

CHENIERE ENERGY INC
Form 10-Q
July 31, 2014

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 June 30, 2014
OR

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

For the transition period from _____ to _____
Commission File No. 001-16383
CHENIERE ENERGY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

700 Milam Street, Suite 800
Houston, Texas
(Address of principal executive offices)
(713) 375-5000

77002
(Zip code)

(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

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238,084,517 shares of the registrant's Common Stock, \$0.003 par value, were issued and outstanding as of July 17, 2014.

CHENIERE ENERGY, INC.
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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$889,887	\$960,842
Restricted cash and cash equivalents	670,659	598,064
Accounts and interest receivable	4,175	4,486
LNG inventory	5,800	10,563
Prepaid expenses and other	20,963	17,225
Total current assets	1,591,484	1,591,180
Non-current restricted cash and cash equivalents		
Property, plant and equipment, net	1,855,769	1,031,399
Debt issuance costs, net	7,933,868	6,454,399
Non-current derivative assets	259,716	313,944
Goodwill	20,236	98,123
Other	76,819	76,819
Total assets	121,403	107,373
	\$11,859,295	\$9,673,237
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$30,205	\$10,367
Accrued liabilities	320,918	186,552
Deferred revenue	26,639	26,593
Other	13,121	13,499
Total current liabilities	390,883	237,011
Long-term debt, net		
Long-term deferred revenue	8,987,850	6,576,273
Other non-current liabilities	15,500	17,500
	4,105	2,396
Commitments and contingencies		
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 June 30, 2014 and December 31, 2013		
Issued and outstanding: 238.1 million shares at June 30, 2014 and December 31, 2013	715	716
Treasury stock: 9.2 million shares and 9.0 million shares at June 30, 2014 and December 31, 2013, respectively, at cost	(189,646) (179,826)

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Additional paid-in-capital	2,533,119	2,459,699
Accumulated deficit	(2,400,645)	(2,100,907)
Total stockholders' equity	(56,457)	179,682
Non-controlling interest	2,517,414	2,660,375
Total equity	2,460,957	2,840,057
Total liabilities and equity	\$11,859,295	\$9,673,237

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
LNG terminal revenues	\$66,841	\$66,426	\$133,260	\$132,487
Marketing and trading revenues (losses)	324	416	981	(149)
Other	480	335	954	745
Total revenues	67,645	67,177	135,195	133,083
Operating costs and expenses				
General and administrative expense	67,720	135,076	141,528	220,875
Depreciation	17,298	15,173	32,773	30,286
LNG terminal operating expense	29,409	31,068	43,096	46,327
LNG terminal development expense	15,263	22,081	27,375	39,168
Other	90	57	170	159
Total operating costs and expenses	129,780	203,455	244,942	336,815
Loss from operations	(62,135)	(136,278)	(109,747)	(203,732)
Other income (expense)				
Interest expense, net	(43,789)	(42,016)	(84,059)	(82,278)
Loss on early extinguishment of debt	(114,335)	(80,510)	(114,335)	(80,510)
Derivative gain (loss), net	(60,178)	95,509	(94,859)	78,041
Other income (expense)	(189)	413	121	889
Total other expense	(218,491)	(26,604)	(293,132)	(83,858)
Loss before income taxes and non-controlling interest	(280,626)	(162,882)	(402,879)	(287,590)
Income tax provision	(84)	(1,022)	(176)	(942)
Net loss	(280,710)	(163,904)	(403,055)	(288,532)
Less: net loss attributable to non-controlling interest	(78,782)	(9,140)	(103,317)	(16,664)
Net loss attributable to common stockholders	\$(201,928)	\$(154,764)	\$(299,738)	\$(271,868)
Net loss per share attributable to common stockholders—basic and diluted	\$(0.90)	\$(0.71)	\$(1.34)	\$(1.26)
Weighted average number of common shares outstanding—basic and diluted	223,602	217,397	223,406	216,520

