEI and CLNGT removed the Louisiana Suit to the United States District Court for the Eastern District of Louisiana, where it is pending as Civil Action No. 2:16-cv-03209-CJB-SS. On April 18, 2016, CEI and CLNGT filed a motion in the Louisiana Suit seeking (1) dismissal of all claims against CEI for lack of personal jurisdiction, (2) dismissal, stay, or transfer of the suit to the United States District Court for the Southern District of Texas in deference to the first-filed Texas Suit, and (3) alternatively, transfer of the suit for convenience of the parties and witnesses. On May 4, 2016, Parallax Enterprises filed a motion to remand the Louisiana Suit to state court. The motion to remand and CEI and CLNGT’s motion are set for oral argument on May 18, 2016. We do not expect that the resolution of this litigation will have a material adverse impact on our financial results.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes stock repurchases for the three months ended March 31, 2016:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as a Part of Publicly Announced Plans	Maximum Number of Units That May Yet Be Purchased Under the Plans
January 1 - 31, 2016	3,601	\$37.25	—	—
February 1 - 29, 2016	19,839	\$29.28	—	—
March 1 - 31, 2016	7,577	\$34.06	—	—
Total	31,017		—	—

- (1) Represents shares surrendered to us by participants in our share-based compensation plans to settle the participants' personal tax liabilities that resulted from the lapsing of restrictions on shares awarded to the participants under these plans.
- (2) The price paid per share was based on the closing trading price of our common stock on the dates on which we repurchased shares from the participants under our share-based compensation plans.

ITEM 5. OTHER INFORMATION

On May 4, 2016, Cheniere Energy, Inc. ("CEI") entered into a letter agreement (the "Letter Agreement") with Mr. Teague, its Executive Vice President, Asset Group. Pursuant to the terms of the Letter Agreement, unless terminated earlier by either party, Mr. Teague's employment with CEI will continue through the date that is seven days after the date of substantial completion of Train 2 at the Company's liquefaction project under construction and development at the Sabine Pass LNG terminal in Louisiana (the "Continuation Period"), which we expect to be achieved in September 2016, based on the current construction schedule. On a termination of Mr. Teague's employment at the end of the Continuation Period, he will be entitled to (i) the waiver of the continuous service requirement of his previously disclosed restricted stock award pursuant to the CEI 2011 Incentive Plan Restricted Stock Grant dated February 18, 2013 between Mr. Teague and CEI and (ii) vesting of all of his other previously disclosed unvested long-term incentive awards. In addition, Mr. Teague has agreed in the Letter Agreement not to use or disclose any of the Company's confidential or proprietary information.

The foregoing description of the Letter Agreement is qualified in its entirety by reference to such agreement, which is filed as Exhibit 10.7 hereto and incorporated herein by reference.

Compliance Disclosure

Pursuant to Section 13(r) of the Exchange Act, if during the quarter ended March 31, 2016, we or any of our affiliates had engaged in certain transactions with Iran or with persons or entities designated under certain executive orders, we would be required to disclose information regarding such transactions in our quarterly report on Form 10-Q as required under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA"). During the quarter ended March 31, 2016, we did not engage in any transactions with Iran or with persons or entities related to Iran.

Blackstone CQP Holdeo LP, an affiliate of The Blackstone Group L.P. ("Blackstone Group"), is a holder of more than 29% of the outstanding equity interests of Cheniere Partners and has three representatives on the board of directors of Cheniere Partners GP. Accordingly, Blackstone Group may be deemed an "affiliate" of Cheniere Partners, as that term is defined in Exchange Act Rule 12b-2. We have received notice from Blackstone Group that it may include in its quarterly report on Form 10-Q for the quarterly period ended March 31, 2016 disclosures pursuant to ITRA regarding two of its portfolio companies that may be deemed to be affiliates of Blackstone Group. Because of the broad definition of "affiliate" in Exchange Act Rule 12b-2, these portfolio

companies of Blackstone Group, through Blackstone Group's ownership of Cheniere Partners, may also be deemed to be affiliates of ours. We have not independently verified the disclosure described in the following paragraphs.

We have received notice from Blackstone Group that Travelport Worldwide Limited ("Travelport") has engaged in the following activities: as part of its global business in the travel industry, Travelport provides certain passenger travel related Travel Commerce Platform and Technology Services to Iran Air. Travelport also provides certain airline Technology Services to Iran Air Tours. The gross revenues and net profits attributable to such activities by Travelport during the quarter ended March 31, 2016 have not been reported by Travelport. Blackstone Group informed us that Travelport intends to continue these business activities with Iran Air and Iran Air Tours as such activities are either exempt from applicable sanctions prohibitions or specifically licensed by the Office of Foreign Assets Control (the "OFAC").