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net loss	\$(280,710)	\$(163,904)	\$(403,055)	\$(288,532)
Other comprehensive income (loss)				
Loss on settlements of interest rate cash flow hedges retained in other comprehensive income	—	—	—	(30)
Change in fair value of interest rate cash flow hedges	—	—	—	21,297
Losses reclassified into earnings as a result of discontinuance of cash flow hedge accounting	—	5,973	—	5,973
Foreign currency translation	—	16	—	(24)
Total other comprehensive income	—	5,989	—	27,216
Comprehensive loss	(280,710)	(157,915)	(403,055)	(261,316)
Less: comprehensive loss attributable to non-controlling interest	(78,782)	(7,788)	(103,317)	(14,632)
Comprehensive loss attributable to common stockholders	\$(201,928)	\$(150,127)	\$(299,738)	\$(246,684)

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

(unaudited)

	Total Stockholders' Equity		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss		Non- controlling Interest	Total Equity
	Common Stock Shares	Amount	Shares	Amount						
Balance—December 31, 2013	238,091	\$ 716	8,970	\$(179,826)	\$2,459,699	\$(2,100,907)	\$ —	\$2,660,375		\$2,840,057
Exercise of stock options	270	1	—	—	7,016	—	—	—		7,017
Issuances of restricted stock	446	1	—	—	(1)	—	—	—		—
Forfeitures of restricted stock	(554)	(2)	60	—	2	—	—	—		—
Stock-based compensation	—	—	—	—	66,317	—	—	—		66,317
Shares repurchased related to stock-based compensation	(190)	(1)	190	(9,820)	1	—	—	—		(9,820)
Excess tax benefit from stock-based compensation	—	—	—	—	85	—	—	—		85
Loss attributable to non-controlling interest	—	—	—	—	—	—	—	(103,317)		(103,317)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(39,644)		(39,644)
Net loss	—	—	—	—	—	(299,738)	—	—		(299,738)
Balance—June 30, 2014	238,063	\$ 715	9,220	\$(189,646)	\$2,533,119	\$(2,400,645)	\$ —	\$2,517,414		\$2,460,957

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended	
	June 30,	
	2014	2013
Cash flows from operating activities		
Net loss attributable to common stockholders	\$(299,738)	\$(271,868)
Adjustments to reconcile net loss to net cash used in operating activities:		
Use of restricted cash and cash equivalents for certain operating activities	82,927	55,842
Loss on early extinguishment of debt	114,335	80,510
Depreciation	32,773	30,286
Amortization of debt issuance costs and discount	5,639	4,943
Stock-based compensation	62,013	176,123
Non-cash LNG inventory write-downs	14,978	13,599
Total (gains) losses on derivatives, net	94,859	(77,760)
Net cash from settlement of derivative instruments	(17,437)	(175)
Net loss attributable to non-controlling interest	(103,317)	(16,664)
Other	(1,826)	(2,021)
Changes in operating assets and liabilities:		
Accounts and interest receivable	461	(23,250)
Accounts payable and accrued liabilities	22,856	25,173
LNG inventory	(14,376)	(12,310)
Deferred revenue	(1,955)	(1,955)
Prepaid expenses and other	(3,533)	(2,316)
Net cash used in operating activities	(11,341)	(21,843)
Cash flows from investing activities		
Property, plant and equipment, net	(1,352,400)	(1,272,701)
Use of restricted cash and cash equivalents for the acquisition of property, plant and equipment	1,303,011	1,580,268
Investment in Cheniere Partners	—	(11,122)
Other	(5,894)	(7,479)
Net cash provided by (used in) investing activities	(55,283)	288,966
Cash flows from financing activities		
Proceeds from issuances of long-term debt	2,584,500	3,504,478
Proceeds from sale of common units by Cheniere Partners	—	364,795
Investment in restricted cash and cash equivalents	(2,282,903)	(3,520,638)
Debt issuance and deferred financing costs	(85,367)	(228,882)
Distributions and dividends to non-controlling interest	(39,644)	(30,872)
Repayments of long-term debt	(177,000)	(100,000)
Payments related to tax withholdings for stock-based compensation	(9,218)	(71,913)
Proceeds from exercise of stock options	6,265	—
Other	(964)	11,119
Net cash used in financing activities	(4,331)	(71,913)
Net increase (decrease) in cash and cash equivalents	(70,955)	195,210

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Cash and cash equivalents—beginning of period	960,842	201,711
Cash and cash equivalents—end of period	\$889,887	\$396,921

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

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

NOTE 1—BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements of Cheniere Energy, Inc. have been prepared in accordance with generally accepted accounting principles in the United States of America (“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, results of operations or cash flows. Unless the context requires otherwise, references to the “Company,” “Cheniere,” “we,” “us” and “our” refer to Cheniere Energy, Inc. and its consolidated subsidiaries including our publicly traded subsidiaries, Cheniere Energy Partners, L.P. (“Cheniere Partners”) (NYSE MKT: CQP) and Cheniere Energy Partners LP Holdings, LLC (“Cheniere Holdings”) (NYSE MKT: CQH).

Results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2014.

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, 2013.

NOTE 2—RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist 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 and cash equivalents include the following:

Sabine Pass LNG, L.P. (“Sabine Pass LNG”) Senior Notes Debt Service Reserve

Sabine Pass LNG has consummated private offerings of an aggregate principal amount of \$1,665.5 million, before discount, of 7.50% Senior Secured Notes due 2016 (the “2016 Sabine Pass LNG Senior Notes”) and \$420.0 million of 6.50% Senior Secured Notes due 2020 (the “2020 Sabine Pass LNG Senior Notes”). See Note 7—“Long-Term Debt.” Collectively, the 2016 Sabine Pass LNG Senior Notes and the 2020 Sabine Pass LNG Senior Notes are referred to as the “Sabine Pass LNG Senior Notes.” Under the indentures governing the Sabine Pass LNG Senior Notes (the “Sabine Pass LNG Indentures”), except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied, including: (i) 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 (ii) 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 Sabine Pass LNG Indentures.

As of both June 30, 2014 and December 31, 2013, we classified \$15.0 million as current restricted cash and cash equivalents for the payment of current interest due. As of both June 30, 2014 and December 31, 2013, we classified the permanent debt service reserve fund of \$76.1 million as non-current restricted cash and cash equivalents. These cash accounts are controlled by a collateral trustee and, therefore, are shown as restricted cash and cash equivalents on our Consolidated Balance Sheets.

Sabine Pass Liquefaction, LLC (“Sabine Pass Liquefaction”) Reserve

In July 2012, Sabine Pass Liquefaction entered into a construction/term loan facility in an amount up to \$3.6 billion (the “2012 Liquefaction Credit Facility”). During 2013, Sabine Pass Liquefaction entered into four credit facilities aggregating \$5.9 billion (collectively, the “2013 Liquefaction Credit Facilities”), which amended and restated the 2012 Liquefaction Credit Facility. Under the terms and conditions of the 2012 Liquefaction Credit Facility Sabine Pass Liquefaction was required, and under the 2013 Liquefaction Credit Facilities Sabine Pass Liquefaction is required, to deposit all cash received into reserve accounts controlled by a collateral trustee. Therefore, all of Sabine Pass Liquefaction’s cash and cash equivalents are shown as restricted cash and cash equivalents on our Consolidated Balance Sheets.

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

During 2013, Sabine Pass Liquefaction issued an aggregate principal amount of \$2.0 billion, before premium, of 5.625% Senior Secured Notes due 2021 (the “2021 Sabine Pass Liquefaction Senior Notes”), \$1.0 billion of 6.25% Senior Secured Notes due 2022 (the “2022 Sabine Pass Liquefaction Senior Notes”) and \$1.0 billion of 5.625% Senior Secured Notes due 2023 (the “2023 Sabine Pass Liquefaction Senior Notes”). During 2014, Sabine Pass Liquefaction issued an aggregate principal amount of \$2.0 billion of 5.75% Senior Secured Notes due 2024 (the “2024 Sabine Pass Liquefaction Senior Notes” and collectively with the 2021 Sabine Pass Liquefaction Senior Notes, the 2022 Sabine Pass Liquefaction Senior Notes and the 2023 Sabine Pass Liquefaction Senior Notes, the “Sabine Pass Liquefaction Senior Notes”) and additional 2023 Sabine Pass Liquefaction Senior Notes (the “Additional 2023 Sabine Pass Liquefaction Senior Notes”) in an aggregate principal amount of \$0.5 billion, before premium.