We have received notice from Blackstone Group that NCR Corporation ("NCR") has engaged in the following activities: NCR has reported that during the period from January 1, 2016 through March 31, 2016, NCR maintained a bank account and guarantees at the Commercial Bank of Syria ("CBS"), which was designated as a Specially Designated National pursuant to Executive Order 13382 ("EO 13382") on August 10, 2011. This bank account and the guarantees at CBS were maintained in the normal course of business prior to the listing of CBS pursuant to EO 13382. NCR reported that the last known account balance as of March 31, 2016, was approximately \$3,468. The bank account did not generate interest from January 1, 2016 through March 31, 2016, and the guarantees did not generate any revenue or profits for NCR. Pursuant to a license granted to NCR by the OFAC on January 3, 2013, and subsequent licenses granted on April 29, 2013, July 12, 2013, February 28, 2014, November 12, 2014, and October 24, 2015, NCR has been winding down its past operations in Syria. NCR's current license expired on April 30, 2016. NCR has also received licenses from OFAC to close the CBS account and terminate any guarantees. NCR's application to renew the license to transact business with CBS, which was submitted to OFAC on May 18, 2015, remains pending. Following the termination of guarantees and the closure of the account, NCR does not intend to engage in any further business activities with CBS.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Credit and Guaranty Agreement, dated as of February 25, 2016, among Cheniere Partners, as Borrower, certain subsidiaries of Cheniere Partners, as Subsidiary Guarantors, the lenders from time to time party thereto, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Issuing Bank, Administrative Agent and Coordinating Lead Arranger, and certain arrangers and other participants (Incorporated by reference to Exhibit 10.1 to Cheniere Partners' Current Report on Form 8-K (SEC File No. 001-33366), filed on March 2, 2016)
10.2	Depository Agreement, dated as of February 25, 2016, among Cheniere Partners, certain subsidiaries of the Cheniere Partners, as Subsidiary Guarantors, MUFG Union Bank, N.A., as Collateral Agent and MUFG Union Bank, N.A., as Depository Bank (Incorporated by reference to Exhibit 10.2 to Cheniere Partners' Current Report on Form 8-K (SEC File No. 001-33366), filed on March 2, 2016)
10.3	Change order to the Lump Sum Turnkey Agreement for the Engineering, Procurement and Construction of the Sabine Pass LNG Liquefaction Facility, dated as of November 11, 2011, between Sabine Pass Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc.: the Change Order CO-00044 Potable Water Bypass Line and Pipeline Installation Tie-In at 135-A Metering Station, dated December 17, 2015 (Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.) (Incorporated by reference to Exhibit 10.1 to SPL's Quarterly Report on Form 10-Q (SEC File No. 333-192373), filed on May 5, 2016)
10.4	Change order to the Lump Sum Turnkey Agreement for the Engineering, Procurement and Construction of the Sabine Pass LNG Stage 2 Liquefaction Facility, dated as of December 20, 2012, between Sabine Pass Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc.: the Change Order CO-00020 Milestone Payment Adjustments, dated January 12, 2016 (Incorporated by reference to Exhibit 10.2 to SPL's Quarterly Report on Form 10-Q (SEC File No. 333-192373), filed on May 5, 2016)
10.5	Change order to the Lump Sum Turnkey Agreement for the Engineering, Procurement and Construction of the Sabine Pass LNG Stage 3 Liquefaction Facility, dated as of May 4, 2015, between Sabine Pass Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc.: the Change Order CO-00004 DOE Regulation Change Impacts, RECON Schedule Change, Addition of Dry Flare Connection, Fuel Gas Supply Transfer to Train 5 & East Meter Fuel Gas, dated February 18, 2016 (Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.) (Incorporated by reference to Exhibit 10.3 to SPL's Quarterly Report on Form 10-Q (SEC File No. 333-192373), filed on May 5, 2016)
10.6*	Change orders to the Fixed Price Separated Turnkey Agreement for the Engineering, Procurement and Construction of the Corpus Christi Stage 1 Liquefaction Facility, dated as of December 6, 2013, between Corpus Christi Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc.: (i) the Change Order CO-00014 Stage 1 Isolation, dated January 11, 2016, (ii) the Change Order CO-00015 IAC Conversion to Lump Sum, dated January 20, 2016, and (iii) the Change Order CO-00016 Permanent Plant Buildings, dated January 20, 2016 (Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)
10.7*†	Letter agreement between R. Keith Teague and the Company, dated May 4, 2016
10.8	Administrative Amendment, dated December 31, 2015, to the Second Amended and Restated Common Terms Agreement dated as of June 30, 2015, among Sabine Pass Liquefaction, LLC and Société Générale, as the Common Security Trustee and Intercreditor Agent (Incorporated by reference to Exhibit 10.7 to Cheniere Partners' Quarterly Report on Form 10-Q (SEC File No. 001-33366), filed on May 5, 2016)
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 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
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

- * Filed herewith.
- ** Furnished herewith.
- † Management contract or compensatory plan or arrangement

*** indicates material has been omitted pursuant to a Confidential Treatment Request filed with the Securities and Exchange Commission. A complete copy of this agreement has been filed separately with the Securities and Exchange Commission.

CHANGE ORDER FORM

Stage 1 Isolation

PROJECT NAME: Corpus Christi Stage 1 Liquefaction Facility

OWNER: Corpus Christi Liquefaction, LLC

CHANGE ORDER NUMBER: CO-00014

CONTRACTOR: Bechtel Oil, Gas and Chemicals, Inc.

DATE OF CHANGE ORDER: January 11, 2016

DATE OF AGREEMENT: December 6, 2013

The Agreement between the Parties listed above is changed as follows: *(attach additional documentation if necessary)*

1. Per Article 6.1.B of the Agreement, Parties agree Contractor will implement the scope changes that are detailed in Exhibit A of this Change Order.
2. The scope changes are depicted in the drawings in Exhibit B of this Change Order.
3. The cost breakdowns for the scopes of work noted above in this Change Order are detailed in Exhibit C.
4. Schedules C-1 and C-3 (Milestone Payment Schedule) of Attachment C of the Agreement will be amended by including the milestones listed in Exhibit D of this Change Order.

Adjustment to Contract Price

The original Contract Price was	\$ 7,080,830,000
Net change by previously authorized Change Orders (0001-00013)	\$ 410,656,403
The Contract Price prior to this Change Order was	\$ 7,491,486,403
The Aggregate Equipment Price will be changed by this Change Order in the amount of	\$ ***
The Aggregate Labor and Skills Price will be changed by this Change Order in the amount of	\$ ***
The new Contract Price including this Change Order will be	\$ 7,506,562,833

Adjustment to Aggregate Equipment Price

The original Aggregate Equipment Price was	\$ ***
Net change by previously authorized Change Orders (0001-00013)	\$ ***
The Aggregate Equipment Price prior to this Change Order was	\$ ***
The Aggregate Equipment Price will be changed by this Change Order in the amount of	\$ ***
The new Aggregate Equipment Price including this Change Order will be	\$ ***

Adjustment to Aggregate Labor and Skills Price

The original Aggregate Labor and Skills Price was	\$ ***
Net change by previously authorized Change Orders (0001-00013)	\$ ***
The Aggregate Labor and Skills Price prior to this Change Order was	\$ ***
The Aggregate Labor and Skills Price will be changed by this Change Order in the amount of	\$ ***
The new Aggregate Labor and Skills Price including this Change Order will be	\$ ***