As of June 30, 2014 and December 31, 2013, we classified \$312.4 million and \$192.1 million, respectively, as current restricted cash and cash equivalents held by Sabine Pass Liquefaction for the payment of current liabilities related to the development and construction of natural gas liquefaction facilities at the Sabine Pass LNG terminal adjacent to the existing regasification facilities (the “Sabine Pass Liquefaction Project”) and \$1,752.3 million and \$867.6 million, respectively, as non-current restricted cash and cash equivalents held by Sabine Pass Liquefaction for future Sabine Pass Liquefaction Project construction costs.

Cheniere Creole Trail Pipeline, L.P. (“CTPL”) Reserve

In May 2013, CTPL entered into a \$400.0 million term loan facility (the “CTPL Credit Facility”). As of June 30, 2014 and December 31, 2013, we classified \$30.4 million and \$20.5 million, respectively, as current restricted cash and cash equivalents held by CTPL for the payment of current liabilities and \$21.0 million and \$81.4 million, respectively, as non-current restricted cash and cash equivalents held by CTPL because such funds may only be used for modifications of the 94-mile Creole Trail Pipeline, which interconnects the Sabine Pass LNG terminal with a number of large interstate pipelines, in order to enable bi-directional natural gas flow and for the payment of interest during construction of such modifications.

Other Restricted Cash and Cash Equivalents

As of June 30, 2014 and December 31, 2013, \$307.5 million and \$351.0 million, respectively, of cash and cash equivalents were held by Sabine Pass LNG and Cheniere Partners that were restricted to Cheniere. In addition, as of June 30, 2014 and December 31, 2013, \$5.4 million and \$19.4 million, respectively, had been classified as current restricted cash and cash equivalents, and as of both June 30, 2014 and December 31, 2013, \$6.3 million had been classified as non-current restricted cash and cash equivalents on our Consolidated Balance Sheets due to various other contractual restrictions.

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

NOTE 3—PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2014	December 31, 2013
LNG terminal costs		
LNG terminal	\$2,248,055	\$2,234,796
LNG terminal construction-in-process	5,943,211	4,489,668
LNG site and related costs, net	6,507	6,511
Accumulated depreciation	(320,441)	(292,434)
Total LNG terminal costs, net	7,877,332	6,438,541
Fixed assets and other		
Computer and office equipment	4,242	8,115
Furniture and fixtures	5,306	4,319
Computer software	12,212	13,504
Leasehold improvements	7,242	7,303
Other	55,276	15,388
Accumulated depreciation	(27,742)	(32,771)
Total fixed assets and other, net	56,536	15,858
Property, plant and equipment, net	\$7,933,868	\$6,454,399

NOTE 4—NON-CONTROLLING INTEREST

Because we have a controlling interest in Cheniere Holdings and Cheniere Partners, these entities' financial statements are consolidated in our Consolidated Financial Statements and these entities' other equity is recorded as a non-controlling interest. The following table sets forth the changes of our non-controlling interest balance attributable to third-party investors' interests during the six months ended June 30, 2014 (in thousands):

Non-controlling interest at December 31, 2013	\$2,660,375
Distributions to Cheniere Partners' non-controlling interest	(38,350)
Dividends to Cheniere Holdings' non-controlling interest	(1,294)
Net loss attributable to non-controlling interest	(103,317)
Non-controlling interest at June 30, 2014	\$2,517,414

NOTE 5—VARIABLE INTEREST ENTITY

Cheniere Partners

Cheniere Partners is a master limited partnership formed by us to own and operate the Sabine Pass LNG terminal and related assets. Cheniere Holdings is a limited liability company formed by us to hold our Cheniere Partners limited partner interests. As of June 30, 2014, we indirectly owned a 47.2% limited partner interest in Cheniere Partners through our interest in Cheniere Holdings in the form of 11,963,488 common units, 45,333,334 Class B units and 135,383,831 subordinated units. We also indirectly own a 2% general partner interest and the incentive distribution rights in Cheniere Partners.