Adjustment to dates in Project Schedule

The following dates are modified (*list all dates modified; insert N/A if no dates modified*): **No impact to Project Schedule.**

Adjustment to other Changed Criteria (*insert N/A if no changes or impact; attach additional documentation if necessary*)

Adjustment to Payment Schedule: **Yes. See Exhibit D of this Change Order.**

Adjustment to Minimum Acceptance Criteria: N/A

Adjustment to Performance Guarantees: N/A

Adjustment to Design Basis: N/A

Other adjustments to liability or obligation of Contractor or Owner under the Agreement: N/A

Select either A or B:

[A] This Change Order **shall** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall** be deemed to compensate Contractor fully for such change. Initials:

/s/ MB Contractor /s/ EL Owner

~~[B] This Change Order **shall not** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall not** be deemed to compensate Contractor fully for such change. Initials: _____ Contractor _____ Owner~~

Upon execution of this Change Order by Owner and Contractor, the above-referenced change shall become a valid and binding part of the original Agreement without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Agreement shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

/s/ Ed Lehotsky
Owner
Ed Lehotsky
Name
VP LNG Projects
Title
2/2/2016
Date of Signing

/s/ Maria K Brady
Contractor
Maria K Brady
Name
Senior Vice President
Title
January 11, 2016
Date of Signing



*** indicates material has been omitted pursuant to a Confidential Treatment Request filed with the Securities and Exchange Commission. A complete copy of this agreement has been filed separately with the Securities and Exchange Commission.

CHANGE ORDER FORM

IAC Conversion to Lump Sum

PROJECT NAME: Corpus Christi Stage 1 Liquefaction Facility

OWNER: Corpus Christi Liquefaction, LLC

CHANGE ORDER NUMBER: CO-00015

CONTRACTOR: Bechtel Oil, Gas and Chemicals, Inc.

DATE OF CHANGE ORDER: January 20, 2016

DATE OF AGREEMENT: December 6, 2013

The Agreement between the Parties listed above is changed as follows: *(attach additional documentation if necessary)*

1. In Change Order CO-00002, executed on April 7, 2015, Owner and Contractor agreed to change from SAC to DLE Compressor Turbine Drivers, include the Inlet Air Chilling (IAC) while removing the Inlet Air Humidification, and resize and relocate water treatment facilities. Exhibit A of this Change Order depicts the changes from CO-00002 that are effective upon execution of this CO-00015.
2. The value of the IAC Provisional Sum was U.S. \$165,125,800. Per Article 6.1.B of the Agreement, Parties agree to close this Provisional Sum. The contract price will be increased by \$89,325,232.
3. The cost breakdowns for the scopes of work noted above in this Change Order are detailed in Exhibit B.
4. Schedule C-1 (Milestone Payment Schedule) of Attachment C of the Agreement will be amended by including the Milestone(s) listed in Exhibit C of this Change Order.

Adjustment to Contract Price

The original Contract Price was	\$ 7,080,830,000
Net change by previously authorized Change Orders (0001-00014)	\$ 425,732,833
The Contract Price prior to this Change Order was	\$ 7,506,562,833
The Aggregate Equipment Price will be changed by this Change Order in the amount of	\$ ***
The Aggregate Labor and Skills Price will be changed by this Change Order in the amount of	\$ ***
The new Contract Price including this Change Order will be	\$ 7,595,888,065

Adjustment to Aggregate Equipment Price

The original Aggregate Equipment Price was	\$ ***
Net change by previously authorized Change Orders (0001-00014)	\$ ***
The Aggregate Equipment Price prior to this Change Order was	\$ ***
The Aggregate Equipment Price will be changed by this Change Order in the amount of	\$ ***
The new Aggregate Equipment Price including this Change Order will be	\$ ***

Adjustment to Aggregate Labor and Skills Price

The original Aggregate Labor and Skills Price was	\$ ***
Net change by previously authorized Change Orders (0001-00014)	\$ ***
The Aggregate Labor and Skills Price prior to this Change Order was	\$ ***
The Aggregate Labor and Skills Price will be changed by this Change Order in the amount of	\$ ***
The new Aggregate Labor and Skills Price including this Change Order will be	\$ ***

Adjustment to Aggregate Provisional Sum

The original Aggregate Provisional Sum was	\$	***
Net change by previously authorized Change Orders (0001-00014)	\$	***
The Aggregate Provisional Sum prior to this Change Order was	\$	***
The Aggregate Provisional Sum will be changed by this Change Order in the amount of	\$	***
The new Aggregate Provisional Sum including this Change Order will be	\$	***

Adjustment to dates in Project Schedule

The following dates are modified (*list all dates modified; insert N/A if no dates modified*): **No impact to Project Schedule.**

Adjustment to other Changed Criteria (*insert N/A if no changes or impact; attach additional documentation if necessary*)

Adjustment to Payment Schedule: **Yes. See Exhibit C of this Change Order.**

Adjustment to Minimum Acceptance Criteria: N/A

Adjustment to Performance Guarantees: N/A

Adjustment to Design Basis: N/A

Other adjustments to liability or obligation of Contractor or Owner under the Agreement: N/A

Select either A or B:

[A] This Change Order **shall** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall** be deemed to compensate Contractor fully for such change. Initials:

/s/ WK Contractor /s/ EL Owner

~~[B] This Change Order **shall not** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall not** be deemed to compensate Contractor fully for such change. Initials: _____ Contractor _____ Owner~~

Upon execution of this Change Order by Owner and Contractor, the above-referenced change shall become a valid and binding part of the original Agreement without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Agreement shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

/s/ Ed Lehotsky

Owner

Ed Lehotsky

Name

VP LNG Projects

Title

March 2, 2016

Date of Signing

/s/ Walker Kimball

Contractor

Walker Kimball

Name

Senior Project Manager, SVP

Title

January 20, 2016

Date of Signing

*** indicates material has been omitted pursuant to a Confidential Treatment Request filed with the Securities and Exchange Commission. A complete copy of this agreement has been filed separately with the Securities and Exchange Commission.

CHANGE ORDER FORM

Permanent Plant Buildings

PROJECT NAME: Corpus Christi Stage 1 Liquefaction Facility

OWNER: Corpus Christi Liquefaction, LLC

CHANGE ORDER NUMBER: CO-00016

CONTRACTOR: Bechtel Oil, Gas and Chemicals, Inc.

DATE OF CHANGE ORDER: January 20, 2016

DATE OF AGREEMENT: December 6, 2013

The Agreement between the Parties listed above is changed as follows: *(attach additional documentation if necessary)*

1. Per Article 6.1.B of the Agreement, Parties agree Contractor will make design changes to the O&M, Warehouse, Maintenance, and Auxiliary Material Storage buildings and add two new buildings - Security Operations Building and Laboratory Building. This Change Order includes changes to permanent buildings subcontract and related changes to piping, electrical and sitework for Contractor direct hire work as well as acceleration costs to mitigate schedule impact.
2. Exhibit A depicts the changes to the O&M and Control building.
3. Exhibit B depicts the changes to the Maintenance building.
4. Exhibit C depicts the changes to the Warehouse building.
5. Exhibit D depicts the location of the Laboratory building.
6. Exhibit E depicts the location of the Security Operations building.
7. The Auxiliary Material Storage building will be approximately 22,000 square feet.
8. The cost breakdowns for the scopes of work noted above in this Change Order are detailed in Exhibit F.
9. Schedule C-1 (Milestone Payment Schedule) of Attachment C of the Agreement will be amended by including the Milestone(s) listed in Exhibit G of this Change Order.

Adjustment to Contract Price

The original Contract Price was	\$ 7,080,830,000
Net change by previously authorized Change Orders (0001-00015)	\$ 515,058,065
The Contract Price prior to this Change Order was	\$ 7,595,888,065
The Aggregate Equipment Price will be changed by this Change Order in the amount of	\$ ***
The Aggregate Labor and Skills Price will be changed by this Change Order in the amount of	\$ ***
The new Contract Price including this Change Order will be	\$ 7,624,287,362

Adjustment to Aggregate Equipment Price

The original Aggregate Equipment Price was	\$ ***
Net change by previously authorized Change Orders (0001-00015)	\$ ***
The Aggregate Equipment Price prior to this Change Order was	\$ ***
The Aggregate Equipment Price will be changed by this Change Order in the amount of	\$ ***
The new Aggregate Equipment Price including this Change Order will be	\$ ***

Adjustment to Aggregate Labor and Skills Price

The original Aggregate Labor and Skills Price was	\$	***
Net change by previously authorized Change Orders (0001-00015)	\$	***
The Aggregate Labor and Skills Price prior to this Change Order was	\$	***
The Aggregate Labor and Skills Price will be changed by this Change Order in the amount of	\$	***
The new Aggregate Labor and Skills Price including this Change Order will be	\$	***

Adjustment to Aggregate Provisional Sum

The original Aggregate Provisional Sum was	\$	***
Net change by previously authorized Change Orders (0001-00015)	\$	***
The Aggregate Provisional Sum prior to this Change Order was	\$	***
The Aggregate Provisional Sum will be changed by this Change Order in the amount of	\$	***
The new Aggregate Provisional Sum including this Change Order will be	\$	***

Adjustment to dates in Project Schedule

The following dates are modified (*list all dates modified; insert N/A if no dates modified*). **No impact to Project Schedule.**

Adjustment to other Changed Criteria (*insert N/A if no changes or impact; attach additional documentation if necessary*)

Adjustment to Payment Schedule: **Yes. See Exhibit G of this Change Order.**

Adjustment to Minimum Acceptance Criteria: **N/A**

Adjustment to Performance Guarantees: **N/A**

Adjustment to Design Basis: **N/A**

Other adjustments to liability or obligation of Contractor or Owner under the Agreement: **N/A**

Select either A or B:

[A] This Change Order **shall** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall** be deemed to compensate Contractor fully for such change. Initials: /s/ WK Contractor /s/ EL Owner

~~[B] This Change Order **shall not** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall not** be deemed to compensate Contractor fully for such change. Initials: _____ Contractor _____ Owner~~

Upon execution of this Change Order by Owner and Contractor, the above-referenced change shall become a valid and binding part of the original Agreement without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Agreement shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

/s/ Ed Lehotsky

Owner

Ed Lehotsky

Name

VP LNG Projects

Title

February 3, 2016

Date of Signing

/s/ Walker Kimball

Contractor

Walker Kimball

Name

Senior Project Manager, SVP

Title

January 20, 2016

Date of Signing

May 4, 2016

R. Keith Teague,
Cheniere Energy, Inc.,
700 Milam Street, Suite 1900,
Houston, TX 77002.

Dear Mr. Teague:

This letter agreement ("Letter Agreement") sets forth the understanding between you and Cheniere Energy, Inc. (the "Company") regarding your transition from the Company.

1. Transition from Employment

a. Unless terminated earlier by the Company or you, your employment with the Company will continue through the date that is seven days after the date of Substantial Completion of Subproject 2 (each as defined in that certain Engineering, Procurement and Construction Agreement, dated November 11, 2011 by and between Sabine Pass Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc.) of Sabine Pass Liquefaction's liquefaction facilities adjacent to the Sabine Pass LNG terminal (the "Continuation Period"). You will continue to receive your base salary, at its current rate, and continue to be eligible to participate in the Company's plans and programs during the Continuation Period.

b. Upon any termination of your employment by you or the Company, you hereby agree to resign without any further action by you or the Company, effective immediately upon the date of termination of your employment, from any and all positions you then hold (whether as an officer, manager, director, partner or otherwise) with the Company, CQH Holdings Company, LLC, Cheniere Energy Partners GP, LLC, Cheniere Energy Partners LP Holdings, LLC, Sabine Pass Liquefaction, LLC, Sabine Pass LNG, L.P. and any of their respective subsidiaries, affiliates, general partners and other related entities.