Cheniere Energy Partners GP, LLC (“Cheniere Partners GP”), our wholly owned subsidiary, is the general partner of Cheniere Partners. In May 2012, Cheniere Partners, Cheniere and Blackstone CQP Holdco LP (“Blackstone”) entered into a unit purchase agreement (the “Blackstone Unit Purchase Agreement”) whereby Cheniere Partners agreed to sell to Blackstone in a private placement 100.0 million Class B units of Cheniere Partners (“Class B units”) at a price of \$15.00 per Class B unit. In August 2012, all conditions to funding were met and Blackstone purchased its initial 33.3 million Class B units, and as of December 31, 2012, Blackstone had purchased the remaining 66.7 million Class B units. At initial funding, the board of directors of Cheniere Partners GP was modified to include three directors appointed by Blackstone, four directors appointed by us and four independent directors mutually agreed upon by Blackstone and us and appointed by us. In addition, we provided Blackstone with a right to

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

maintain one board seat on our board of directors. A quorum of Cheniere Partners GP directors consists of a majority of all directors, including at least two directors appointed by Blackstone, two directors appointed by us and two independent directors. Blackstone will no longer be entitled to appoint Cheniere Partners GP directors in the event that Blackstone's ownership in Cheniere Partners is less than: (i) 20% of outstanding common units, subordinated units and Class B units, and (ii) 50.0 million Class B units.

As a result of contractual changes in the governance of Cheniere Partners GP in connection with the Blackstone Unit Purchase Agreement, we have determined that Cheniere Partners GP is a variable interest entity and that we, as the holder of the equity at risk, do not have a controlling financial interest due to the rights held by Blackstone. However, we continue to consolidate Cheniere Partners as a result of Blackstone's right to maintain one board seat on our board of directors which creates a de facto agency relationship between Blackstone and us. GAAP requires that when a de facto agency relationship exists, one of the members of the de facto agency relationship must consolidate the variable interest entity based on certain criteria. As a result, we consolidate Cheniere Partners in our consolidated financial statements.

NOTE 6—ACCRUED LIABILITIES

As of June 30, 2014 and December 31, 2013, accrued liabilities consisted of the following (in thousands):

	June 30, 2014	December 31, 2013
Accrued interest expense and related fees	\$111,851	\$80,151
Payroll	30,415	7,410
LNG liquefaction costs	168,384	83,651
LNG terminal costs	1,065	1,612
Other accrued liabilities	9,203	13,728
Total accrued liabilities	\$320,918	\$186,552

NOTE 7—LONG-TERM DEBT

As of June 30, 2014 and December 31, 2013, our long-term debt consisted of the following (in thousands):

	June 30, 2014	December 31, 2013
Long-term debt		
2016 Sabine Pass LNG Senior Notes	\$1,665,500	\$1,665,500
2020 Sabine Pass LNG Senior Notes	420,000	420,000
2021 Sabine Pass Liquefaction Senior Notes	2,000,000	2,000,000
2022 Sabine Pass Liquefaction Senior Notes	1,000,000	1,000,000
2023 Sabine Pass Liquefaction Senior Notes	1,500,000	1,000,000
2024 Sabine Pass Liquefaction Senior Notes	2,000,000	—
2013 Liquefaction Credit Facilities	—	100,000
CTPL Credit Facility	400,000	400,000
Total long-term debt	8,985,500	6,585,500
Long-term debt premium (discount)		
2016 Sabine Pass LNG Senior Notes	(11,345) (13,693
2021 Sabine Pass Liquefaction Senior Notes	10,879	11,562

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2023 Sabine Pass Liquefaction Senior Notes	7,423	—
CTPL Credit Facility	(4,607) (7,096
Total long-term debt, net	\$8,987,850	\$6,576,273

For the three months ended June 30, 2014 and 2013, we incurred \$140.4 million and \$101.4 million of total interest cost, respectively, of which we capitalized and deferred \$96.6 million and \$59.4 million, respectively. For the six months ended June 30, 2014 and 2013, we incurred \$269.0 million and \$177.0 million of total interest cost, respectively, of which we capitalized and

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

deferred \$184.9 million and \$94.7 million, respectively, of interest expense related to the construction of Trains 1 through 4 of the Sabine Pass Liquefaction Project.