2. Termination Payments

a. On any termination of your employment (whether on or prior to the end of the Continuation Period), any unreimbursed business expenses will be reimbursed consistent with the terms of the Company's policy applicable to you while employed. These expenses will be reimbursed within thirty days following your last day of employment. You will also be entitled to all other vested amounts or benefits required to be paid or provided or which you are eligible to receive under the terms of the Company's welfare, retirement, long-term incentive and other plans and programs, including, but not limited to, the Company's 401(k) plan.

b. In addition to the payments and benefits in Section 2(a), on a termination of your employment at the end of the Continuation Period, you will be entitled to the vesting of all unvested awards (or in the case of clause (iii) below, the waiver of the continuous service requirement) and other benefits set forth in the terms of the (i) Cheniere Energy, Inc. 2011 Incentive Plan Restricted Stock Grant dated August 9, 2012, by and between you and the Company, (ii) Cheniere Energy, Inc. Long-Term Cash Award dated August 9, 2012, by and between you and the Company, (iii) Cheniere Energy, Inc. 2011 Incentive Plan Restricted Stock Grant dated February 18, 2013, by and between you and the Company and (iv) Cheniere Energy, Inc. 2015 Long-Term Cash Incentive Plan Phantom Unit Award Agreement dated April 21, 2015, by and between you and the Company on a termination without cause. These vesting and other benefits will be provided to you subject to the terms and conditions of the respective grant agreements, the Cheniere Energy, Inc. 2011 Incentive Plan, and the Cheniere Energy, Inc. 2015 Long-Term Cash Incentive Plan, including any requirement that you execute and not revoke a release of claims in the form attached hereto as Exhibit A. Upon the termination of your employment at the end of the Continuation Period, (1) your outstanding unvested awards described in clauses (i) and (ii) above shall fully vest; (2) with respect to your outstanding unvested award described in clause (iii) above, the Company shall waive the continuous service requirement with respect to the shares of restricted stock underlying such award; provided the vesting of the shares of restricted stock underlying such award will be subject to certification by the Compensation Committee of the Board of Directors of the Company that the applicable performance milestones set forth in the Restricted Stock Grant Agreement dated February 18, 2013 have been achieved; and (3) your outstanding unvested awards described in clause (iv) above shall vest subject to your execution and non-revocation of a release of claims in the form attached hereto within 60 days after your date of termination.

3. Continuing Covenants.

a. You acknowledge that, during the course of your employment you have access to Proprietary Information. You agree that the Proprietary Information is the exclusive property of the Company or its affiliates, as applicable, and that, during your employment, you will use and disclose Proprietary Information only for the Company's or its affiliates' benefit and in accordance with any restrictions placed on its use or disclosure by the Company or its affiliates. After your employment terminates, you will not use or disclose any Proprietary Information. Nothing in this Letter Agreement will operate to weaken or waive any rights the Company may have under statutory or common law to the protection of trade secrets, confidential business information and other confidential information. Additionally, the covenants set forth in this Section 3 are in addition to, and will not limit or weaken in any way, any other confidentiality, non-disclosure and similar covenants and agreements between you and the Company, which will remain in effect following a termination of your employment in accordance with their terms. "Proprietary Information" means confidential or proprietary information, knowledge or data concerning the Company's or its affiliates' businesses, strategies, operations, financial affairs, organizational matters, business plans, procedures, products, ideas, processes, software systems, trade secrets and technical know-how. However, Proprietary Information does not include information (A) that was or becomes generally available to you on a non-confidential basis, if the source of this information was not reasonably known to you to be bound by a duty of confidentiality, (B) that was or becomes generally available to the public, other than as a result of a disclosure by you, directly or indirectly, that is not authorized by the Company or its affiliate, as applicable, or (C) that you can establish was independently developed by you without reference to any Proprietary Information.

b. You agree that you will not make or publish any statement (orally or in writing) that becomes or reasonably could be expected to become publicly known, or instigate, assist or participate in the making or publication of any statement, which would libel, slander or disparage (whether or not such disparagement legally constitutes libel or slander) the Company or any of its subsidiaries, affiliates, officers, directors, agents, representatives or employees. The Company agrees that its directors and executive officers (as defined under Rule 3b-7 promulgated under the Securities Exchange Act of 1934) will not make or publish any statement (orally or in writing), that becomes or reasonably could be expected to become publicly known, or instigate, assist or participate in the making or publication of any statement, which would libel, slander or disparage (whether or not such disparagement legally constitutes libel or slander) you. Notwithstanding the foregoing, nothing herein shall preclude you, the Company, its directors or executive officers from complying with judicial process, law or governmental rule or regulation, or the rules and regulations of any stock exchange, or from responding to statements made by the other; provided that no statement by either the Company, its directors or executive officers or you that is made in the course of any legal proceeding in which the Company or any of its affiliates or you is a party, shall be deemed to violate any provision of this Agreement.

c. On the date on which your employment terminates, you agree to return to the Company all property or information, including, without limitation, all reports, files, memos, plans, lists, other records (whether electronically stored or not), keys, computers, phones and other equipment belonging to the Company or its affiliates; provided that you will be permitted to retain copies of documents relating to your personal entitlements, benefits, obligations and tax liabilities.

d. Following the termination of your employment, you agree to reasonably cooperate with the Company and its affiliates and their respective directors, officers, attorneys and experts, and take all actions the Company or its affiliates may reasonably request, with respect to any matter in which you were involved during your employment. Any cooperation requests will take into account your personal and business commitments, and you will be reimbursed for any reasonable expenses incurred in connection with such cooperation within thirty (30) days of providing an invoice to the Company.

4. Change of Control Agreement. The Company and you hereby agree that, on the date of termination of your employment, the Change of Control Agreement, dated May 9, 2008, by and between the Company and you shall terminate effective ninety-five (95) days prior to such date of termination.

5. General Provisions.

a. You acknowledge that you have not relied on any representations or statements not set forth in this Letter Agreement. You will not disclose the contents or substance of this Letter Agreement to anyone except your immediate family, your financial advisors or accountants and any tax, legal or other counsel that you have consulted regarding the meaning or effect hereof, and you will instruct each of the foregoing not to disclose the same; provided that you may disclose the contents or substance of this Letter Agreement to the extent required by law or by any court, arbitrator, or administrative or governmental body or to the extent appropriate in connection with any dispute over this Letter Agreement or otherwise involving you and the Company.

b. The invalidity or unenforceability of any provision of this Letter Agreement will not affect the validity or enforceability of any other provision. If any provision of this Letter Agreement is held invalid or unenforceable in part, the remaining portion of that provision, together with all other provisions of this Letter Agreement, will remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law. This Letter Agreement may be executed in several counterparts, each of which will be deemed an original, and the counterparts will constitute one and the same instrument.

c. This Letter Agreement will be governed by and construed and interpreted in accordance with the laws of the State of Delaware. Mandatory venue for any dispute regarding or related to this Letter Agreement shall be Harris County, Texas. This Letter Agreement (and the agreements, plans and programs referenced herein) constitute the entire agreement between you and the Company regarding the subject matter hereof and supersede any earlier agreement, written or oral, with respect thereto.

* * *

RELEASE AGREEMENT

1. This Release (the "Release Agreement") is being entered into by **R. Keith Teague** (the "Employee") and **Cheniere Energy, Inc.** (the "Company") in order to further the mutually desired terms and conditions set forth herein and as a condition to payment under the Cheniere Energy, Inc. 2015 Long-Term Cash Incentive Plan Phantom Award Agreement, dated April 21, 2015, by and between the Employee and the Company (the "Phantom Unit Award Agreement"). The term "Company" shall include Cheniere Energy, Inc., its present and former parents, trusts, plans, direct or indirect subsidiaries, affiliates and related companies or entities, regardless of its or their form of business organization.
2. The Employee's timely execution of this Release Agreement and non-revocation of the General Release and/or ADEA Release contained in Sections 3 and 5 herein is in partial consideration of the benefits under the Employee's Phantom Unit Award Agreement and to which the Employee agrees he is not entitled until and unless he executes this Release Agreement and does not revoke the General Release and/or ADEA Release.

The Company and the Employee acknowledge and agree that the Employee is entitled to certain payments and benefits in connection with the termination of his employment under the terms of the (i) Cheniere Energy, Inc. 2011 Incentive Plan Restricted Stock Grant dated August 9, 2012, by and between the Employee and the Company, (ii) Cheniere Energy, Inc. Long-Term Cash Award dated August 9, 2012, by and between the Employee and the Company and (iii) Cheniere Energy, Inc. 2011 Incentive Plan Restricted Stock Grant dated February 18, 2013, by and between the Employee and the Company (collectively, the "Awards"). This Release Agreement shall not affect the Employee's (i) rights under the Awards, (ii) other rights to accrued payments or benefits (including any rights to receive reimbursement for unreimbursed expenses), (iii) rights to indemnification and (iv) rights pursuant to directors and officers insurance, in each case, under any agreement with the Company, the Company by-laws or as required by law (these payments and benefits, the "Excluded Benefits"). For the avoidance of doubt, this Release Agreement shall not affect the Employee's rights in his capacity as a shareholder of the Company.

3. **General Release.** Except with respect to the Excluded Benefits, the Employee, on behalf of himself, his heirs, beneficiaries, personal representatives and assigns, hereby releases, acquits and forever discharges the Company, its present and former owners, officers, employees, shareholders, directors, partners, attorneys, agents and assignees, and all other persons, firms, partnerships, or corporations in control of, under the direction of, or in any way presently or formerly associated with the Company (each, a "Released Party" and collectively the "Released Parties"), of, from and against all claims, charges, complaints, liabilities, obligations, promises, agreements, contracts, damages, actions, causes of action, suits, accrued benefits or other liabilities of any kind or character, in law or in equity, whether known or unknown, foreseen or unforeseen, vested or contingent, matured or unmatured, suspected or unsuspected, that may now or hereafter at any time be made or brought against any Released Party, arising from or in any way connected with or related to his employment with the Company and/or his termination of employment with the Company, including, but not limited to, allegations of wrongful termination, discrimination, retaliation, breach of contract, anticipatory breach, fraud, conspiracy, promissory estoppel, retaliatory discharge, constructive discharge, discharge in violation of any law, statute, regulation or ordinance providing whistleblower protection, discharge in violation of public policy, intentional infliction of emotional distress, negligent infliction of emotional distress, defamation, harassment, sexual harassment, invasion of privacy, any action in tort or contract, any violation of any federal, state, or local law, including, but not limited to, any violation of Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000e *et seq.*, the Civil Rights Act of 1866, 42 U.S.C. § 1981, the Equal Pay Act, 29 U.S.C. § 206, the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001 *et seq.*, the Americans with Disabilities Act, 29 U.S.C. § 621, *et seq.*, the Family and Medical Leave Act, 29 U.S.C. § 2601 *et seq.*, the Fair Credit Reporting Act, 15 U.S.C. § 1681, *et seq.*, the Sarbanes-Oxley Act, 18 U.S.C. § 1514A *et seq.*, the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101-2109, the Texas Commission on Human Rights Act, Tex. Lab. Code § 21.001, *et seq.*, the Texas Workers' Compensation Act, Tex. Lab. Code §§ 451.001 - 451.003, the Texas Payday Act, Tex. Lab. Code § 61.011, *et seq.*, or any other employment or civil rights act, and any and all claims for severance pay, vacation pay, paid time off or benefits under any compensation, cash award, bonus, stock grant, equity grants or awards, or employee benefit plan, program, policy, contract, agreement, but excluding any claim for unemployment compensation, any claim for workers' compensation benefits; and any benefits which the Employee is entitled to receive under any Company plan that is a qualified plan under IRC §401(a) or is a
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group health plan subject to COBRA. COBRA continuation coverage is available to participants and their beneficiaries who participate in the Company's group health plan, to the extent the participant properly elects and pays for such COBRA continuation coverage. Excluded from the General Release in this Section 3 are claims arising under the Age Discrimination in Employment Act ("ADEA") and those claims which cannot be waived by law.