Sabine Pass LNG Senior Notes

As of both June 30, 2014 and December 31, 2013, Sabine Pass LNG had an aggregate principal amount of \$1,665.5 million, before discount, of the 2016 Sabine Pass LNG Senior Notes and \$420.0 million of the 2020 Sabine Pass LNG Senior Notes outstanding. Borrowings under the 2016 Sabine Pass LNG Senior Notes and 2020 Sabine Pass LNG Senior Notes bear interest at a fixed rate of 7.50% and 6.50%, respectively. The terms of the 2016 Sabine Pass LNG Senior Notes and the 2020 Sabine Pass LNG Senior Notes are substantially similar. Interest on the Sabine Pass LNG Senior Notes is payable semi-annually in arrears. Subject to permitted liens, the Sabine Pass LNG Senior Notes are secured on a first-priority basis by a security interest in all of Sabine Pass LNG's equity interests and substantially all of its operating assets.

Sabine Pass LNG may redeem all or part of the 2016 Sabine Pass LNG Senior Notes at any time, and from time to 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 Sabine Pass LNG Senior Notes; or the excess of: a) the present value at such redemption date of (i) the redemption price of the 2016 Sabine Pass LNG Senior Notes plus (ii) all required interest payments due on the 2016 Sabine Pass LNG 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 b) the principal amount of the 2016 Sabine Pass LNG Senior Notes, if greater.

Sabine Pass LNG may redeem all or part of the 2020 Sabine Pass LNG Senior Notes at any time on or after November 1, 2016, at fixed redemption prices specified in the indenture governing the 2020 Sabine Pass LNG Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass LNG may also, at its option, redeem all or part of the 2020 Sabine Pass LNG Senior Notes at any time prior to November 1, 2016, at a "make-whole" price set forth in the indenture governing the 2020 Sabine Pass LNG Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption. At any time before November 1, 2015, Sabine Pass LNG may redeem up to 35% of the aggregate principal amount of the 2020 Sabine Pass LNG Senior Notes at a redemption price of 106.5% of the principal amount of the 2020 Sabine Pass LNG Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, in an amount not to exceed the net proceeds of one or more completed equity offerings as long as Sabine Pass LNG redeems the 2020 Sabine Pass LNG Senior Notes within 180 days of the closing date for such equity offering and at least 65% of the aggregate principal amount of the 2020 Sabine Pass LNG Senior Notes originally issued remains outstanding after the redemption.

Under the Sabine Pass LNG Indentures, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied as described in Note 2—"Restricted Cash and Cash Equivalents." During the six months ended June 30, 2014 and 2013, Sabine Pass LNG made distributions of \$173.0 million and \$149.1 million, respectively, after satisfying all the applicable conditions in the Sabine Pass LNG Indentures.

Sabine Pass Liquefaction Senior Notes

In February 2013 and April 2013, Sabine Pass Liquefaction issued an aggregate principal amount of \$2.0 billion, before premium, of the 2021 Sabine Pass Liquefaction Senior Notes. In April 2013 and May 2014, Sabine Pass Liquefaction issued an aggregate principal amount of \$1.5 billion, before premium, of the 2023 Sabine Pass Liquefaction Senior Notes. Borrowings under the 2021 Sabine Pass Liquefaction Senior Notes and 2023 Sabine Pass Liquefaction Senior Notes bear interest at a fixed rate of 5.625%. In November 2013, Sabine Pass Liquefaction issued an aggregate principal amount of \$1.0 billion of the 2022 Sabine Pass Liquefaction Senior Notes. Borrowings under

the 2022 Sabine Pass Liquefaction Senior Notes bear interest at a fixed rate of 6.25%. In May 2014, Sabine Pass Liquefaction issued an aggregate principal amount of \$2.0 billion of the 2024 Sabine Pass Liquefaction Senior Notes. Borrowings under the 2024 Sabine Pass Liquefaction Senior Notes bear interest at a fixed rate of 5.75%. Interest on the Sabine Pass Liquefaction Senior Notes is payable semi-annually in arrears.

The terms of the 2021 Sabine Pass Liquefaction Senior Notes, the 2022 Sabine Pass Liquefaction Senior Notes, the 2023 Sabine Pass Liquefaction Senior Notes and the 2024 Sabine Pass Liquefaction Senior Notes are governed by a common indenture (the "Sabine Pass Liquefaction Indenture"). The Sabine Pass Liquefaction Indenture contains customary terms and events of

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default and certain covenants that, among other things, limit Sabine Pass Liquefaction's ability and the ability of Sabine Pass Liquefaction's restricted subsidiaries to incur additional indebtedness or issue preferred stock, make certain investments or pay dividends or distributions on capital stock or subordinated indebtedness or purchase, redeem or retire capital stock, sell or transfer assets, including capital stock of Sabine Pass Liquefaction's restricted subsidiaries, restrict dividends or other payments by restricted subsidiaries, incur liens, enter into transactions with affiliates, consolidate, merge, sell or lease all or substantially all of Sabine Pass Liquefaction's assets and enter into certain LNG sales contracts. Subject to permitted liens, the Sabine Pass Liquefaction Senior Notes are secured on a pari passu first-priority basis by a security interest in all of the membership interests in Sabine Pass Liquefaction and substantially all of Sabine Pass Liquefaction's assets. Sabine Pass Liquefaction may not make any distributions until, among other requirements, substantial completion of Trains 1 and 2 has occurred, deposits are made into debt service reserve accounts and a debt service coverage ratio for the prior 12-month period and a projected debt service coverage ratio for the upcoming 12-month period of 1.25:1.00 are satisfied.

At any time prior to November 1, 2020, with respect to the 2021 Sabine Pass Liquefaction Senior Notes; December 15, 2021, with respect to the 2022 Sabine Pass Liquefaction Senior Notes; January 15, 2023, with respect to the 2023 Sabine Pass Liquefaction Senior Notes; or February 15, 2024 with respect to the 2024 Sabine Pass Liquefaction Senior Notes, Sabine Pass Liquefaction may redeem all or part of such series of the Sabine Pass Liquefaction Senior Notes at a redemption price equal to the "make-whole" price set forth in the Sabine Pass Liquefaction Indenture, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass Liquefaction may also at any time on or after November 1, 2020, with respect to the 2021 Sabine Pass Liquefaction Senior Notes; December 15, 2021, with respect to the 2022 Sabine Pass Liquefaction Senior Notes; January 15, 2023, with respect to the 2023 Sabine Pass Liquefaction Senior Notes; or February 15, 2024, with respect to the 2024 Sabine Pass Liquefaction Senior Notes, redeem all or part of such series of the Sabine Pass Liquefaction Senior Notes at a redemption price equal to 100% of the principal amount of such series of the Sabine Pass Liquefaction Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

In connection with the issuance of the 2022 Sabine Pass Liquefaction Senior Notes, the 2024 Sabine Pass Liquefaction Senior Notes and the Additional 2023 Sabine Pass Liquefaction Senior Notes, Sabine Pass Liquefaction entered into registration rights agreements (the "Liquefaction Registration Rights Agreements"). Under the Liquefaction Registration Rights Agreements, Sabine Pass Liquefaction has agreed to use commercially reasonable efforts to file with the Securities and Exchange Commission ("SEC") and cause to become effective registration statements relating to offers to exchange the 2022 Sabine Pass Liquefaction Senior Notes, the 2024 Sabine Pass Liquefaction Senior Notes and the Additional 2023 Sabine Pass Liquefaction Senior Notes for like aggregate principal amounts of SEC-registered notes with terms identical in all material respects to the 2022 Sabine Pass Liquefaction Senior Notes, the 2024 Sabine Pass Liquefaction Senior Notes and the Additional 2023 Sabine Pass Liquefaction Senior Notes (other than with respect to restrictions on transfer or to any increase in annual interest rate), respectively, within 360 days after November 25, 2013 and May 20, 2014, as applicable. Under specified circumstances, Sabine Pass Liquefaction may be required to file shelf registration statements to cover resales of the Sabine Pass Liquefaction Senior Notes. If Sabine Pass Liquefaction fails to satisfy these obligations, Sabine Pass Liquefaction may be required to pay additional interest to holders of the 2022 Sabine Pass Liquefaction Senior Notes, the 2024 Sabine Pass Liquefaction Senior Notes and the Additional 2023 Sabine Pass Liquefaction Senior Notes under certain circumstances.