4. The Employee agrees not to commence any legal proceeding or lawsuit against any Released Party arising out of or based upon his employment with the Company or the termination of his employment with the Company. The Employee represents that he has not filed any charges, complaints, or other proceedings against the Company or any of the Released Parties that are presently pending with any federal, state, or local court or administrative or governmental agency. Notwithstanding this release of liability, nothing in this Agreement prevents the Employee from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC, NLRB or comparable state or local agency; however, the Employee understands and agrees that he is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC, NLRB or comparable state or local agency proceeding or subsequent legal actions.
5. **ADEA Release.** The Employee hereby completely and forever releases and irrevocably discharges the Company and the other Released Parties, as that term is defined in Section 3 above, from any and all liabilities, claims, actions, demands, and/or causes of action, arising under the ADEA on or before the date of this Agreement ("ADEA Release"), and hereby acknowledges and agrees that:
 - a. The Release Agreement, including the ADEA Release, was negotiated at arms-length;
 - b. The Release Agreement, including the ADEA Release, is worded in a manner that the Employee fully understands;
 - c. The Employee specifically waives any rights or claims under the ADEA;
 - d. The Employee knowingly and voluntarily agrees to all of the terms set forth in the Release Agreement, including the ADEA Release;
 - e. The Employee acknowledges and understands that any claims under the ADEA that may arise after the date of the Release Agreement are not waived;
 - f. The rights and claims waived in the Release Agreement, including the ADEA Release, are in exchange for consideration over and above anything to which the Employee was already undisputedly entitled;
 - g. The Employee has been and hereby is advised in writing to consult with an attorney prior to executing the Release Agreement, including the ADEA Release;
 - h. The Employee understands that he has been given a period of up to 21 days to consider the ADEA Release prior to executing it, although he may accept it at any time within those 21 days;
 - i. The Employee understands and agrees that any changes to Company's offer, whether material or immaterial, do not restart the running of the 21-day review period; and
 - j. The Employee understands that he has been given a period of seven (7) days from the date of the execution of the ADEA Release to revoke the ADEA Release, and understands and acknowledges that the ADEA Release will not become effective or enforceable until the revocation period has expired.

If the Employee elects to revoke his release of age discrimination claims, the revocation must be in writing and delivered and presented to **Katie Pipkin, Senior Vice President - Business Development & Communications, Cheniere Energy, Inc.** by 5:00 p.m., Central Standard Time, no later than the seventh day after the date on which he executes the Release Agreement.

The consideration cited above and the promises contained herein are made for the purpose of purchasing the peace of the Released Parties and are not to be construed as an admission of liability or as evidence of unlawful conduct by any Released Party, all liability being expressly denied.