2013 Liquefaction Credit Facilities

In May 2013, Sabine Pass Liquefaction entered into the 2013 Liquefaction Credit Facilities aggregating \$5.9 billion. The 2013 Liquefaction Credit Facilities are being used to fund a portion of the costs of developing, constructing and placing into operation the first four Trains of the Sabine Pass Liquefaction Project. The 2013 Liquefaction Credit Facilities will mature on the earlier of May 28, 2020 or the second anniversary of the completion date of the first four Trains of the Sabine Pass Liquefaction Project, as defined in the 2013 Liquefaction Credit Facilities. Borrowings under the 2013 Liquefaction Credit Facilities may be refinanced, in whole or in part, at any time without premium or penalty, except for interest rate hedging and interest rate breakage costs. Sabine Pass Liquefaction made an initial \$100.0 million borrowing under the 2013 Liquefaction Credit Facilities in June 2013 after meeting the required conditions precedent, and in May 2014, Sabine Pass Liquefaction repaid its borrowings under the 2013 Liquefaction Credit Facilities upon the issuance of the Additional 2023 Sabine Pass Liquefaction Senior Notes and the 2024 Sabine Pass Liquefaction Senior Notes. As of June 30, 2014 and December 31, 2013, Sabine Pass Liquefaction had \$2.7 billion and \$4.9 billion, respectively, of available commitments under the 2013 Liquefaction Credit Facilities.

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Borrowings under the 2013 Liquefaction Credit Facilities bear interest at a variable rate per annum equal to, at Sabine Pass Liquefaction's election, the London Interbank Offered Rate ("LIBOR") or the base rate, plus the applicable margin. The applicable margins for LIBOR loans range from 2.3% to 3.0% prior to the completion of Train 4 and from 2.3% to 3.25% after such completion, depending on the applicable 2013 Liquefaction Credit Facility. Interest on LIBOR loans is due and payable at the end of each LIBOR period. The 2013 Liquefaction Credit Facilities required Sabine Pass Liquefaction to pay certain up-front fees to the agents and lenders in the aggregate amount of approximately \$144 million and provide for a commitment fee calculated at a rate per annum equal to 40% of the applicable margin for LIBOR loans, multiplied by the average daily amount of the undrawn commitment due quarterly in arrears. Annual administrative fees must also be paid to the agent and the trustee. The principal of the loans made under the 2013 Liquefaction Credit Facilities must be repaid in quarterly installments, commencing with the earlier of the last day of the first full calendar quarter after the Train 4 completion date, as defined in the 2013 Liquefaction Credit Facilities, or September 30, 2018. Scheduled repayments are based upon an 18-year amortization profile, with the remaining balance due upon the maturity of the 2013 Liquefaction Credit Facilities. Under the terms and conditions of the 2013 Liquefaction Credit Facilities, all cash held by Sabine Pass Liquefaction is controlled by a collateral agent. These funds can only be released by the collateral agent upon satisfaction of certain terms and conditions related to the use of proceeds, and are classified as restricted on our Consolidated Balance Sheets.

The 2013 Liquefaction Credit Facilities contain conditions precedent for any subsequent borrowings, as well as customary affirmative and negative covenants. The obligations of Sabine Pass Liquefaction under the 2013 Liquefaction Credit Facilities are secured by substantially all of the assets of Sabine Pass Liquefaction as well as all of the membership interests in Sabine Pass Liquefaction on a pari passu basis with the Sabine Pass Liquefaction Senior Notes.

Under the terms of the 2013 Liquefaction Credit Facilities, Sabine Pass Liquefaction is required to hedge not less than 75% 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. See Note 8— "Financial Instruments."

In November 2013, Sabine Pass Liquefaction issued the 2022 Sabine Pass Liquefaction Senior Notes, and a portion of the available commitments under the 2013 Liquefaction Credit Facilities was terminated. Net proceeds from the offering of approximately \$978 million are being used to pay a portion of the capital costs in connection with the construction of the first four Trains of the Sabine Pass Liquefaction Project in lieu of the terminated portion of the commitments under the 2013 Liquefaction Credit Facilities. The 2022 Sabine Pass Liquefaction Senior Notes are pari passu in right of payment with all existing and fut