6. The Employee voluntarily accepts the consideration cited herein, as sufficient payment for the full, final, and complete release stated herein, and agrees that no other promises or representations have been made to him by the Company or any other person purporting to act on behalf of the Company, except as expressly stated herein.
 7. The Employee understands that this is a full, complete, and final release of the Released Parties. As evidenced by the signature below, the Employee expressly promises and represents to the Company that he has completely read the Release Agreement and understands its terms, contents, conditions, and effects. The Employee represents that he has made no assignment or transfer of the claims covered by Sections 3 or 5 above.
 8. The Employee is advised to consult with an attorney prior to executing the Release Agreement. The Employee understands that he has the right to consult an attorney of his choice and has consulted with an attorney or has knowingly and voluntarily decided not to do so.
 9. The Employee states that he is not presently affected by any disability which would prevent him from knowingly and voluntarily granting the Release Agreement, and further states that the promises made herein are not made under duress, coercion, or undue influence and were not procured through fraud.
 10. The Employee acknowledges that the business and services of the Company are highly specialized and that the following information is not generally known, is highly confidential, and constitutes trade secrets: proprietary technical and business information relating to any Company plans, analyses, or strategies concerning international or domestic acquisitions, possible acquisitions, or new ventures; development plans or introduction plans for products or services; unannounced products or services; operation costs; pricing of products or services; research and development; personnel information (other than his own); manufacturing processes; installation, service, and distribution procedures and processes; customer lists; any know-how relating to the design, manufacture, and marketing of any of the Company's services and products, including components and parts thereof; non-public information acquired by the Company concerning the requirements and specifications of any of the Company's agents, vendors, contractors, customers, and potential customers; non-public financial information, business and marketing plans, pricing and price lists; non-public matters relating to employee benefit plans; quotations or proposals given to agents or customers or received from suppliers; documents relating to any of the Company's legal rights and obligations; the work product of any attorney employed by or retained by the Company; and any other information which is sufficiently secret to derive economic value from not being generally known (the "Confidential Information"). However, Confidential Information does not include information (A) that was or becomes generally available to the Employee on a non-confidential basis, if the source of this information was not reasonably known to the Employee to be bound by a duty of confidentiality, (B) that was or becomes generally available to the public, other than as a result of a disclosure by the Employee, directly or indirectly, that is not authorized by the Company or its affiliate, as applicable, or (C) that the Employee can establish was independently developed by the Employee without reference to any Confidential Information. The Employee acknowledges that he will maintain the confidential nature of all Confidential Information. The Employee further agrees to maintain in the strictest confidence and to not, directly or indirectly, intentionally or inadvertently, use, publish, or otherwise disclose to any person or entity whatsoever, any of the Company's Confidential Information or any confidential information belonging to any agent, joint venture, contractor, customer, vendor, or supplier of the Company regardless of its form, without the prior written explicit consent of the Company's Chief Executive Officer. The Employee shall take reasonable precautions to protect the inadvertent disclosure of information.
 11. The Employee acknowledges and agrees that any work product prepared, conceived, or developed by him during the term of his employment with the Company, including but not limited to all written documents and electronic data pertaining thereto, is and shall remain the exclusive property of the Company, and will be considered Confidential Information subject to the terms of this Release Agreement. The Employee agrees that when appropriate, and upon written request of the Company, he will acknowledge that his work product constitutes "works for hire" and will cooperate in the filing for patents or copyrights with regard to any or all such work product and will sign documentation necessary to evidence ownership of such work product in the Company.
 12. The Employee shall not make or publish any disparaging statements (whether written, electronic, or oral) regarding, or otherwise maligning the business reputation of, any Released Party. The Company, likewise, agrees that its Executive Officers and members of its Board of Directors will not make or publish any disparaging statements (whether written, electronic, or oral) regarding the Employee. In the event that the Company receives any requests for employment verification or references pertaining to the Employee's employment with the Company, the Company shall provide a neutral reference that includes only confirmation of the Employee's employment, dates of employment, and the job positions held. If requested, the Company will neither confirm nor deny any basis for the Employee's separation of employment.
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13. The Employee represents that he has returned to the Company, except to the extent such return is expressly excused by the Company in writing, all expense reports, notes, memoranda, records, documents, employment manuals, pass keys, computers, computer diskettes, office equipment, sales records and data, and all other information or property, no matter how produced, reproduced or maintained, kept by the Employee in his possession, used in or pertaining to the business of the Company, including but not limited to lists of customers, prices, marketing plans, Company operating manuals, and other Confidential Information obtained by the Employee in the course of his employment.
 14. Nothing in the Release Agreement shall be deemed to affect or relieve the Employee from any binding obligation contained in any agreement with the Company or any of the Released Parties related to the terms of his employment or separation therefrom, including, but not limited to, any confidentiality, non-solicitation, non-disclosure or other protective covenant, entered into between the Employee and the Company or any of the Released Parties, which covenants the Employee expressly reaffirms and re-acknowledges herein.
 15. Should any future dispute arise with respect to the Release Agreement, both parties agree that it should be resolved solely in accordance with the terms and provisions of this Release Agreement and the laws of the State of Texas. Any disputes between the parties concerning the Employee's employment with the Company and/or the Release Agreement shall be settled exclusively in Harris County, Texas.
 16. The Employee hereby waives all rights to recall reinstatement, employment, reemployment, and past or future wages from the Company. The Employee further agrees not to apply for employment with the Company. The Employee additionally represents, warrants and agrees that he has received full and timely payment of all wages, salary, overtime pay, commissions, bonuses, other compensation, remuneration and benefits that may have been due and payable by the Released Parties and that he has been appropriately paid for all time worked and in accordance with all incentive awards.
 17. The Employee expressly represents and warrants to the Company that he has completely read the Release Agreement prior to executing it, has had an opportunity to review it with his counsel and to consider the Release Agreement and to understand its terms, contents, conditions and effects and has entered into the Release Agreement knowingly and voluntarily.
 18. The Employee agrees that the terms and conditions of the Release Agreement, including without limitation the amount of money and other consideration, shall be treated as confidential, and shall not be revealed to any other person or entity whatsoever, except as follows:
 - a. to the extent as may be compelled by legal process;
or
 - b. to the extent necessary to the Employee's legal or financial advisors and provided that the Employee's instructs the foregoing not to disclose the same to anyone.
 19. The Employee agrees that the confidentiality provisions, including but not limited to those in Sections 10 and 11, of the Release Agreement are a material part of it and are contractual in nature.
 20. The Employee acknowledges that he may hereafter discover claims or facts in addition to or different than those which he now knows or believes to exist with respect to the subject matter of the release set forth above and which, if known or suspected at the time of entering into the Release Agreement, may have materially affected the Release Agreement and his decision to enter into it. Nevertheless, the Employee hereby waives any right, claim or cause of action that might arise as a result of such different or additional claims or facts.
 21. The Employee agrees that he will forfeit the amounts payable by the Company in respect of the Phantom Unit Award Agreement if he challenges the validity of the Release Agreement. The Employee also agrees that if he violates the Release Agreement by suing the Company or the other Released Parties on the claims released hereunder, the Employee will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by the Employee pursuant to the Release Agreement.
 22. Whenever possible, each provision of the Release Agreement shall be interpreted in such manner as to be effective and valid under applicable law; however, if any provision of the Release Agreement, other than Sections 3 and 5, shall be finally determined to be invalid or unenforceable under applicable law by a court of competent jurisdiction, that part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of said provision or the remaining provisions of this Release Agreement. If the Employee challenges the validity of the
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Release Agreement and Sections 3 and/or 5 are determined to be illegal, invalid, unconscionable, or unenforceable, the Company shall be entitled to the return of the amount paid to the Employee in respect of his Phantom Unit Award Agreement pursuant to Section 2 or, at the Company's sole option, to require the Employee to execute a new agreement that is enforceable.

/s/ R. Keith Teague

R. Keith Teague

Date: May 4, 2016

CHENIERE ENERGY, INC.

By: /s/ Neal A. Shear

Name: Neal A. Shear

Title: Interim Chief Executive Officer and President

Date: May 4, 2016

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

I, Neal A. Shear, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy, Inc.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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;
 - 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 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: May 5, 2016

/s/ Neal A. Shear

Neal A. Shear
Interim Chief Executive Officer

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

I, Michael J. Wortley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy, Inc.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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;
 - 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 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: May 5, 2016

/s/ Michael J. Wortley

Michael J. Wortley
Chief Financial Officer

**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, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neal A. Shear, Interim Chief Executive Officer of the Company, 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 Company.

Date: May 5, 2016

/s/ Neal A. Shear

Neal A. Shear
Interim Chief Executive Officer

**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, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Wortley, Chief Financial Officer of the Company, 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 Company.

Date: May 5, 2016

/s/ Michael J. Wortley

Michael J. Wortley
Chief Financial Officer